NEWS ITEMS ON CAG/ AUDIT REPORTS (19.10.2022)

1. 'Drugs Are Being Ordered over Dark Web, Payments Made in Crypto Currency': Amicus to Supreme Court *(livelaw.in)* Updated: October 18, 2022

Supreme Court bench comprising Chief Justice of India U.U. Lalit and Justice Bela M. Trivedi sought Union's response in a suo motu PIL taken on the basis of a letter petition sent to the then CJI NV Ramana regarding drug mafia in the country. In the last hearing, the court had appointed Advocate Shoeb Alam as amicus curiae and had issued notice to Senior Advocate Aishwarya Bhati, Additional Solicitor General of India.

At the outset, CJI Lalit asked ASG Senior Advocate Aishwarya Bhati and Advocate Shoeb Alam for ideas which could be passed in form of directions by the court to tackle the problem of drug mafia in the country.

ASG Bhati submitted–
"I have had a detailed discussion with the officers. This matter is now being investigated by the DRI on one hand and NIA also, for the Nagpur terror angle of this...I have also taken instructions on what is the mechanism that is available to stop the loopholes. On these two aspects, we will file affidavits. After that I'll sit with my colleague (Shoeb Alam)"

On the other hand Advocate Alam submitted before the court a 900 paged compilation comprising of reports from the Nagpur Drug Control Bureau, CAG and the United Nations' Office on Drugs and Crime concerning drug in-flow in India. He stated–

"This is a matter of demand and supply. So there is a demand and there is a sizeable population addicted to it...About 30,000 crores worth of drugs have been seized in the last one year, 13 months. This is only the tip of the iceberg. The issue is massive. Post covid, there is a huge turn in the manner in which drugs are coming into India. Youth are also involved in using drugs...There is a dark web on internet. Drugs are being ordered over the dark web, payments are being made in alternate crypto currency and deliveries are being made by couriers. There has been a three-time increase in recovery from courier or postal services...The nature of drugs which are being recovered is different. There are new drugs. Steps are to be taken on multifarious grounds. According to the CAG report, 70% drugs enter through coastal maritimes. The patrolling report is disenchanting."

Noting the enormity of the problem as per the documents submitted by Advocate Alam, the bench granted three weeks time to the union to file a response. CJI Lalit stated–

"Ms. Bhati has submitted that she is in the process of taking instructions from various departments. She submits that departments are working in direction of revising mechanism which would take care of similar situations in future. She prays for appropriate time to respond. We grant three weeks time to file response. We also request Ms. Bhati and Mr. Alam to have a common meeting to come out with parameters which can be basis for directions. List after 5 weeks." https://www.livelaw.in/top-stories/drugs-are-being-ordered-over-dark-web-payments-made-in-crypto-currency-amicus-to-supreme-court-211975

2. SC highlights issue of drug menace, asks ASG & amicus to give reasonable solutions *(theprint.in)* October 19, 2022

The Supreme Court on Tuesday highlighted the issue of drug menace in the country and asked a law officer and a court-appointed amicus curiae to come out with "reasonable solutions" which can be taken as the basis to modulate the directions to curb it.

Additional Solicitor General Aishwarya Bhati informed a bench of Chief Justice U U Lalit and Justice Bela M Trivedi the departments concerned like the Directorate of Revenue Intelligence (DRI) are working towards augmenting the mechanism to tackle the issue.

The court had earlier asked the ASG to assist it in the suo motu case titled "The Menace of Drug Mafia Network Operating in The Country".

A letter dated November 9, 2021 was sent to the apex court highlighting the smuggling of huge quantum of drugs from Afghanistan into India and requesting the court to direct constitution of a Special Investigation Team to probe the international and national narcotic drug mafia in the country.

Then CJI N V Ramana had in November last year directed that the letter be converted into a suo motu case.

During the hearing on Tuesday, the apex court told Bhati she and advocate Shoeb Alam, who has been appointed as an amicus curiae in the matter, can sit together and give some ideas to the court on the issue.

"We want some kind of module or some idea…. Mr Alam and you, both of you can sit together and give us some ideas which we can translate in the form of directions and order and then it becomes applicable and govern the entire situation," the bench told Bhati at the outset.

"We must carry the matter further," the bench observed, adding that drug menace has gripped the society.

Bhati told the bench she had detailed discussion with different officials and the matter is being investigated by the DRI as well as the National Investigation Agency (NIA) from the "narco-terror angle".

The ASG said she has also taken some instructions on what is the mechanism available to "plug the loopholes" that are existing.

Bhati said she would prepare an affidavit and file it before the court.

Alam told the bench he has filed a compilation, which also comprises reports of the Narcotics Control Bureau, the Comptroller and Auditor General and the All India Institute of Medical Sciences.

He said he has gone through media reports on major drug seizures in India worth over Rs 1 crore.

“About Rs 30,000 crore worth of drugs and narcotic substances have been recovered and seized in the last 13 months, from September last year till today,” Alam said, adding, “This is a tip of the iceberg. The issue is massive.” He said after the Covid pandemic, there is a change in the manner in which drugs actually come into India.

Referring to the dark web, the amicus said now drugs are being ordered through it, payments are being made in crypto currencies like bitcoins and deliveries are being made through couriers.

Dark Web is part of the World Wide Web but it cannot be found with conventional search engines. Accessing it requires special technology.

“It has become more systematic,” the bench orally observed.

Alam said steps have to be taken on multiple fronts to deal with the menace.

The bench noted in its order that the amicus has filed certain documents which indicate the “enormity of the problem”.

It noted Bhati’s submissions that she is in the process of receiving instructions from various departments, including the DRI and the NIA.

The ASG also submitted that a comprehensive response, not only touching upon the incident which gave rise to the cognisance being taken by the court, but also to take care of any such situations as may emerge in the future, will be filed.

“She submits that the departments are working in the direction of augmenting a mechanism which to a great extent would take care of all similar situations in future,” the bench noted.

The bench granted three weeks to the ASG to put in an appropriate response.

It asked the amicus and the ASG to have a joint sitting and “come out with common parameters or reasonable solutions which can be taken as the basis to modulate the directions on the next occasion”.

The top court has posted the matter for hearing after five weeks. https://theprint.in/india/sc-highlights-issue-of-drug-menace-asks-asg-amicus-to-give-reasonable-solutions/1173137/

STATES NEWS ITEMS

3. Freebies: चुनाव आयोग के दिशा निर्देश और गुजरात सरकार द्वारा मुफ्त सिलेंडर की घोषणा *(yourstory.com)* Updated: October 19, 2022

पिछले कुछ महीनों से देश में फ्रीबीज को लेकर काफी बहस हो रही है. सुप्रीम कोर्ट और चुनाव आय़ोग ने फ्रीबीज कल्चर के खिलाफ सख्त रवैया अपनाया हुआ है. वहीं, भारतीय रिजर्व बैंक (RBI) भी अपनी एक रिपोर्ट में फ्रीबीज कल्चर के कारण राज्यों के कर्ज के जाल में फंसने पर चिंता जता चुकी है. हालांकि, केंद्र सरकार इस मामले में कोई साफ स्टैंड नहीं ले पा रही है.

हाल ही में, हिमाचल प्रदेश के विधानसभा चुनाव की तारीखों की घोषणा के दौरान चुनाव आयोग ने फ्रीबीज कल्चर को सख्त चेतावनी दी है. निर्वाचन आयोग ने 14 अक्टूबर को कहा कि हिमाचल प्रदेश विधानसभा चुनाव में मतदाताओं को प्रलोभन दिये जाने को कतई बर्दाश्त नहीं करने की उसकी नीति है. साथ ही, माल एवं सेवा कर (GST) जैसी प्रणालियों के जरिये यह सुनिश्चित किया जाएगा कि मतदाताओं को प्रभावित करने के लिए 'मुफ्त सौगात' (फ्रीबीज) नहीं बांटी जाए.

मुख्य निर्वाचन आयुक्त (सीईसी) राजीव कुमार ने यह भी कहा था कि निर्वाचन आयोग एक नया 'प्रपत्र' पेश करने के अपने प्रस्ताव पर राजनीतिक दलों की प्रतिक्रिया की प्रतीक्षा कर रहा है. इस 'प्रपत्र' मे राजनीतिक दल इस बारे में विवरण दे सकेंगे कि वे मतदाताओं को किये गये चुनावी वादों को कैसे पूरा करेंगे.

हालांकि, इसके बावजूद गुजरात में चुनाव की तारीखों की घोषणा से पहले गुजरात सरकार ने उज्ज्वला योजना के 38 लाख लाभार्थियों को हर साल दो सिलेंडर मुफ्त देने की घोषणा की है.

इससे पहले, गुजरात सरकार ने सीएनजी और पीएनजी पर लगने वाले वैट में भी 10 प्रतिशत की कटौती की घोषणा की थी. गुजरात में सीएनजी और रसोई में इस्तेमाल होने वाले पीएनजी पर वैट 15 प्रतिशत था. इस कमी के बाद अब कर की दर घटकर पांच प्रतिशत हो जाएगी. इससे सीएनजी की कीमतों में छह रुपये प्रति किलोग्राम और पीएनजी की दरों में पांच रुपये प्रति घन मीटर की कमी आएगी.

सीएनजी, पीएनजी पर वैट में कमी और केंद्र सरकार की उज्ज्वला योजना के लाभार्थियों को हर साल दो मुफ्त तरलीकृत पेट्रोलियम गैस (एलपीजी) सिलेंडर से राज्य सरकार पर 1,650 करोड़ रुपये का बोझ आएगा.

क्या है फ्रीबीज कल्चर?

विभिन्न राजनीतिक दल लोकसभा और विधानसभा चुनावों को देखते हुए केंद्र और राज्य की सत्ता में आने के लिए चुनाव से पहले और बाद में भी मुफ्त उपहार देने की घोषणाएं करती हैं.

सरकारें मुफ्त बिजली, मुफ्त पानी के साथ गैस सिलिंडर और कई अन्य चीजों पर सब्सिडी दे रही हैं. इसके अलावा अधिकतर सरकारें समाज के अलग-अलग तबकों को नकद राशि भी देती हैं.

बैन की मांग वाली याचिकाओं पर सुप्रीम कोर्ट करेगी सुनवाई

चुनाव से पहले राजनीतिक दलों द्वारा फ्रीबीज बांटे जाने पर प्रतिबंध की मांग वाली याचिकाओं के मामले पर लंबी सुनवाई करने के बाद बीते 27 अगस्त को सुप्रीम कोर्ट ने मामले को तीन जजों की पीठ के पास भेज दिया.

