NEWS ITEMS ON CAG/ AUDIT REPORTS (13.01.2023)

1. Lax governance in PSUs *(thehindubusinessline.com)* January 12, 2023

A CAG audit of the Board structures at central PSUs shows lax adherence to basic governance rules

Investors have traditionally believed that it is companies controlled by private promoters that are most prone to mismanagement and poor governance. But events unfolding at the government-backed Power Trading Corporation (PTC) and its subsidiary PTC India Financial Services (PFS) have shown that State backing and dispersed institutional holdings are no proof against slipshod governance.

In the past year, PFS has been embroiled in one controversy after another — with its independent directors (IDs) quitting en masse citing governance failures, SEBI hauling up the company for non-compliance with its LODR (Listing and Disclosure Obligation Regulations) and a forensic audit flagging possible evergreening of loans. This has resulted in significant curbs on its lending operations, impacting the parent as well. But if one thought the PFS case was the exception, a recently published CAG (Comptroller and Auditor General of India) compliance audit of PSUs suggests that lax governance is a pervasive problem.

CAG's review of 72 listed PSUs, to assess if they followed corporate governance rules laid down by the Companies Act, SEBI and Department of Public Enterprises, showed wide-ranging violations which would have certainly created a furore at private sector companies. As many as 59 of the 72 PSUs did not have the required number of IDs on their Boards, with giants like NMDC, Bharat Dynamics, IRCTC, REC and Coal India failing to appoint even a single ID. Thirty-two PSUs including some big names like ONGC, IOC, SAIL, NMDC, Coal India and Bharat Electronics did not have the required number of non-executive directors on their Boards. SEBI regulations require a minimum Board strength of six directors, but 15 PSUs failed to fulfil even this. Where PSUs did have IDs, the latter had a poor track record of attending meetings. Indian regulations rely on the audit committee to approve CFO appointments, review internal controls and related party deals, and address auditor comments on the company's financials. But three PSUs had not even constituted an audit committee, 31 failed to staff it with a sufficient number of IDs, and a dozen saw audit committees not performing their role. Listed central PSUs openly flouting the governance rules put in place by SEBI and the Corporate Affairs Ministry certainly set a poor example for private companies.

Such instances of poor governance buttress the entrenched perception that PSU stocks can never be great wealth creators. If disinvestment offers often require bailouts and listed PSUs struggle to match the valuation of their private peers, it is mainly due to the investor perception that PSUs are subject to government intervention in their commercial decisions. If the Centre is keen to unlock dormant value in PSUs, the first step would be to empower them with credible and autonomous Boards that uphold governance rules and put minority shareholders at the centre of their decisions. https://www.thehindubusinessline.com/opinion/editorial/lax-governance-in-psus/article66369809.ece

STATES NEWS ITEMS

2. हिमाचल:क्या पेंशन के साथ अन्य वादे पूरा कर पाएगी सुक्खू सरकार? कहां से आएगा पैसा? *(hindi.thequint.com)* January 12, 2023

पिछले दिनों हिमाचल प्रदेश (Himachal Pradesh) में बनी नई कांग्रेस (Congress) की सुक्खू सरकार का कैबिनेट बन चुका है और सभी मंत्रियों को जिम्मेदारी सौंप दी गई है. सुक्खू सरकार की पहली कैबिनेट मीटिंग 13 जनवरी यानी लोहड़ी के त्योहार के दिन होनी तय हुई है. लिहाजा सबकी निगाहें इस पर हैं कि क्या जनता को लोहड़ी पर वह तोहफे मिलने हैं जिन्हें देने के सपने कांग्रेस ने चुनाव से पहले दिखाए और पहली कैबिनेट में देने का वादा किया था? ये सवाल इसलिए हैं क्योंकि हिमाचल की हालत आमदनी अठन्नी और खर्चा रुपया जैसी है.

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आखिर कहां से आएगा पैसा?