तीन जजों की यह पीठ 2013 के सुप्रीम कोर्ट के उस फैसले की समीक्षा करेगी जिसमें कहा गया था कि फ्रीबीज के ऐसे वादों को गलत प्रैक्टिस नहीं करार दिया जा सकता है.

इससे पहले सुनवाई के दौरान तत्कालीन सीजेआई जस्टिस एनवी रमना की अध्यक्षता वाली पीठ ने कहा था कि राजनीतिक दलों और व्यक्तियों को संवैधानिक दायित्वों को पूरा करने के उद्देश्य से चुनावी वादे करने से नहीं रोका जा सकता. पीठ ने कहा था कि आभूषण, टेलीविजन, इलेक्ट्रॉनिक वस्तुओं को मुफ्त बांटने के प्रस्ताव और वास्तविक कल्याणकारी योजनाओं की पेशकश में अंतर करना होगा.

चुनाव आयोग ने राजनीतिक दलों से मांगी है राय

सभी मान्यता प्राप्त राष्ट्रीय और राज्य स्तरीय दलों को लिखे गए एक पत्र में निर्वाचन आयोग (ईसी) ने कहा कि वह चुनावी वादों पर अपर्याप्त सूचना और वित्तीय स्थिति पर अवांछित प्रभाव की अनदेखी नहीं कर सकता है, क्योंकि खोखले चुनावी वादों के दूरगामी प्रभाव होंगे. आयोग ने इन दलों से 19 अक्टूबर तक प्रस्ताव पर अपने विचार देने को कहा है.

ईसी ने अपने पत्र में कहा था,
''चुनावी घोषणा पत्रों में स्पष्ट रूप से यह संकेत मिलना चाहिए कि वादों की पारदर्शिता, समानता और विश्वसनीयता के हित में यह पता लगना चाहिए कि किस तरह और किस माध्यम से वित्तीय आवश्यकता पूरी की जाएगी.''

विपक्ष ने कड़ी प्रतिक्रिया जताई

राज्यसभा सदस्य कपिल सिब्बल ने चुनावी वादों की वित्तीय व्यवहार्यता के बारे में मतदाताओं को प्रामाणिक जानकारी देने को लेकर आदर्श आचार संहिता में बदलाव के संबंध में राजनीतिक दलों से राय मांगने के लिए, निर्वाचन आयोग पर निशाना साधते हुए कहा कि हो सकता है चुनाव निगरानीकर्ता को खुद एक आचार संहिता की जरूरत हो.

सिब्बल ने कहा,
“निर्वाचन आयोग: उच्चतम न्यायालय में मुफ्त सौगात पर होने वाली बहस से अलग रहने का हलफनामा दाखिल करने के बाद पलट जाता है. यह धोखा देने के बराबर होगा. अब इसे आदर्श आचार संहिता में शामिल करना चाहते हैं.”

उन्होंने ट्विटर पर कहा, “हो सकता है निर्वाचन आयोग को ही आदर्श आचार संहिता की जरूरत हो.”

आरबीआई की रिपोर्ट में जताई गई थी चिंता

कुछ महीने पहले ही, आरबीआई ने अपनी रिपोर्ट में कहा था कि राज्य सरकारें मुफ्त की योजनाओं पर ज मकर खर्च कर रहीं हैं, जिससे वो कर्ज के जाल में फंसती जा रही हैं.

आरबीआई की 'स्टेट फाइनेंसेस: अ रिस्क एनालिसिस' की रिपोर्ट के अनुसार, पंजाब, राजस्थान, बिहार, केरल और पश्चिम बंगाल कर्ज में धंसते जा रहे हैं और उनकी हालत बिगड़ रही है.

आरबीआई ने अपनी इस रिपोर्ट में CAG के डेटा के हवाले से बताया है कि राज्य सरकारों ने 2020-21 में सब्सिडी पर कुल खर्च का 11.2 फीसदी खर्च किया था, जबकि 2021-22 में 12.9 फीसदी खर्च किया था.

आरबीआई की रिपोर्ट में बताया गया था कि मार्च, 2021 तक देशभर की सभी राज्य सरकारों पर 69.47 लाख करोड़ रुपये का कर्ज है. सबसे अधिक 6.59 लाख करोड़ का कर्ज तमिलनाडु की सरकार पर है. उत्तर प्रदेश पर 6.53 लाख करोड़ रुपये का कर्ज है. https://yourstory.com/hindi/freebies-gujarat-assembly-election-2022-free-cylinders-political-parties-election-commission-supreme-court

4. जेकेएचपीएमसी की सभी संपत्तियों का बेहतर उपयोग करने के निर्देश *(amarujala.com)* 19 Oct 2022

श्रीनगर। उप राज्यपाल के सलाहकार राजीव राय भटनागर ने मंगलवार को सिविल सचिवालय में जम्मू और कश्मीर बागवानी योजना और विपणन निगम (जेकेएचपीएमसी) की 38वीं और 39वीं वार्षिक आम बैठक (एजीएम) की अध्यक्षता की। उन्होंने अधिकारियों को निगम की सभी संपत्तियों का बेहतर उपयोग करने का निर्देश दिया ताकि निगम को आर्थिक रूप से व्यवहार्य बनाया जा सके।

सलाहकार ने निगम के प्रबंधन को निगम में वित्तीय अनुशासन बनाए रखने और सीएजी को समय पर प्रस्तुत करने के लिए सभी लंबित वर्षों का पूरा ऑडिट करने का निर्देश दिया। सलाहकार ने निगम के प्रबंधन से अपने शेयरधारकों के साथ-साथ फल उत्पादकों के साथ नियमित बातचीत और परामर्श करने का भी आग्रह किया ताकि निगम के सतत विकास के लिए आवश्यक तकनीकी हस्तक्षेप को अपनाया जा सके।

बैठक के दौरान प्रबंध निदेशक जेकेएचपीएमसीए शफात सुल्तान ने निगम द्वारा शुरू की गई विभिन्न परियोजनाओं पर एक विस्तृत प्रस्तुति और प्रगति रिपोर्ट दी। उन्होंने एजीएम को बताया कि जगीर सोपोर में खाद्य पैकेजिंग निर्माण इकाई और नरवाल जम्मू में आलू और प्याज के लिए 120 मीट्रिक टन एकीकृत पैक हाउस निगम द्वारा चालू किया गया है।

बैठक में अतिरिक्त मुख्य सचिव कृषि उत्पादन विभाग अटल डुल्लू, एपीडी में सचिव मोहम्मद अकबर वानी और अन्य संबंधित अधिकारी मौजूद रहे। https://www.amarujala.com/jammu-and-kashmir/srinagar/jammu-kashmir-news-shrinagar-news-jmu2705121193

SELECTED NEWS ITEMS/ARTICLES FOR READING

5. Electoral Bonds | Increasing reporting, mandatory disclosures required for more transparency *(moneycontrol.com)* October 19, 2022

In India, political funding and the mechanism to raise monies remain a bone of contention amid arguments over transparency in donations from individuals, groups, and entities, especially the big corporations. The exercise of conducting elections are now a regular feature every year largely on account of elections to the state assemblies that follow different cycles of completion of tenures.

Elections require political parties to spend huge amount of money for a range of activities, from advertising to logistics, and much more. Over the years parties have raised funds through various methods with donations from supporters, party workers, and businesses (small and big) which poured in largely in the form of cash.

In order to address the challenge of cash collection, and to formalise fund raising channelised through the banking system, the then Finance Minister Arun Jaitley during the 2017 Budget mentioned of electoral bonds aimed at cleansing the mechanism and injecting transparency. Nearly a later, the Government of India notified the scheme.

According to reports compiled by the Association of Democratic Reforms, a non-government organisation working for improvement in India's electoral system, between March 2018 and July 2022, 18,779 electoral bonds worth Rs 10,245.2 crore were sold, and most of it were encashed by political parties. The ADR and two others challenged the electoral bonds in the Supreme Court, which heard the matter recently, and scheduled to take it up further in December.

During debates, several political parties raised objections when relevant laws of income tax, foreign contributions, companies and representation of the people, were amended to incorporate features of the electoral bonds on the grounds that the new mechanism contained opaqueness. The amendments among other features allowed anonymity to the extent that only the donor knows how much has been distributed to a political party. The government defended the provision that past experience showed that donors did not find attractive the scheme where donations were made public, and thus preferred cash donations. The earlier provision required political parties to identify donations over Rs 20,000.

Objections flagged to other amendments did away with financial eligibility for companies to donate, granted retrospective waiver for contributions from foreign sources, and exemption for parties from reporting donations through bonds. The amendments were not scrutinised by the Rajya Sabha, as the proposed legislation was declared a money Bill.

Major democracies in the world have stepped up control and reportage over political financing in order to allow the people to know where political parties are collecting funds from. In the United States, parties and individual campaigns are required to provide name, occupation, employers, and addresses of individuals who contribute over a prescribed limit, and in the United Kingdom too contributions beyond a threshold require reporting.

The reason behind disclosure was that electors have the right to know who is funding political parties, and to what extent. Just as electoral reforms in India led to the publication of data in regard to criminal cases of candidates that allows voters to arrive at an informed opinion, funding disclosure allows people to analyse whether the political party in government was drawing up a policy or tweaking laws to the benefit of its donors.

The electoral bond is the method through which a citizen or a body incorporated in India is eligible to purchase the bond, which is issued for any value in the multiples of Rs 1,000, up to Rs 1 crore. These bonds are issued periodically for a limited time by specified branches of the State Bank of India. These instruments in the form of interest-free promissory notes can be purchased by fulfilling KYC norms and through a bank account. The beneficiary political party identified by the purchaser can get the donation only if it is registered, and secured not less than one percent of the votes at the last Lok Sabha or assembly elections.

Explaining the rationale and benefit of the new system of funding envisaged, late Jaitley had said in an article: "…the choice has now to be consciously made between the existing system of substantial cash donations which involves total unclean money and is non-transparent and the new scheme which gives the option to the donors to donate through entirely a transparent method of cheque, online transaction or through electoral bonds." He then noted that the government was willing to consider all suggestions to further strengthen the cleansing of political funding.

The idea of regulating political donations through regular banking channels introduced an element of transparency, but there is scope to improve and take steps in the direction of increasing reporting and mandatory disclosures. https://www.moneycontrol.com/news/opinion/electoral-bonds-increasing-reporting-mandatory-disclosures-required-for-more-transparency-9353231.html

6. Electoral Bonds: Non-Transparent and Unaccountable *(newsclick.in)* October 19, 2022

On December 6, the Indian Supreme Court will decide on whether non-transparent political donations are hitting the sovereignty of the Indian people and their right to know.

Electoral Bonds, in the transparency and accountability graph, as claimed by the government have some inherently anti-democratic characters. Their key feature of anonymity enables a system where people do not know who are giving/donating money to the political parties they then are voting for. An under-informed electorate can only make haphazard decisions which is a bad sign for electoral democracy. A combination of laws regarding election finance combined with the Electoral Bond Scheme acts as an impediment in India's journey towards a stronger, more accountable democracy.

The Supreme Court on Friday. October 14, 2022 posted a batch of petitions challenging the anonymous electoral bonds scheme to December 6, 2022 for the next hearing. The petitions challenging the scheme were listed for the first time on Friday after a long delay; the last hearing having been on March 26, 2021. After much delay, the matter will now be finally heard on December 6, 2022.

Electoral Bonds are instruments through which persons can donate their contributions to political parties. Apart from offering anonymity to the donors, there are several characteristics of electoral bonds that make it a new and unique tool typifying the political finance regime in India. In this context, this bit of legal research is intended to present an overview of the recent amendment to election finance in India and illustrate, how these changes will work in the context of the Electoral Bonds Scheme as introduced by the government of India in 2018.

The following are the laws that govern Election Finance in India:

The Representation of the Peoples Act, 1951

Section 29B of the Act allows political parties to receive contribution provided it is not from a foreign source.

[29B. Political parties entitled to accept contribution

Subject to the provisions of the Companies Act, 1956 (1 of 1956), every political party may accept any amount of contribution voluntarily offered to it by any person or company other than a Government company:

Provided that no political party shall be eligible to accept any contribution from any foreign source defined under clause (e) of section 2 of the Foreign Contribution (Regulation) Act, 1976 (49 of 1976) Explanation.--For the purposes of this section and section 29C,--

(a) "company" means a company as defined in section 3;

(b) "Government company" means a company within the meaning of section 617; and

(c) "contribution" has the meaning assigned to it under section 293A, of the Companies Act, 1956 (1 of 1956) and includes any donation or subscription offered by any person to a political party; and

(d) "person" has the meaning assigned to it under clause (31) of section 2 of the Income-tax Act, 1961 (43 of 1961), but does not include Government company, local authority and every artificial juridical person wholly or partially funded by the Government.]

Section 29C of the Act states that in each financial year, the treasurer (of that political party) shall prepare a report in respect of contributions more than Rs. 20, 000 from individuals or companies and exempts (does not make it mandatory) for parties to disclose the details of contributions via electoral bonds.

(1) The treasurer of a political party or any other person authorised by the political party in this behalf shall, in each financial year, prepare a report in respect of the following, namely:--

(a) the contribution in excess of twenty thousand rupees received by such political party from any person in that financial year;

(b) the contribution in excess of twenty thousand rupees received by such political party from companies other than Government companies in that financial year.

1[Provided that nothing contained in this sub-section shall apply to the contributions received by way of an electoral bond.

Explanation.--For the purposes of this sub-section, "electoral bond" means a bond referred to in the Explanation to sub-section (3) of section 31 of the

Reserve Bank of India Act, 1934 (2 of 1934).]

(2) The report under sub-section (1) shall be in such form as may be prescribed.

(3) The report for a financial year under sub-section (1) shall be submitted by the treasurer of a political party or any other person authorised by the political party in this behalf before the due date for furnishing a return of its income of that financial year under section 139 of the Income-tax Act, 1961(43 of 1961) to the Election Commission.

(4) Where the treasurer of any political party or any other person authorised by the political party in this behalf fails to submit a report under sub-section (3), then, notwithstanding anything contained in the Income-tax Act, 1961(43 of 1961), such political party shall not be entitled to any tax relief under that Act.]

Companies Act, 2013

Section 182 of the Companies Act, 2013 states that Companies can contribute directly or indirectly to political parties. Section 182 (3) states that the company shall report in its profit and loss account, the details of the contributions that they have made in a certain financial year. Before 2017, companies were restricted to use only 7.5% of the net profit of the past 3 preceding financial years but an amendment in 2017 made it possible for companies to contribute any amount of money, without limit, to political parties.

Income Tax Act, 1961

Section 80GGB and 80GGC of the Income Tax Act, 1961 allow political parties to claim 100% deduction on the money that is donated to the political parties. Tax Deduction means that the amount that is allowed to be deducted is subtracted from the gross taxable income. For example, if a company- Orange- has a total taxable income of Rs.500 Crore and it had previously donated Rs. 10 Crore to a political party, Orange has to pay tax on an income of Rs.490 Crore rather than its total income of Rs. 500 Crore.

Section 13A of the Income Tax is a special provision related to political parties. This provision allows the political parties to not include the income they have received via house property, capital gains and contributions, under total taxable income if certain conditions regarding maintaining of account books, auditing of books, maintaining of books for the funding in excess of Rs. 20, 000 other than such funding via electoral bonds are met, and have not received donations exceeding Rs. 2,000, other than by way of prescribed terms. This means, any donation to the party exceeding Rs. 2,000 has to, under this section of the law, to be done in prescribed means i.e., cheque or bank draft or electronic means. Along with this, the political party should maintain the record for contributions in excess of Rs. 20, 000 while it does not have to maintain any details of contributions via electoral bonds.

Foreign Contributions Regulations Act, 2010 (FCRA)

One of the less spoken about legislation(s) when it comes to electoral funding –though it is often spoken about when it comes to the funding of the non-governmental sector-- is the FCRA. FCRA was re-enacted in 2010 replacing the 1976 version. In both the versions of the act, a foreign source meant a company whose nominal share capital is owned by a foreign entity to the extent of more than 50%. However, via the Finance Act, 2016- this definition was altered by inserting a provision saying if a company is compliant with the prescribed limits under the Foreign Exchange Management Act, 1992, it would not be under this law considered to be a foreign source despite its share capital being owned by a foreign entity to the extent of more than 50%.

The change of definition has ramifications to the Representation of the People Act, 1951 (RPA). Section 29B of the RPA states that no political party shall accept funding from a foreign source. Yet now, via the Finance Act of 2016, the definition of foreign source has been amended as stated above. As a result of the Finance Act, 2016, any political party can accept a donation from any company that has more than 50% foreign control if it adheres to FEMA prescribed sectoral limits of investment.

FEMA- Foreign Exchange Management Act, 1999 was enacted to enable better management of foreign exchange. The act also deals with foreign securities such as bonds and shares of companies. The Indian government, under the powers conferred to it by FEMA, releases a Foreign Direct Investment (FDI) policy and the latest consolidated FDI policy was issued in 2020. The limits of foreign control are specified in the FDI policy, and these limits are also referred as 'sectoral caps.' For example, in the Defence sector, a company's share capital can be held by a foreign entity up to the extent of 74% and post that mark, government's approval is needed to increase the share ownership. In the sector of Uploading/Streaming of News & Current Affairs through Digital Media, the most a foreign entity can hold is 26%, that too, with the approval of government. This means that if a company adheres to the limits of investment under the FDI policy with respect to foreign control, it ceases to be a foreign source under FCRA irrespective of whether a foreign entity owns 100% or 50%, of such company and consequently becomes eligible to fund political parties under the Representation of the People Act, 1951.

Electoral Bonds Scheme

The Central Government published a gazette notification dated January 2, 2018 which notified the Electoral Bonds Scheme. The Electoral Bond is in the nature of a promissory note and it is a bearer banking instrument. The bond does not contain the name of payee or the drawer. A feature of the Electoral Bonds is that they are only available at the prescribed branches of the State Bank of India. The denomination of this bond is from Rs. 1000 to Rs. 1, 00, 00, 000 and they are only issued for ten days in the months of January, April, July and October as may be specified by the central government and the government shall also specify an additions period of 30 days in the year of general elections. According to a report by Factly, from the Financial Year 2017-18 to Financial Year 2020-21, a staggering total of Rs. 6500 Crore worth Electoral Bonds have been redeemed by 19 parties across India in these three financial years alone.

Section 7(4) of the notification states that the information provided to the bank by those who purchase the bonds shall be kept confidential by the bank and the details shall not be released for any purposes except when demanded by a competent court or upon registration of criminal case by any law enforcement agency. The anonymity for the electoral bonds is also protected by the proviso to Section 29C(b) of the RPA. While Section 29C (b) states that the treasurer of a political party shall report any contribution in excess of twenty thousand rupees received by such political party from companies other than Government companies in that financial year, the same proviso also states that the report does not have to contain details of contributions that have been made via the Electoral Bonds Scheme.

Section 182 of the Companies Act, 2013 previously mandated that the companies will have to specify the identity of the political party that they have donated to whereas an amendment in 2017 has now cancelled this requirement. Companies usually now use Electoral Trusts to fund the political parties. Companies fund the electoral trusts, and the Electoral Trusts will in turn distribute the money to political parties. What this means is that no one will be able to know to whom the company has donated to, despite looking at its financials.

Impact of Electoral Bonds on Indian Democracy

To summarise the information above, companies - Indian and Foreign (adhering to prescribed limits under FEMA)- can donate any amount of money to political parties; do not have to be a profit-making, provided that they have been in existence for three years; do not have to disclose the identity of the political parties that they have donated to; and can claim 100 percent deduction, for the money that they have donated to political parties, from their total taxable income.

The political parties - must maintain books on donations necessary documents for the assessing officer to deduce where the money came from; must maintain details of voluntary contributions exceeding Rs. 20,000 including the name and address of the contributor; do not have to keep the details of any donations made via electoral bonds i.e., the sources of such donations.

Electoral Bonds essentially shield the electorate from the sources of funding for a political party. Political parties are vehicles of representation for the Indian people – the Indian Constitution makes the Indian people sovereign and not political parties of Government --and the Electoral Bonds Scheme takes away the right of people to know about the information related to political parties.

The Supreme Court in the case of Union of India vs. Association of Democratic Reforms elaborated on why the citizenry need to have information about the candidates who are contesting in an election. The court stated "In our view, democracy cannot survive without free and fair election, without free and fairly informed voters. Votes cast by uninformed voters in favour of X or Y candidate would be meaningless. As stated in the aforesaid passage, one-sided information, disinformation, misinformation and non-information all equally create an uninformed citizenry which makes democracy a farce. Therefore, casting of a vote by misinformed and non-informed voter or a voter having one-sided information only is bound to affect the democracy seriously. Freedom of speech and expression includes right to impart and receive information which includes freedom to hold opinions. Entertainment is implied in freedom of 'speech and expression' and there is no reason to hold that freedom of speech and expression would not cover right to get material information with regard to a candidate who is contesting election for a post which is of utmost importance in the democracy."