यहां पर बात OPS (ओल्ड पेंशन स्कीम) और महिलाओं को 1500 रुपए देने की हो रही है. सवाल ये है कि अगर कैबिनेट में इन दोनों बड़ी घोषणाओं पर मुहर लग जाती है, तो पैसा कहां से आएगा ? क्योंकि प्रदेश इस वक्त साढ़े 74 हजार करोड़ से ज्यादा कर्ज झेल रहा है. सुक्खू सरकार इसका जिम्मेदार पिछली जयराम सरकार को बता रही है.

CAG रिपोर्ट में हिमाचल को चेतावनी?

हिमाचल प्रदेश के लिए केंद्र सरकार से वित्त आयोग की ग्रांट कम होने और GST की मुआवजा राशि बंद होने से हिमाचल में राजकोषीय घाटे का संकट भी गहराने लगा है. हाल ही में CAG यानी कम्पट्रोलर एंड ऑडिटर जनरल ऑफ इंडिया ने एक रिपोर्ट जारी की, जिसके मुताबिक हिमाचल का राजकोषीय घाटा बढ़ रहा है. मौजूदा वित्त वर्ष में राजकोषीय घाटा GDP का 5.84 प्रतिशत रहने का अनुमान जताया गया है.

इसके अलावा CAG रिपोर्ट के मुताबिक हिमाचल में मौजूदा वित्त वर्ष के दौरान आमदनी 37110.67 करोड़ रहने का अनुमान है.

राजस्व प्राप्तियों में कर राजस्व के तौर पर 11268.14 करोड़ रुपए, गैर कर राजस्व के रूप में 2797.99 करोड़ रुपए, केंद्रीय करों में हिमाचल की हिस्सेदारी के रूप में 18770.42 करोड़ रुपए के अलावा केंद्रीय अनुदान के तौर पर खजाने में 4274.4 करोड़ रुपए आने का अनुमान है.

जून-2022 से बंद है हिमाचल को मिलने वाला GST मुआवजे का हिस्सा

केंद्र सरकार से हिमाचल प्रदेश को मिलने वाले जीएसटी मुआवजे का हिस्सा जून-2022 से बंद है. लिहाजा मौजूदा वित्त वर्ष में सरकार को केंद्र से GST कंपनशेशन के रूप में मिलने वाले 558 करोड़ 37 लाख रुपए का नुकसान होगा. वेतन आयोग की सिफारिशों को लागू करने के बाद हिमाचल में पेंशनरों को एरियर के भुगतान पर सरकार को एक हजार 9 करोड़ 80 लाख का अतिरिक्त भुगतान करना पड़ेगा.

CAG ने अपनी रिपोर्ट में कहा है कि इन दोनों मदों से प्रदेश का राजस्व घाटा 1456.32 करोड़ होगा, साथ ही राजकोषीय घाटा 1642.49 करोड़ तक पहुंच जाएगा.

क्या कहते हैं FBRM के प्रावधान?

FBRM यानी फिस्कल रेस्पॉन्सिबिलिटी एंड बजट मैनेजमेंट के प्रावधानों के तहत राजकोषीय घाटा सकल घरेलू उत्पाद का 3.5 प्रतिशत से अधिक नहीं होना चाहिए, लेकिन यह 5.84 प्रतिशत तक पहुंचने का अनुमान है. सरकारी सिस्टम की सुस्ती इस कदर है कि वर्ष 2020-21 और वर्ष 2021-22 के करोड़ों रुपए के विकास कार्यों के उपयोगिता प्रमाण जमा ही नहीं करवाए गए. यह भी सुनिश्चित नहीं है कि ग्रांट-इन-एड के तौर पर विभिन्न विभागों, संस्थाओं को जारी रकम की उपयोगिता यानी यूटिलाइजेशन हुई है या नहीं. कैग की रिपोर्ट में यह खुलासा हुआ है.

पेंशन से प्रदेश को कितना आर्थिक बोझ?

कांग्रेस के OPS देने के पहले वादे की बात करें तो, हिमाचल में करीब पौने तीन लाख सरकारी कर्मचारी हैं और इनमें से एक लाख पांच हजार कर्मचारी NPS के तहत आते हैं. ऐसे में पुरानी पेंशन स्कीम अगर हिमाचल में लागू होती है तो राज्य पर 600 करोड़ का अतिरिक्त भार पड़ सकता है.