Although the Supreme Court in the ADR judgement noted about the importance of full information about the candidates in an election being available to people, it simply did not discuss the issue of identity of contributors to political parties being made public. In one of the cases, the court had remarked about the danger of black money finding its way to fund the elections, but it was not a substantial discussion on identifying the source of funding.

There is, indeed, a clash of rights here between the right of the Indian people to know about the political parties participating in democracy and the right to privacy of people to associate themselves with a political party. However, to see it as such would be an observation without nuance. The Electoral Bonds Scheme has anonymity at its central core, and it has a KYC process with which, according to the government, the chance of black money entering the election process is diminished. The government has previously argued, in one of the hearings on the challenge to EBS, that the right to privacy of contributors is an extension of the right to privacy in voting. The Right to Privacy, however, does not, however exist in any absolute sense and it too, has limitations. Political Parties and the governments they form do not exist to perform a quid pro quo (simply put- a favour for a favour of tasks). Their existence is to achieve the welfare of all Indian people. Voting does not give rise to chances of political parties performing tasks of quid pro quo for the votes cast, unlike political funding. Since Political Parties have the knowledge of the contributors and the worth of their contributions, there is a potential chance of the parties performing quid pro quo tasks for their generous contributors. This differentiates the right to privacy of contributors and right to privacy in casting one's vote. A combination of EBS itself with the definition of the foreign source under FCRA undergoing a seminal change, also means that money from out of India also can enter the political system and influence it without any transparency for the people to see or accountability, for the people to judge.

It remains to be seen how the Hon'ble Supreme Court will navigate this uneven balance of power, this conundrum. https://www.newsclick.in/electoral-bonds-non-transparent-unaccountable

7. Only 32.6 per cent of donations received spent on elections: ADR *(theweek.in)* Updated: October 19, 2022

While the total funds collected by 13 political parties during the last phase of Assembly elections was Rs 1441.97 crores, parties spent less than one-third of the amount on electioneering.

An analysis by the Association of Democratic Reforms (ADR) has revealed that during the Assembly elections of Goa, Manipur, Punjab, Uttar Pradesh and Uttarakhand Assembly Elections held in 2022 total expenditure incurred was Rs 470.101 cr.

The expenditure is made at the central and state levels by parties for publicity; travel and other expenses; expenditure towards candidates; expenditure incurred on publishing criminal antecedents of the candidate(s) and expenses on a virtual campaign through social media platforms/apps/and other means.

Across the states, the greatest expenses were made on publicity and the lowest on publishing the criminal backgrounds of candidate(s).

While eight national parties and 16 regional parties were considered for analysis, the expenditure statements of only 13 political parties are available on the Election Commission's website. Among the parties which have not disclosed their details are the Communist Party of India, the Janta Dal (United), the Samajwadi Party and the Lok Janshakti Party (Ram Vilas).

Political parties are required to submit statements providing information on funds collected and spent between the announcement and completion of elections. This period could be between three weeks to three months based on the notification issued by the Election Commission.

Notably, only the Shiromani Akali Dal declared donations through electoral bonds worth Rs 50 lakhs in their election expenditure statement.

The highest expenditure was made in Uttar Pradesh- given that it is the state with the highest number of members of the Vidhan Sabha. At 73 crores plus, expenses in the state were more than double that of Punjab which stood second with Rs 33.95 crores.

ADR has recommended that the details of all donors who contribute to national and regional parties exclusively for their election campaigns must be declared in the public domain irrespective of the amount donated.

A format similar to the donations report along with the date of donations, submitted to the ECI on an annual basis, has to be prescribed for the expenditure statement to bring in more transparency in the finances of the political parties especially during elections when it is said that black money plays a major role.

It has also suggested that wherever possible expenditure must be limited to transactions via cheque/DD/RTGS to reduce use of black money in elections and the appointment of observers for monitoring the expenditure of political parties. https://www.theweek.in/news/india/2022/10/19/only-326-per-cent-of-donations-received-spent-on-elections-adr.html

8. How Direct Benefit Transfer scheme has transformed social welfare in India *(indianexpress.com)* Parameswaran Iyer | Updated: October 19, 2022

Last week, the International Monetary Fund (IMF) lauded India's Direct Benefit Transfer (DBT) Scheme as a "logistical marvel" that has reached hundreds of millions of people and specifically benefitted women, the elderly and farmers. Paolo Mauro, Deputy Director in the IMF's Fiscal Affairs Department, praised the role of technological innovation in achieving this feat. Earlier this month, David Malpass, President of the World Bank Group, had also urged other nations to adopt India's move of targeted cash transfer instead of broad subsidies noting that "India managed to provide food or cash support to a remarkable 85 per cent of rural households and 69 per cent of urban households".

Nearly four decades back, the candid public admission in the mid-1980s by the government of the day about the huge leakages in India's public welfare schemes reflected a feeling of helplessness at the highest levels in dealing with this gnawing problem. India has come a long way since then, especially in the last eight years, primarily on account of the aggressive rollout of the DBT programme that transfers subsidies and cash benefits directly to beneficiaries through Aadhaar-linked bank accounts. This has been made possible by the inclusive financial sector system where the most marginalised sections of society have been uniquely linked to the formal financial network.

The complex and multi-layered governance machinery — its diversity, access barriers, and digital divide — can fail any novel scheme unless the building blocks are effectively addressed. DBT alone would not have been able to address the size and scale of the problem of sub-optimal service delivery under government machinery. An ambitious vision, holistic approach and a multi-pronged strategy enabled the DBT ecosystem to deliver impact at a phenomenal scale — the accomplishment that has been acknowledged by the IMF and World Bank.

In 2014, the Government of India embarked on an ambitious and well-structured financial inclusion programme with the aim of including all households within the fold of the formal financial network. In a mission-mode approach, it endeavoured to open bank accounts for all households, expanded Aadhaar to all, and scaled up the coverage of banking and telecom services. It evolved the Public Finance Management System and created the Aadhaar Payment Bridge to enable instant money transfers from the government to people's bank accounts. The Aadhaar-enabled Payment System and Unified Payment Interface further expanded interoperability and private-sector participation. This approach not only allowed all rural and urban households to be uniquely linked under varied government schemes for receiving subsidies directly into their bank accounts but also transferred money with ease.

By 2022, more than 135 crore Aadhaars have been generated, there are 47 crore beneficiaries under Pradhan Mantri Jan Dhan Yojana, 6.5 lakh Bank Mitras delivering branchless banking services and mobile subscribers number more than 120 crore. Riding on this network, the DBT programme has reached commanding heights towards achieving the government's vision of "sabka vikas". Becoming the major plank of the government's agenda of inclusive growth, it has 318 schemes of 53 central ministries spanning across sectors, welfare goals and the vast geography of the country. The DBT scheme that began as a pilot in 2013-14 could not have achieved the size and scale it has today without the government's financial inclusion programme, which helped plug leakages in welfare schemes, weed out fake or ghost beneficiaries and transfer funds to genuine beneficiaries. This ensured significant savings to the exchequer and enabled efficient utilisation of government funds.

In rural Bharat, DBT has allowed the government to provide financial assistance effectively and transparently to farmers with lower transaction costs – be it for fertilisers or any of the other schemes including the PM Kisan Samman Nidhi, PM Fasal Bima Yojana, and PM Krishi Sinchayi Yojana — thus becoming the backbone for supporting the growth of the agricultural economy. The benefits received under the Mahatma Gandhi National Rural Employment Guarantee Act and Public Distribution System drive the rural demand-supply chain.

In urban India, the PM Awas Yojana and LPG Pahal scheme successfully use DBT to transfer funds to eligible beneficiaries. Various scholarship schemes and the National Social Assistance Programme use the DBT architecture to provide social security. DBT under rehabilitation programmes such as the Self Employment Scheme for Rehabilitation of Manual Scavengers opens new frontiers that enable social mobility of all sections of society.

The efficacy and robustness of the DBT network were witnessed during the pandemic. It aided the government to reach the last mile and support the most deprived in bearing the brunt of the lockdown. From free rations to nearly 80 crore people under the Pradhan Mantri Garib Kalyan Yojana, fund transfers to all women Jan Dhan account holders and support to small vendors under PM-SVANidhi, DBT helped the vulnerable to withstand the shock of the pandemic.

An enabling policy regime, proactive government initiatives and supportive regulatory administration allowed the private and public sector entities in the financial sector to overcome longstanding challenges of exclusion of a large part of the population. These are essential elements of the pioneering ecosystem created by the government for the aggressive rollout of the ambitious DBT programme, achieving impressive scale in a short span of six years.

Going forward, the DBT approach is expected to expand further in size and structure as it continues to be the major tool of the government for a more nuanced and targeted intervention towards improving the ease of living. However, digital and financial literacy, robust grievance redressal, enhancing awareness and an empowering innovation system are some of the aspects that would require continued focus. This would play a vital role for India in meeting the diverse needs of its population and ensuring balanced, equitable and inclusive growth. https://indianexpress.com/article/opinion/columns/how-direct-benefit-transfer-scheme-has-transformed-social-welfare-in-india-8217140/

9. Govt must set moderate divestment targets, says DIPAM Secretary *(business-standard.com)* October 18, 2022

Last fiscal year, the government raised just over Rs 13,500 cr from the sale of stakes in state-owned firms, a fraction of its target of Rs 1.75 trn and missing its divestment goal for a third straight

The Indian government should focus on privatisation of state-run companies instead of chasing high divestment targets, a top finance ministry official said on Tuesday, pointing to market volatility and investors' shaky appetite for risk.

Last fiscal year, the government raised just over Rs 13,500 crore ($1.6 billion) from the sale of stakes in state-owned firms, a fraction of its target of Rs 1.75 trillion and missing its divestment goal for a third straight year.

"We should actually have moderate targets and more focus should be on privatising," Tuhin Kanta Pandey, secretary in the Department of Investment and Public Asset Management, told Reuters in an interview.

The Indian government has set a Rs 65,000 crore ($7.89 billion) divestment and privatisation target for 2022/23, out of which it raised 245.44 billion rupees in the first seven months of the fiscal year.

High targets lead to a perception that the government will sell minority stakes in state-run companies, prompting a fall in share prices of such firms, Pandey said.

Finance Minister Nirmala Sitharaman last year announced plans to privatise all state-run companies barring a few in strategic sectors such as defence and telecommunications.

Pandey said the government was at an advanced stage for inviting initial bids for privatisation of state-owned logistics firm Container Corp of India and two former subsidiaries of Air India.