मौजूदा वक्त में पेंशन का भुगतान करने के लिए सालाना 7500 करोड़ रुपये खर्च होते हैं. पुरानी पेंशन बहाली के बाद 2030 में रिटायर होने वाले कर्मचारियों के लिए पेंशन चुकाने की चिंता करनी पड़ेगी, क्योंकि आने वाले वर्षों में पेंशन पर होने वाला खर्च 25 हजार करोड़ रुपये तक पहुंच सकता है.

वेतन, पेंशन और कर्ज के मूलधन और ब्याज पर बजट का 50 से 55 प्रतिशत हिस्सा खर्च होता है...ऐसे में बजट का 40 से 44 फीसदी पैसा ही विकास कार्यों के लिए बच पाता है.

महिलाओं को 1500 रुपए दिए तो कितना होगा खर्च?

कांग्रेस के दूसरे वादे महिलाओं को पेंशन देने की बात करें तो, हिमाचल में 18 साल से ऊपर 27 लाख से ज्यादा महिलाएं हैं. ऐसे में अगर सरकार अगर महिलाओं को 1500 रुपए देना शुरू कर देती है तो पहले ही महीने में 405 करोड़ से ज्यादा राशि खर्च होगी.

300 यूनिट मुफ्त बिजली से कितना आर्थिक बोझ?

कांग्रेस ने चुनाव से पहले हर घर को 300 यूनिट बिजली देने का भी वादा किया था, जिस पर सालाना 2,500 करोड़ रुपये का और खर्च आएगा. साल 2022-23 के बजट अनुमानों के मुताबिक कुल प्राप्तियां 50,300.41 करोड़ रुपये और और नकद व्यय 51,364.76 करोड़ रुपये अनुमानित हैं. फिलहाल सवाल तो ये उठता है कि आखिर सुक्खू सरकार इतना पैसा कहां से लाएगी?

सरकार को CAG की सलाह

CAG रिपोर्ट ने हिमाचल की इस हालत पर चिंता जताई है. इस घाटे को कंट्रोल करने के लिए CAG ने सरकार को अनप्रोडक्टिव खर्च कम करने और एक्सटर्नल एडेड प्रोजेक्ट्स के लिए केंद्रीय मदद से धन जुटाने की सलाह दी है. https://hindi.thequint.com/news/india/himachal-pradesh-sukhu-government-able-fulfill-promises-along-pension-where-will-money-come-from#read-more#read-more

3. Kerala can't borrow its way out of debt *(onmanorama.com)* Shashi Tharoor | January 13, 2023

At a recent Manorama News discussion on the channel's Newsmaker 2022 show, the CPM panellist, Anil Kumar, objected to my statement that Kerala was drowning in debt. The sad truth, nonetheless, is that it is.

Let's look at the bare facts. At the macro-level, Kerala staggers under a debt ratio of 39.87 per cent (in 2020-21), one of the highest in the country and the highest in South India, which is obviously difficult to sustain in the long run. The state's fiscal deficit (that is, excess expenditure over revenue) has crept up alarmingly, multiplying six-fold in the last 15 years, and is ever increasing. Since 2016-17 (when the LDF government came to power), the state's fiscal liabilities have risen by 62.51 per cent to a staggering Rs 3,32,291 crore five years later. These are large numbers which many of us may find difficult to absorb, but if you think for a minute and imagine what a situation of increasing debt such as this for a family would mean, it is seriously distressing.

The Reserve Bank of India (RBI) has described the situation as one requiring "significant corrective steps". I really wonder if anyone in our state government is paying attention to this, because their response, instead of taking corrective steps, has been only to borrow more. Towards the end of October 2022, our state's Finance Minister met the Union Finance Minister with a request to increase the state's borrowing limits to incur even more debt so as to fund the state's deficit and pay committed expenditures. These are salaries, pensions and interest payments, the expenditure on which constitute about 71 per cent of the state's income.

Again, can you imagine the condition of a family that has to spend more than 70 per cent of its income on paying household salaries and servicing its debts?