The sale of a majority stake in IDBI Bank is likely to be completed in the next fiscal year that starts April 1, 2023, he said.

"Closure of IDBI Bank transaction will depend on response from interested bidders and time taken for due diligence."

Earlier this month, India invited initial bids to sell a 60.72% stake in IDBI Bank.

($1 = 82.3450 Indian rupees) https://www.business-standard.com/article/economy-policy/govt-must-set-moderate-divestment-targets-says-dipam-secretary-122101801118_1.html

10. IDBI: Govt for public float norm waiver; bid to help potential buyer *(financialexpress.com)* October 19, 2022

The government has urged the Securities and Exchange Board of India (Sebi) to relax the mandatory public shareholding norm for the potential acquirer of IDBI Bank by treating the combined residual stake of the government and LIC after the strategic sale as part of public float. The government is of the view that the dispensation will give the buyer sufficient time to expand business and boost the bank's valuation before diluting the stake.

LIC, the current promoter, and the government, will together have a residual stake of 34% in IDBI Bank after the transaction. According to the Sebi norms, a company is required to have a minimum public holding of 25% within three years of listing. The market regulator enforces this rule more strictly for non-government companies.

IDBI Bank was listed as early as in 1995. Still, the public holding in the bank is just 5.28%, since it enjoyed a leeway, being majority-owned by LIC and the government.

On October 7, the Centre invited expressions of interest (EoIs) for IDBI Bank and offered to sell a total of 60.72% stake in the bank, including 30.48% held by the government and 30.24% by LIC, along with the transfer of management control. Currently, LIC (49.24%) and the government (45.48%) together hold a 94.72% stake in the lender.

A strategic investor, sources said, may not like to offload stake in the initial three years, a period when it will likely be setting up a new management team, restructuring the business and attempting a rebranding of the banking company.

According to the preliminary information memorandum (PIM) for IDBI Bank EoI, the successful bidder would be required to undertake certain obligations. This includes adhering to the glide path concerning the reduction in its shareholding to meet the minimum public shareholding "following the Sebi regulations irrespective of whether the shares held by the Government of India are reclassified as public shareholding in IDBI Bank".

The government has structured the stake sale in such a way that the buyer can potentially increase its stake to about 66% by acquiring 5.28% held by the public via open offer. This allows the buyer to dilute 25% stake to meet the Sebi norm if the regulator refuses to count the residual LIC-government stake as part of public float and yet meet the RBI requirement of promoter holding of at least a 40% stake in the first five years of the transaction.

According to Sebi's takeover regulations, the acquisition of an aggregate of 25% shares in a listed entity would trigger an open offer.

According to the PIM, the buyer would get 15 years to bring down the equity to 26% to comply with norms for private banks. Of course, in the first five years, 40% of the equity capital would be locked in, as per the RBI guidelines. https://www.financialexpress.com/market/idbi-govt-for-public-float-norm-waiver-bid-to-help-potential-buyer/2718780/

11. IDBI Bank Privatisation: Much-needed Move, but at What Price? *(moneylife.in)* October 19, 2022

Nearly 17 months after the Cabinet committee on economic affairs granted an in-principle approval, the government has finally invited potential bidders to submit expressions of interest, by end of December, to acquire a majority stake in IDBI Bank. We have already paid too high a price to keep the Bank afloat with repeated bailouts by the exchequer and later the Life Insurance Corporation of India Ltd (LIC). It is time to stop.

It is clear that the government is determined to divest IDBI Bank early next year, but will it get a suitable price? As managing director of the International Monetary Fund, Kristalina Georgieva said recently, India remains 'a bright spot' in an otherwise dark horizon for countries around the world. So the adequately cleaned-up IDBI Bank, with its network of 1,884 domestic branches and over 3,400 ATMs, should attract investor interest, since bank licences will continue to be scarce. The Reserve Bank of India (RBI) has announced 'on tap' licensing for universal banks and small banks; but notice how it has found six of the 11 applications 'not suitable' and the remaining five are still 'under examination'. So the big question about the IDBI Bank divestment is: At what price will it be offered and what other concessions and assurances will be demanded by potential investors, who are not industry houses?

(LIC, which obediently came to IDBI Bank's rescue with repeated infusion of funds after RBI placed it under prompt corrective action in 2017, is a key player here, but won't be the decision-maker. LIC invested Rs21,600 crore for its 51% holding at Rs61 per share by 2018. In 2019, it pumped in another Rs4,793 crore to help write off bad loans. This was in addition Rs21,157 crore injected since 2015, as mentioned by finance minister Nirmala Sitharaman to a news agency just after an additional Rs4,557 crore had been pumped into the Bank. After raising a further Rs1,435 crore through qualified institutional placement (QIP), IDBI Bank was finally pulled out of PCA, making it suitable for privatisation. The cost of doing this adds up to a stupendous Rs49,000 crore, without taking into account the sale of valuable legacy investments by the Bank. But more about that later.

Privatisation is essential for IDBI Bank so that it stops being a burden on LIC if its financial performance begins to slide again. Given the Bank's history over nearly 2-decades, this is a likely scenario. Moreover, LIC, which went public in May 2020 by offering shares at Rs949, has already disappointed investors. The stock listed below the issue price and has continued to decline to Rs609 (19th October). LIC's investment in IDBI Bank at Rs61 is also in the red and currently trading at around Rs43.45, despite the touted turnaround. A bank union has asserted that any sale below LIC's investment price and potential dividend over the past two years (no dividend has been declared) would be unfair to policyholders who were actively wooed to subscribe to the issue. Privatisation of IDBI Bank will clearly get the albatross off LIC's neck and boost investor sentiment for the insurance major. The question is: At what price?

Divestment Plans

LIC holds 49.24% and the government 45.48% (total 94%) and would jointly divest 60.72% stake. The public holds the balance 5.28%. Despite the predominantly public sector ownership, IDBI Bank was declared a private bank in 2019 when it became a subsidiary of LIC. In reality, the journey since its transformation from a powerful apex development finance institution (DFI) to a bank has been nothing short of disastrous.

It was in 2004 that the IDBI Act was repealed and a new company called IDBI Ltd incorporated. The original DFI was merged into it and immediately thereafter, IDBI Bank, a wholly-owned subsidiary, was merged with IDBI Ltd. The merged entity was renamed IDBI Bank in May 2008. This was the relatively easy part. Even before it could find its feet, IDBI Bank chose to acquire the loss-making United Western Bank (UWB) which had been placed under a moratorium by RBI. This added to the bad loans and led to serious integration issues, instead of providing benefits of organic growth.

Over the next decade, IDBI Bank racked up more bad loans and losses but was kept afloat through bailouts from the exchequer with no improvement in accountability. In February 2016, G Manthran, a banker wrote in Moneylife that "the rot has spread faster in IDBI Bank due to too much easy money from the government for too long without any heads rolling."

After multiple bailouts, IDBI Bank posted a net profit of Rs1,359 crore in FY20-21 compared to a loss of Rs12,887 crore in the previous year. It has also provided for 96.9% of its bad loans, making it attractive for a new suitor. The business portfolio has also been re-jigged with a focus on growing retail loans and mortgage financing rather than corporate lending; but the real story behind the turnaround is only the massive capital infusion and the steady sale of valuable investments.

The Bank got a windfall return by selling its substantial holding in the National Stock Exchange (NSE). It also divested its investment in NSDL e-Governance Infrastructure, Ageas Federal Life Insurance Company Ltd, Asset Reconstruction Company (India) Ltd, Stock Holding Corporation of India Ltd (SHCIL), as well as real estate assets. The Bank hopes to hive off a further Rs12,000 crore of bad loans to the National Asset Reconstruction Company (NARCL) and reduce its gross bad loans to about 14%. Again, is this enough to get the right price and attract high-quality investors?

Right Decisions

The good news is that the government seems to be doing a few things right. The preliminary information memorandum has also (https://www.idbibank.in/pdf/IDBI-strategic-Sale-PIM-EOI-DIPAM-7.10.2022.pdf) focused on the quality of investors and has sought legal declarations that they have not been convicted by a court or have adverse orders against them for serious offences. This automatically discourages those who are not 'fit and proper' to control public savings deposited in a bank.

In contrast to Yes Bank's initial bailout, the finance ministry has held road-shows and engaged with large foreign investors, such as TPG Capital, Carlyle Group and Fairfax Financial Holding, controlled by the Canadian billionaire Prem Watsa. During the Yes Bank discussions, some foreign institutional investors had walked out because they weren't getting answers to some legitimate queries and concerns – this remains an issue this time as well.

The difference is that RBI and the government appear to be more decisive and practical, having shed some pointless reservations. This is due to the successful turnaround of Yes Bank, led by Prashant Kumar from the State Bank of India, and sale of the bankrupt Lakshmi Vilas Bank to DBS India, a subsidiary of the Development Bank of Singapore (DBS).

While IDBI Bank's chequered history and long culture of poor accountability will remain a concern, another big worry for potential investors is that the government and LIC will remain substantial shareholders, with a combined stake of 34%, and can block special resolutions. Potential bidders may demand additional support or assurances from RBI, LIC and the government to allay concerns about interference in management; but they need to be addressed effectively.

The bottom-line is that IDBI needs to be privatised. There is no option. The cost of interminable bailouts is just too high and the only beneficiaries are large corporate defaulters who are sponging away the money that is badly needed for public health and education. https://www.moneylife.in/article/idbi-bank-privatisation-much-needed-move-but-at-what-price/68659.html

12. From alarm bells to recess bell: Address nutrition gaps *(livemint.com)* October 19, 2022

India has made progress over the years in addressing its high prevalence of under-nutrition. However, malnutrition remains a significant worry. A large proportion of children are still underweight (32%), stunted (36%), 'wasted' (19%) and anaemic (67%) according to National Family Health Survey data released this year. The Green Revolution, National Food Security Mission (2007) and coverage of the public distribution system (PDS), mid-day meals (MDM) and Integrated Child Development Scheme (ICDS) have played key roles in augmenting the production of cereals and pulses and enabled the government to provide subsidized foodgrains to a large spectrum of our population and free lunch to more than 100 million school-going children, and also to supplement the diet of pregnant and lactating mothers. Public outreach systems helped support large numbers of the vulnerable. However, the nutrition challenge persists.

Mechanisms for decentralization of food procurement and leveraging the local agro-food systems can boost nutrition security and move India towards sustainable food production, procurement and processing. A report of an expert panel on the National Food Security Bill of 2010 has already pointed out the advantages of decentralized procurement of foodgrains and storage, with fiscal gains to be made through subsidy reduction.