What all this points to is that there is very little money in the exchequer to fund development. A truly disheartening manifestation of this situation is that the state government has had to borrow Rs 3,000 crore to pay the Onam bonus for the state's employees last year. The festival of prosperity, ironically, serves to illustrate the pauperism of our state today. Unfortunately, the Malayalam proverb kaanam vittum Onam unnanam (one must have one's Onam lunch even by selling one's property) is the future that our state seems to be headed to, if it continues along the present course.

"The unbridled borrowing that the state government is engaged in has raised concerns from not just the Union Finance Ministry and the RBI, but also from the Comptroller and Auditor General" --Shashi Tharoor

The unbridled borrowing that the state government is engaged in has raised concerns from not just the Union Finance Ministry and the RBI, but also from the Comptroller and Auditor General, who has officially warned that it can plunge Kerala into a debt trap. This precarious financial situation is also being noticed internationally: Fitch, the global ratings agency, has downgraded its outlook on Kerala's economy from Stable to Negative in October 2022.

Keralites rejoice when kits are distributed by the government (and express their gratitude at the ballot box), but fail to realise that our children and grandchildren will eventually be paying for the freebies that this government happily distributes. The government's own Planning Board has observed that resource mobilisation is essential over the next five years to keep debt liabilities on a sustainable level. Where will these resources come from?

The stark reality is that 78 per cent of the state's Net State Domestic Product in 2019-20 was contributed to by the service and construction sectors. This means that agriculture and industry, two of the most labour-absorbing sectors elsewhere, have a marginal role in our state. It is a shame that we have such a slim manufacturing and industrial base. Our domestic productivity is so precarious that it is impossible to talk about Kerala's economy without relying on the remittances sent by hardworking Malayalis abroad. We have to export our unemployment to provide for our state's wellbeing.

One fallout of the pandemic has been the return of our emigrant population in large numbers (over 10 lakh have come home in the last three years) which has led to a decline in remittances to the state. Yet, there is still an over-dependence on remittances, which amount to 13 per cent of Kerala's GDP, having stood at almost 25 per cent at the beginning of the last decade. That's bad news twice over: bad that remittances to Kerala are going down, but also bad that our dependence is still so high – 13 per cent is still a significant dependence, compared to the fact that India as a whole receives only 3 per cent of its GDP in remittances. One lakh crore rupees of our state's GDP was contributed by foreign remittances, without which Kerala's economy would crumble. The day the Gulf countries decide that they need to create jobs for their own nationals and can dispense with the services of most Keralites, we would be staring at a double disaster – a dramatic drop in cash flowing into our economy, as well as the return of millions of people to Kerala with no jobs to accommodate them within the state.

I mention these facts not just to spin a tale of woe but to highlight the urgency of finding solutions. It is imperative that our government come up with a serious plan to increase revenue generation within the state. There is an old piece of military wisdom that goes, when you find yourself in a hole, stop digging. We cannot hope to borrow our way out of debt: that way we are just digging ourselves into a bigger hole.

Rushdie & freedom of expression

A completely unrelated subject: it is now five months since Salman Rushdie was attacked and stabbed violently by a crazed Islamist in New York state, and the 75-year-old author is yet to recover from his wounds. It is sobering to realise how violently so many murderous fanatics have reacted to his novel, The Satanic Verses. The novel's Japanese translator was murdered and its Italian translator attacked with knives. Its Norwegian publisher was shot but managed to survive. Sadly 37 people in Turkey were not so lucky. They perished in a fire that was lit to murder the novel's Turkish translator. The fact that so many writers and publishers were sill willing to translate and print The Satanic Verses is testament to the enduring power and appeal of freedom of expression. Rushdie has paid a terrible price for his creative freedom: long years of isolation and hiding, intrusive security around him, and now, when he imagined he could live a normal life, a brutal attack that seems to have cost him an eye. No writer should have to invest in an armoured jacket every time he picks up his pen. https://www.onmanorama.com/news/tharoor-line/2023/01/13/kerala-borrowing-rbi-ldf-debt.html

SELECTED NEWS ITEMS/ARTICLES FOR READING

4. The corporate tax conundrum *(thehindubusinessline.com)* January 12, 2023

Effective tax rate for large companies is falling, but collections are up

The year 2019 was a watershed for corporate taxes as the rates were slashed to unleash the animal spirits of India Inc. and make them invest in capital formation. The largesse was triggered by the looming threat of a prolonged recession that year.