Many policy moves are recent initiatives, such as the Prime Minister's Overarching Scheme for Holistic Nutrition (POSHAN) Abhiyan and the National Nutrition Mission, which encourages the use of locally-grown nutritional food items and involvement of farmer producer organizations (FPOs) and women's self-help groups (SHGs) in the scheme's implementation. The PM Kisan Sampada Yojana (PMKSY) for 2016-2026 and PM Formalisation of Micro Food Processing Enterprises Scheme (PMFME) for 2020-2025 provide financial, technical and business support to micro food entrepreneurs, FPOs, SHGs and cooperatives for value chain development and alignment of infrastructure with supply chain needs from the farm gate to retail outlet. These are important.

The need of the hour, though, is a multi-pronged approach focused on short supply chains, sustainable public food procurement and redistribution, a network of partners that support food-processing-driven rural livelihood diversification and diversified diets. To help make affordable food widely available, three partnerships are crucial: with panchayats, the private sector and pathshalas (schools). Private sector involvement could strengthen our food supply infrastructure and aid micro-food processing entrepreneurship in India's hinterland by deploying resources from schemes like the PMKSY and PMFME. Under their 'sustainability pledge', businesses could engage rural FPOs, SHGs and the youth, help develop food infrastructure across agro-climatic zones to provide safe storage, timely processing and marketing of food commodities, control food waste at all stages and follow environment-protective practices. These interventions will not only reduce the carbon footprint of the food industry, but help ensure affordable nutrition choices across income groups through all seasons. An efficient food management system will translate into better transportability, longer shelf life of fresh produce, wider consumer choice and lower prices. A supportive regulatory and policy framework can catalyse all this.

Partnerships with panchayats can aid the engagement of FPOs and SHGs to join hands to cart and process fresh produce locally, manage and maintain safe storage, ensure timely transport and market competitiveness, and see that benefits are equitably shared. The government's FPO scheme can be catapulted into a movement similar to that of Amul.

The effort could be dovetailed with investments under the Atmanirbhar Bharat Abhiyan. Easy loans to rural food entrepreneurs, training for food banking at storage sites, food cooperatives and FPOs, and innovations by digital startups could all transform our agri-food landscape.

Expanding the role of panchayat members to be 'nutrition marshals' would bring short-term benefits of more nutritious school meal programmes and long-term benefits of developing rural enterprises. It will also deliver myriad co-benefits, such as filling technology gaps and preserving traditional culinary skills. It will aid the gradual transition of the PDS from a cereal-based 'food-security' system to one offering a wholesome food basket for 'nutrition security'.

Partnerships with pathshalas for nutrition science and agriculture can help in sensitizing youth while enthusing nutritious production and consumption. Academia can lead the skilling and training for this. We must raise nutrition literacy, develop a cadre of youth that can fill rural skill gaps and develop entrepreneurs aspiring to transform villages that are nutrition deserts into nutrition hubs.

Finally, ranking villages on a nutrition index could track progress such domains as sustainable farming, cultivation of nutritious crops, farm-gate processing, efficient transport and storage and nutritious consumption. This would spur panchayats to accelerate movement towards a resilient food system.

Prioritizing the promotion of local agriculture and food value-chain development, suitably re-configuring agriculture for nutrition security and building partnerships that are inclusive of rural stakeholders need high-level attention to improve India's nutrition statistics. Collective action is imperative to achieve self-reliance in nutrition. https://www.livemint.com/opinion/online-views/from-alarm-bells-to-recess-bell-address-nutrition-gaps-11666157760152.html

13. Focus on millets and pulses, not rice and wheat *(financialexpress.com)* October 19, 2022

In the past three years, the number of people affected by hunger has more than doubled. Globally, a staggering 3 billion people cannot afford a healthy diet, while almost a million people live in famine conditions and fear starvation and death. Moreover, the prevalence of undernourishment (PoU) has jumped from 8% to 9.8% between 2019 and 2021, as per data from the Food and Agricultural Organization. With ongoing and lingering conflicts, including the war in Ukraine, and the dramatic rises in the prices of food, feed, fuel, and fertilisers, the alarming reality of more and more people being left behind is becoming even more acute. Against this backdrop, the recently released Global Hunger Index (GHI) offers a reality check to most nations to achieve the Sustainable Development Goals (SDGs) within the fast-approaching deadline.

The GHI ranked India 107th among 121 countries, with a score of 29.1—behind its south Asian neighbours Sri Lanka (64th), Myanmar (71st), Nepal (81st), and Bangladesh (84th). The GHI score is calculated using four broad indicators—undernourishment, child wasting (low weight for height), child stunting (low height for age), and child mortality. The rate of wasting among children in India is reported to be the highest, at 19.3%, compared to any other country in the world. Even the last two National Family Health Surveys (NFHS) paint a dismal picture of the nutritional status of a large section of the Indian population. According to the survey, more than 35.5% of the country's children below the age of five are stunted, and 67% suffer from anaemia. Each of these indicators characterises different aspects of child malnutrition. Stunting is suggestive of prolonged under-nutrition, while wasting signals current nutritional status determined by food consumption and/or illness. The state-wise analysis paints an even more alarming picture for states like Bihar, Jharkhand, Uttar Pradesh, Gujarat and Maharashtra. For instance, around 43% and 39.6% of children below the age of 5 years in Bihar and Jharkhand suffer from stunting. While in the state of Maharashtra (25.6%) followed by Gujarat (25.1%), a large number of children suffer from wasting.

The problem is aggravated by the fact that a vast majority of the population does not have access to food, and even when they have adequate food, the quality is poor. With an increase in the focus on food security and to make the country self-sufficient in the production of food grain, the policies during the Green Revolution were centered on rapidly increasing the production of two crops—wheat and rice. Additionally, procuring these crops for maintaining the buffer stock and distribution at a highly subsidised rate to a vast section of the population through the Targeted Public Distribution System further strengthened the rice-wheat based cropping system. According to the latest NSSO report (2018-19), around 24% of paddy and 21% of wheat is procured by designated agencies, while procurement of coarse cereals was less than 5% of the total output. Procurement also remained limited for pulses (8% for gram and 3% for arhar). So, higher price realisation for paddy and wheat led to an increase in the cultivation of these crops. As a result, the gross cropped area under coarse cereal, such as millets, declined from 30% to 11% of gross cropped area, and the area under pulses remained stagnant at around 14% between 1950-51 and 2019-20.

Low proportion of area under coarse grains and pulses also results in lower consumption. Take the case of pulses, where their availability declined from 25.2 kg/capita to

17.5 kg/capita during 1961-2020. It has resulted in a decrease in the protein intake of the average Indian population. On the other hand, widely-consumed grains like rice and wheat are rapidly losing their nutritional value, as reported by a study conducted by the Indian Council of Agricultural Research (ICAR). The zinc and iron content in rice declined by 24% and 28%, respectively, between the 1960s and 2000s. So, the nutrition intake of an average Indian diet is severely compromised, leading to the prevalence of widespread hidden hunger. The report released by UNICEF in 2019 also reported that over 80 % of adolescents in India suffered from hidden hunger arising from the deficiency of one or more micronutrients.

The urgency of leaving no one behind and ensuring that every citizen of the nation has access to adequate nutritious food should be the central priority of the government. Initiatives must be taken to include pulses, millets, oilseeds, as well as fruits and vegetables to the beneficiaries of the government welfare schemes, such as the mid-day meal and public distribution system. Besides, adequate incentives must be given to farmers to diversify away from the rice-wheat cropping pattern and shift to the cultivation of pulses, oilseeds, and millets. Concerted efforts through a multi-stakeholder approach are the need of the hour to make a transition toward building a healthier nation. https://www.financialexpress.com/opinion/focus-on-millets-and-pulses-not-rice-and-wheat/2718699/

14. Wheat MSP hiked by 5.5% amid depleting stocks *(financialexpress.com)* October 19, 2022

The Cabinet Committee on Economic Affairs (CCEA) on Wednesday approved increases in the range of 2-9.1% in the minimum support prices (MSPs) of six rabi crops for the 2023-24 (July-June) marketing season. The MSP for wheat, the key winter crop, has been hiked by Rs 110 (5.5%) to Rs 2,125 per quintal, which will fetch the farmer returns over cost of 100%, the government said in a statement.

The MSP hikes, which are neither steep nor modest, come at a time when food inflation is elevated. Consumer price index for “cereals and products” category soared to a 105-month high of 11.53% in September. Also Read: Nafed sells chana below MSP to liquidate surplus stocks

Of course, among the rabi crops, MSP procurement is the most effective for wheat. Procurement is likely to be robust in the current season given the low levels of stocks with the Food Corporation of India (FCI) and other government agencies. There is currently a ban on wheat exports.

Wheat and rice with government agencies have fallen to a five-year low as on October 1 with wheat stocks at around the buffer level.

According to an official release, the absolute highest increase in MSP has been approved for lentil (masur) by `500 per quintal, followed by rapeseed & mustard by Rs 400 per quintal.

Briefing media, Information and Broadcasting Minister Anurag Thakur said the government has ensured 100% over the cost of production in the case of wheat and mustard. In the case of the other four rabi crops, the hikes ensure 50-85 % return over cost of production, he added.

The government has extended the free ration scheme – Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) – by three months to December end. The food ministry had earlier cautioned Rice stocks in the central pool are likely to plunge below the buffer norm by 2.1 million tonne (MT) or 15.5%, if PMGKAY is extended to the whole of the second half of the current financial year.

Retail food inflation rose sharply to 8.6% in September, from 7.6% in August, mostly driven by a jump in the prices of cereals and vegetables. This has pushed overall inflation measured by the consumer price index to 7.4% on year in September, from 7% in the previous month.

Inflation in "food and beverages" rose to 8.4% in September, from 7.5% reported in August, because of a spike in prices of cereals, and some of the key vegetables and fruits. According to traders, the food prices may inch up further in the next couple of months, given the damage to the kharif paddy crop and decline in wheat output in the last rabi season which led to a fall in stocks.

Meanwhile, kharif paddy procurement by the FCI and state government agencies has got off to a brisk start in states like Punjab.

The MSP is the rate at which the government buys grain from farmers. Currently, the government fixes MSP for 23 crops grown in both kharif and rabi seasons.

Sowing of rabi crops begins in October, after the harvest of kharif (summer) crops.

With prices coming under strain owing to fall in domestic wheat output and over 50% fall in government procurement at 19 million tonnes in 2022-23 marketing year, the government had to ban overseas sale of the grain in May.

While wheat prices have risen in comparison to the last two years, Food Secretary Sudhanshu Pandey on Monday said the increase in both wholesale and retail wheat prices is not "abnormal" and the government would intervene when required.

According to the government, since 2014-15, there has been a renewed focus on increasing the production of oilseeds and pulses. The efforts have yielded good results. The productivity of pulses and oilseeds has increased substantially. https://www.financialexpress.com/economy/wheat-msp-hiked-by-5-5-amid-depleting-stocks/2718844/

15. Roadmap to digital rupee isn't too clear *(thehindubusinessline.com)* October 18, 2022

In RBI's concept paper on central bank digital currency, the design and privacy aspects need to be elaborated upon

As India prepares to launch its central bank digital currency (CBDC) or digital rupee, the Reserve Bank of India has released a concept note succinctly setting out the primary motivations, policy implications, design choices and a broad roadmap for the launch of the digital rupee. While the RBI's preliminary position on some aspects corresponds with major central banks, certain issues require further consideration.

The RBI is exploring a wholesale CBDC (w-CBDC) and a retail CBDC (r-CBDC). Globally, many central banks are focusing on a r-CBDC since its innovation potential is believed to be higher..

In terms of design, the RBI shows an inclination towards a two-tiered indirect model where consumers hold CBDC funds in an account/wallet maintained by a bank or service provider and the RBI is responsible for tracking the w-CBDC balances of the service provider.

This model has been preferred by most central banks. It will allow the RBI to focus on its core functions while private sector intermediaries can leverage their expertise in customer handling, customer verification, adherence to anti-money laundering (AML) checks, and transaction verification. Allowing private sector participation in the CBDC system will be useful to design innovative payment solutions.

Economic design

Like most central banks, the RBI has also flagged concerns about the impact of CBDC on the disintermediation of the banking sector and financial stability. Therefore, the economic design of the CBDC will be crucial. This will include examining issues of whether CBDC can be interest-bearing like deposits, and limits on CBDC holdings or transactions.

Next, the RBI discusses if a CBDC can provide the same level of anonymity as cash. The digital nature of a CBDC heightens concerns about illegal transactions using anonymous CBDCs. Therefore, anonymity cannot be a primary feature of CBDC. Instead, a graded approach of tiered KYC for CBDC may be considered. The RBI proposes the idea of 'managed anonymity, that is, "anonymity for small value and traceable for high value".

Since CBDC systems will allow governments and intermediaries to have access to personal data, it raises privacy concerns. In the absence of a robust data protection law, the need for data protection and governance standards in designing and implementing a CBDC will be critical. While the concept note emphasises privacy principles, it does not enumerate the principles that will form the CBDC design.

The RBI will have to balance the objective of privacy protection while ensuring adequate supervision for protecting the financial integrity of transactions. Linked to such policy consideration is the legal foundation of CBDCs. While the RBI correctly states that it will depend on the technical design of the CBDC, it is important to consider the following legal issues at the design stage itself — privacy, AML, counterfeiting, regulation of CBDC intermediaries, foreign exchange control, legal recognition of tokens, consumer protection, and enforcement powers of the RBI to proceed against misuse of CBDC.

While it may take some time for consumers to start transacting in digital rupee, the concept paper indicates the beginning of India's journey towards digitising its rupee. https://www.thehindubusinessline.com/opinion/roadmap-to-digital-rupee-isnt-too-clear/article66027881.ece

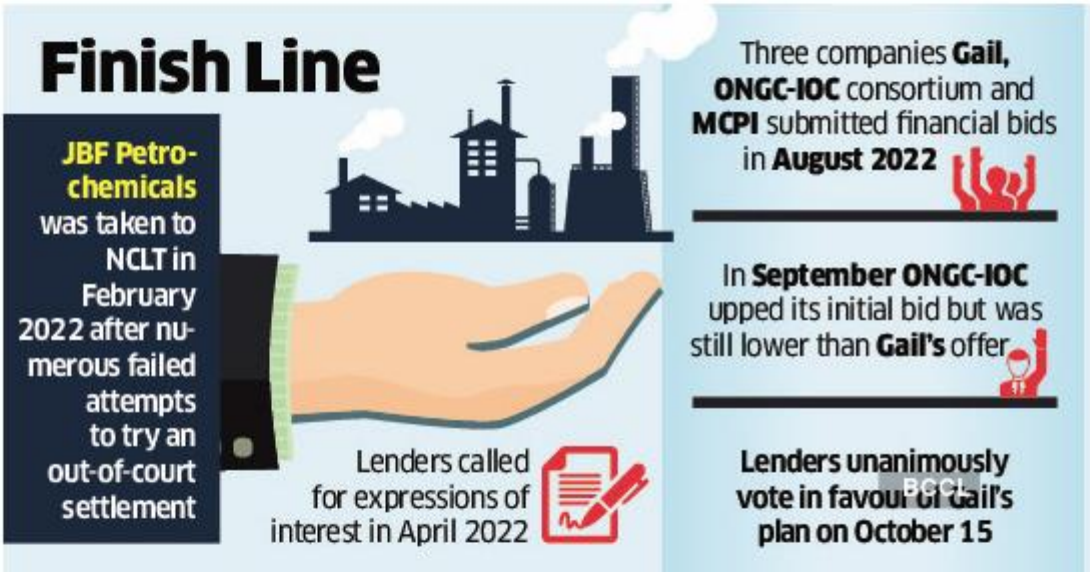
16. GAIL to take over debt-laden JBF Petrochemicals in a rare deal for a PSU *(economictimes.indiatimes.com)* Updated: Oct 19, 2022

Lenders have issued a letter of intent to Gail Ltd, giving a go-ahead to the company to take over the debt-laden JBF Petrochemicals through the insolvency process.

The letter of intent was issued on Sunday, following which Gail has to deposit 10% of its bid value or about Rs 200 crore as bank guarantee by Wednesday, said people familiar with the process.

The takeover of JBF Petrochemicals by Gail will be a rare instance of a public sector enterprise buying out a distressed company since the Insolvency and Bankruptcy Code came into force in 2016.

"Lenders approved Gail's plan by an absolute 100% majority in a vote conducted on October 15. Its offer is superior in both financial as well as operational matrix," said one of the persons, who did not wish to be identified. "Now, as soon as Gail deposits the bank guarantee, the resolution professional will approach the National Company Law Tribunal for approval."



Gail's Rs 2,015-crore offer, translating into a nearly 60% haircut for all creditors, was comfortably ahead of the Rs 1,705 crore bid of a consortium of Oil and Natural Gas Corporation and Indian Oil Corporation after two rounds of bidding.

A Gail spokesperson and the resolution professional did not reply to ET's emails seeking comment.

Founded as a yarn texturing firm in 1982, JBF Petrochemicals manufactures Purified Terephthalic Acid (PTA), which is used to make polyester value chain products used in consumer goods, textile and packaging industries such as PET bottles used to sell soft drinks. The company has a 1.25-million tonne PTA plant in Mangalore.

JBF Petrochemicals owes lenders a total of $463 million (about Rs 3,658 crore) in principal, primarily from external commercial borrowings and foreign currency term loans. IDBI Bank is the lead lender, with $252 million of loans outstanding. Other lenders include Exim Bank, Indian Overseas Bank, Bank of Baroda and Union Bank of India. Total outstanding, including debt, is close to Rs 5,000 crore.

Gail is India's leading gas trading, transmission and petrochemicals company with 70% share of the gas transmission market.

The company's bid has beaten interest from large companies such as Reliance Industries, a consortium of HPCL-Mittal Energy, and BC Jindal Group's Jindal Poly Films which had also submitted expressions of interest for JBF Petrochemicals but did not make a formal bid. https://economictimes.indiatimes.com/industry/energy/power/gail-to-take-over-debt-laden-bf-petrochemicals-in-a-rare-deal-for-a-psu/articleshow/94946162.cms

17. World cannot afford India to follow China's manufacturing model, says Raghuram Rajan *(economictimes.indiatimes.com)* Updated: Oct 18, 2022

Former RBI Governor Raghuram Rajan has batted for a services-led export model for India instead of following China's manufacturing-led one in order to grow faster.

In a lecture on globalisation and climate change, Rajan focused on the positive impact of liberalising services which offers massive potential in reducing inequality in industrial economies and also contributing towards climate action.

Liberalising trade in services is good for both industrial as well as emerging market economies. Since many of these services are weightless, they have low climate impact benefiting the efforts to mitigate climate change.

"Weightless services also consume little energy on the way to the final consumer, unlike manufactured goods. Export-led services growth will be much less environmentally harmful – the world cannot afford India to follow China's path, even if it were open to it," Rajan said.

He said liberalising manufacturing has diminishing returns and is politically fraught.

"One reason industrial countries have soured on open borders is their manufacturing workers have been disproportionately hit by global competition and outsourcing, while service workers have benefited. Both politically and economically, further liberalization of manufacturing has diminishing returns."

He explained that services, unlike manufacturing, can be distributed across a country and reduce pressure on megacities that are turning into heat sinks and becoming increasingly unlivable. Such a distribution of services away from large cities will boost rural incomes and provide an alternative in case of loss of agricultural incomes.

"The production of these services can be distributed across a country. In developing countries, this will reduce the burden on the large megacities that are becoming heat sinks and increasingly unlivable. It will also generate a source of income and a reliable stock of human capital to seed rural communities that would otherwise lack the economic capacity to survive the loss of agricultural incomes," Rajan highlighted.

This is how Rajan thinks services will help in climate action:

-Emission mitigation and climate adaptation will require effective redesign of appliances, machinery, and buildings – think R&D, engineering, design, and architecture.

-Relatedly, it will require more effective reuse of materials (such as glass, wood, and concrete) recovered from the tearing down of climateunfriendly structures.

-As those services flourish globally, every country will benefit from global best practices and thinking. This is not the first time that Rajan has spoken about the benefits of a services-led growth model. In the past, he has cautioned against the perils of blindly following a China-led manufacturing growth model. He has quite often said India needs to focus on spending on education and skilling its youth to create jobs which will come from services rather than manufacturing.

Rajan has also called for a careful analysis of the benefits of the productionlinked incentive scheme (PLI) to boost manufacturing in the country as the benefits accrue to bigger industrial houses rather than the small and medium manufacturers.

Rajan is not the only one to talk about the importance of services-led growth. Noted economic commentator Swaminathan Aiyar, writing for ET, argued for a services-led growth model stating that the future lies in services and not manufacturing. He said that India needs to focus not just on services like IT but education and health that have been grossly underfunded for years. He is of the view that the outsized focus on providing subsidies for manufacturing will undercut the limited resources for human development.