The tax cuts were massive — effective income tax on companies was slashed to 25.17 per cent, down from the highest rate of 34.94 per cent and the rate for minimum alternate tax was lowered from 18.5 per cent to 15 per cent. Companies responded with a thumping hurrah and there was a virtual stampede to move to the lower tax regime. Of the largest companies earning taxable income of over ₹500 crore, 246 had shifted to the new tax regime by the end of FY20 and only 130 remained in the old regime. These larger companies account for over 50 per cent of the taxable income.

It's clear that the companies greatly benefited from the new tax regime. A businessline analysis of companies forming part of the Nifty500 index shows that the tax rate for these companies (based on the tax paid by companies and taxable profits) was 27.09 per cent prior to the tax cut, in FY19. It plunged steeply to 22.09 per cent by FY20 as companies made the most of the tax cut bonanza. The tax rate for these larger companies has been moving further lower since then and stood at 20.77 per cent towards the end of FY22.

There were initially concerns that the revenue collection from corporate taxes would decline due to the lower rates. But tax collections have been robust in the last two years, growing 39 per cent and 21 per cent in FY22 and FY23, respectively. What could be behind this conundrum of lower tax rate and higher tax collection?

Lower tax rate, higher collections

Corporate tax collections are directly impacted by the growth in the economy and tend to decline during periods of growth slowdown. There was a 16 per cent decline in corporate tax collection in FY20 as growth slid sharply due to slowing consumption caused by tightening bank liquidity. The next year was marred by Covid-led lockdowns and saw corporate tax revenue decline 17.8 per cent. But collections have picked up since then. The current year witnessed collections of ₹4.28-lakh crore between April and November 2022, compared with ₹3.53-lakh crore in the corresponding period the previous year.

One reason why collections are higher despite falling tax incidence is because the larger companies have been recording strong profit growth over the last two years. Taxable income of the companies forming part of Nifty500 grew 38 per cent in FY22. In fact, even during the Covid-hit FY21, the profits before tax of these companies grew 34 per cent due to super-normal profits of commodity companies. These larger companies were also able to garner the market share conceded by smaller companies, which faced economic distress due to the pandemic.

And not all companies have paid tax at the lower concessional rate. Around 107 companies have paid over 26 per cent of their taxable income as tax. But also, around 156 companies have paid less that 20 per cent of their income as tax. This shows that companies are being deft at making the most of tax exemptions and leeway to reduce their tax outgo.

A case in point is Reliance Industries, which paid tax at the rate of 1.68 per cent in FY22, making the best use of its battery of tax consultants to bring down its tax outgo.

Laffer curve at play

The improvement in corporate tax collection also proves the Laffer curve theory right. This theory had expounded that there are two consequences of tax cuts or increases — arithmetic and economic. While tax rate cut should result in reduced tax collection and vice versa for tax increases, based on arithmetic, the economic impact could be the reverse. As people or companies use the tax cuts to consume more, it results in increase in demand which results in increasing tax revenue. Similarly, tax increases could eventually lead to lower demand and lower tax collection.

It is apparent that India Inc. did not utilise the saving from the tax rate cuts to increase capital expenditure. Only a handful of companies have invested in expanding capacities and the growth in private capex over the last two years is not much to exult about.

Instead, businesses seem to have used the savings from the cut in tax outgo to insulate themselves against pandemic-led slowdown, to improve their cash flows and to expand their business outreach.

What next?

As the saying goes, you can only take the horse to the water. It may not be possible to either coerce or cajole India Inc. to spend the money saved from lower taxes in capital investments unless they deem it necessary based on the demand environment in the industry. To give the devil its due, some companies have been investing heavily in capex since FY19.

Reliance Industries has spent the highest on capex between FY19 and FY22, recording an increase in its fixed assets of around ₹5,30,731 crore. Others such as ONGC, Bharti Airtel, JSW Steel and Adani Green have also spent large amounts in capital investments.