The PLI scheme is one of the flagship programmes of the Modi government to attract manufacturing to India. Multinational corporations want to diversify their manufacturing base away from China due to strict COVID policies along with rising costs of doing business in the country.

https://economictimes.indiatimes.com/news/economy/policy/the-world-cannot-afford-india-to-follow-chinas-manufacturing-growth-model-says-raghuram-rajan/articleshow/94890414.cms?from=mdr

18. What caused inequality to rise in India during pandemic? *(fortuneindia.com)* By PRASANNA MOHANTY | Oct 18, 2022

The poorest and most vulnerable were hit the hardest – pushing 70 million people into "extreme poverty" in 2020 alone: World Bank

That the pandemic exacerbated inequality is known. The poorest and most vulnerable were hit the hardest – pushing 70 million people into "extreme poverty" in 2020 alone, as the World Bank report said recently, to which India contributed a whopping 79% – while billionaires' wealth and corporate profits surged to historic highs. The Oxfam-FDI report, released on October 11, analyses government policies and actions of 161 countries to fight inequality during the first two years of the pandemic. Having assessed countries on three key parameters to mitigate inequality – (i) governments' social spending on health, education and social protection (ii) taxation and (iii) labour policies – it pronounced a harsh verdict.

It said "most of the world's governments failed to take major concrete steps to mitigate this dangerous rise in inequality". About India, it is even harsher. India was ranked 123rd among 161 countries and some of the observations are:

India "reclassified" as having "no minimum wage" in 2020 and is listed among 12 with no minimum wage regime (Bahrain, Oman, Cambodia, Singapore, Ethiopia, South Sudan, St. Lucia, Jordan, Tonga, Lebanon and Tuvalu).

"India features among the lowest performers on health spending again; it has dropped a further two places in the rankings, to 157th (or 5th lowest in the world) and made small cuts between 2019 and 2021 – at a time of unprecedented health need and crisis."

India was among five countries which "dismantled" labour rights through "new repressive laws" (others are: Honduras, Indonesia, Slovakia, and Uruguay).

The only area where India escapes criticism is tax policies where it is ranked 16th but we would soon see why this sounds far too generous.

What is India's national minimum wage?

It may come as a shock to most that India's national minimum wage is still stuck at ₹176 per day since 2017.

The Oxfam-DFI report reclassifies India as not having a national minimum wage by taking into account two factors: (i) Economic Survey of 2018-19 said "one in every three wage workers (33.3%) in India has fallen through the crack and is not protected by the minimum wage law" and (ii) new Code on Wages 2019 recast the wage regime but hasn't taken off yet.

Thus, the gaping holes and low base in the wage regime endures.

Even this national minimum wage of ₹176 is not binding. Every state and union territory has its own set of statutory minimum wages – multiple sets actually. Economic Survey of 2018-19 counted "nearly 429 scheduled employments and 1,915 scheduled job categories for unskilled workers" – notified under the Minimum Wage Act by the Central and state/UT governments. Its graph showed five states/UTs had lower than ₹176 of minimum wage and 32 others higher – going up to ₹538 for Delhi.

The Centre did set up a committee in 2017 to revise national minimum wage, which recommended ₹375 per day in January 2019. Months later, in July, the Union Cabinet revised the minimum wage by ₹2 to take it to ₹178, but didn't notify or implement even that. Instead, a month later, August 2019, the Code on Wages 2019 was passed, promising equity and welfare of workers by expanding the coverage to include informal workers like gig workers. It promised better social security cover. But the provisions don't guarantee minimum wages to all nor provide for equal-pay-for-equal-work; it removes gender discrimination but not discrimination against ethnic minorities and lower castes (big source of wage inequality).

Until now, the Code on Wages remains on paper (rules haven't been notified). Since it didn't provide a formula to fix minimum wage (or floor rate) and the committee it provided for the job hasn't been set up, there is little hope for a forward movement anytime soon.

Even the pandemic didn't move the Centre. The rural job scheme MGNREGS it runs, which provides low-paying menial jobs but helped millions to beat starvation – saw minimal change in wage rates. The average wage in FY20 (pre-pandemic) was ₹182, which went up to ₹200.7 in FY21 and to ₹208.8 in FY22. In FY23, it is ₹215.4. This is when minimum wages (agriculture) of states/UTs ranges from ₹210 (Uttar Pradesh) to ₹441 (Karnataka).

Why minimum wage is important?

Among the countries that have achieved remarkable success in fighting against income inequality, one is Brazil which took to wage route in a big way (in addition to education, skilling and social welfare). Between 1997 and 2009, it hiked minimum wages by 70%. Several studies across the world, including those by the World Bank (2012) and IMF (2015), and even Indian ones (Mahendra Dev, 2018) have found higher minimum wage and wage growth are one of the critical factors to reduce income inequality.

In India, wages have stagnated for a long time. Last month, India Ratings said "nominal" wages (without taking inflation into account) of households declined to 5.7% during FY17-FY21 from 8.2% during FY12-FY16. Given the high inflation, real growth in wages is negligible. The PLFS of 2020-21 had shown "real" growth in wages for regular/salaried jobs fell by -8.9% and that of self-employed by -4.89%; wages for casual work (lowly paid daily wagers), however, saw a rise of 3.6%.

Dismantling workers' rights

All inequality studies list protection of labour rights, strengthening of trade unions and collective bargains as other labour market factors to reduce income inequality. India fares badly here too.

During the pandemic lockdown of 2020, India passed three labour codes (in addition to the Code on Wages 2019): (a) Industrial Relations Code (IR Code) 2020 (b) Code on Social Security (SS) 2020 and (c) Occupational Safety, Health and Working Conditions (OSHW Code) 2020. Together, these codes amalgamated 44 central laws but made them manifestly pro-business and anti-workers. These laws hurt workers by expanding thresholds for protection against arbitrary hire-and-fire, safety norms, promote temporary and contract jobs, ban strikes and dilute trade unions.

As for expanding minimum wages and social security, which these codes do, such provisions are for the future committees to work out and fix – unlike concrete and definitive ones that dilutes workers' rights and interests mentioned above. Given that about 90% of Indian workforce are informal, without job or social security, the new labour laws worsened workers' precarity.

Agriculture has been at the target of pro-corporate/business policies during the pandemic. Three new farm laws were passed in 2020 to govern trade in far produce, (contract) farming and hoarding food grain stocks, which had to be withdrawn after a year of fierce protest from farmers. Like the new labour laws, the new farm laws too were introduced during the pandemic lockdown in 2020 – first as ordinances and then rammed through the Parliament without consultation, scrutiny or due deliberations.

Why are farm laws relevant here?

For one, agriculture provides far more jobs than industry and services and second, more workers fled to agriculture when the pandemic struck as India witnessed an unprecedented reverse migration like no other country in the world. A study by Ashoka University-CMIE showed the first pandemic year of FY21 saw an unprecedented rise of 4.1% in agricultural workforce. The PLFS of 2020-21 showed the employment share of agriculture jumped to 46.5% in FY21, from 45.6% in FY20.

This development has led to the rise in informal workers, mainly self-employed – low productive, low-income and uncertain jobs/incomes. Another cause of rising inequality is massive job loss that the pandemic caused. A study by Azim Premji University says 15 million jobs were lost permanently during April-December 2020. As against this, the OECD countries claimed to have saved 50 million jobs during the time.

India could have done much to protect jobs and wages but it did nothing. Its half-hearted directive to factory owners and other private industrial establishments to provide wages to workers during the lockdown period was not only challenged but the apex court quashed it.

Regressive taxation

India may have escaped lightly from the Oxfam-DFI's ranking in taxation but its tax policies have become more regressive. It cut corporate tax in 2019 – months before the pandemic hit – as a result of which peak base rate for corporate sector is reduced to 22%, much less than 30%, the peak base rate for personal income tax paid by lesser mortals. It had abolished wealth tax earlier in 2016.

A parliamentary panel found the corporate tax cut of 2019 led to a direct loss of ₹1.84 lakh crore in the pandemic fiscals of FY20 and FY21. It also led to an unprecedented development – for the first time in the 2011-12 GDP series, corporate tax collections fell below personal income tax in FY21.

The pandemic didn't stop oil tax from rising, despite fall in international crude prices – which hurts the poor as fuel used by two-wheelers and three-wheelers, in agriculture and transport far outstrip fuel used by cars.

Revenues from central taxes (cess, surcharge, customs, excise, CGST, IGST etc.) on oil went up from ₹3.34 lakh crore in FY20 to ₹4.6 lakh crore in FY21 and ₹4.9 lakh crore in FY22. The average crude price was $60.47 in FY20, $44.82 in FY21 and $79.18 in FY22. States did their bit too, though to lesser extent, and their collection went up from ₹2.2 lakh crore in FY20 to ₹2.17 lakh crore in FY21 and ₹2.8 lakh crore in FY22 (all from PPCA).

Then came another shock. In July 2022, the Centre imposed 5% GST on food items – which were exempted earlier – on pre-packaged unbranded food items like wheat, rice, curd, lassi, puffed rice, mutton and fish. These directly hit the poor.

All such tax policies are regressive and cause inequality to rise – which India should be reversing, rather than piling up.

Inequality ignored

India actually ignores addressing inequality, it said. The Economic Survey of 2020-21 (after the first year of the pandemic) acknowledged growing income inequality but refused to act on it, saying instead, "economic growth has a far greater impact on poverty alleviation than inequality. Therefore, given India's stage of development, it must continue to focus on economic growth to lift the poor out of poverty by expanding the overall pie".

As Finance Minister Nirmala Sitharaman said recently, the focus of her next budget would be growth and inflation (touched 7.4% in September). But it is precisely the growth model India has been following since the economic reforms initiated since mid-1980s that inequality has risen sharply – reversing the earlier growth model in which the bottom 50% and the middle 40% improved their share of national income. The current growth model benefits only the top 10% – as studies by Lucas Chancel and Thomas Piketty have shown.

No wonder, India's response to the pandemic crisis has been characterised more by the "free" ration to those very people who are entitled to "subsidised" ration under the

National Food Security Act of 2013 (to 62.5% of households). This was launched immediately after the lockdown was announced in 2020.

It may fetch votes for the ruling establishment – which it did during the elections to five states earlier this year and may do the same in Gujarat and Himachal Pradesh too which are going to elections later this year – but it does nothing to pull them out of poverty. It merely prevents starvation deaths and once withdrawn (runs till December 31, 2022), the situation will be very bleak for those 62.6% households with little prospects to get jobs or good wages. https://www.fortuneindia.com/opinion/what-caused-inequality-to-rise-in-india-during-pandemic/110098