It can be hoped that as demand improves over the coming years and export market also revives, additional capacities will also come up. Till then, companies will continue to use the lower tax to shore up their profits. And that is not a bad thing, going by the tax collection figures. https://www.thehindubusinessline.com/opinion/the-corporate-tax-conundrum/article66370606.ece

5. Notes to the Finance Minister: Is the government spending money wisely? *(newindianexpress.com)* 12 January 2023

Despite our 'Big State,' the quality of public services including education, healthcare and rural development isn't up to snuff...

A life without government is 'nasty, brutish and short.'

This undisputed Hobbesian view found its way even into public finance. And before we knew it, the size of the State, measured as government expenditure to GDP, has grown enormously.

For decades, tax-GDP ratio was nailed near the floorboard at 10-11%, while public expenditure perched itself one block higher at 26-28% of GDP. If expenditure is nearly double the income, it should mean superior public services, right? Wrong. As confirmed by none other than former

Prime Minister Rajiv Gandhi himself, less than 15 paise of every rupee of expenditure actually reached the intended poor during the 1980s.

Rajiv was the first to break the bad news four decades ago, but the trend continues even now. Which explains why despite our 'Big State,' the quality of public services including education, healthcare and rural development isn't up to snuff.

Promising an overhaul, Prime Minister Narendra Modi, in 2014, fashioned the phrase that government has no business to do business, and championed 'minimum government and maximum governance'. Ten years down the line, the size of the State has begun shrinking, though India's transition from a mixed economy to a free market economy still has a country mile to cover.

There's no proven 'optimal' size of public spending if we want a government that maximized growth. Economists consider the quality of public services as a benchmark, but for India's finance ministers that's a challenge because the first charge on the treasury is not towards welfare measures, but interest payments, which also happens to be the largest component, excluding state transfers.

Of the total expenditure in FY23, nearly 60% was earmarked for interest payments, pensions, subsidies, and state transfers, effectively leaving just Rs 40 out of every Rs 100 the government earns (debt included) for social services. When the UPA government relinquished office in 2014, it was about 70:30, which justifies why critical healthcare and education remain severely underfunded.

Consider healthcare. The globally accepted norm for government spending on healthcare is 3% of GDP, which even the 2021 Economic Survey recommended. Taking the estimated FY23 nominal GDP of Rs 273 lakh crore, government healthcare expenditure should be roughly Rs 8 lakh crore. Given that India's healthcare spending is split in a 3:7 ratio between the centre and the states, the union's component should be about Rs 2.4 lakh crore. In contrast, the FY23 budget allocation stood at Rs 86,600 crore.

The government is cognizant and in its 2017 National Health Policy, it had rightly envisaged to increase healthcare expenditure to 2.5% of GDP by 2025. But if we were to meet this target, allocations must straightaway double in each of the next two budgets.

Likewise, expenditure on education has been falling behind the benchmark 6% target for decades. First mooted by the Kothari Commission in 1968, and endorsed by subsequent National Education Policies, the 6% target remains out of bounds. In FY23, the earmarked Rs 1.04 lakh crore budget accounted for just 2.5% of the total government expenditure. Reaching at least the halfway mark of the 6% target is essential given the prevailing need for skilled manpower to support the growing economy. The private sector presence has taken some load off the government's shoulder, but the fact remains that improving primary education and skilling India's youth needs a necessary fresh wind.

As for agriculture, the lifeblood of the Indian economy, much leaves to be desired. There have been drumbeats about an unprecedented, five-fold growth in agri budget between FY14 and FY23 from Rs 21,933 crore to Rs 1.38 lakh crore, or 3.4% of total expenditure in FY23.

While agricultural reforms remains a contentious area, the jury is not out on the government's promise of doubling farmers income by 2022. The NSSO surveys on household income come with a lag, but as per the last survey, the average monthly income per agricultural household, from all sources, was estimated at Rs 10,218 in 2019, up from Rs 6,426 in 2013. Which means, farm income increased by 59% till 2019, and a similar growth in the following years would effortlessly fulfil the government's promise. But the last three years have been anything but extraordinary, confirming fears that the 2022 target will be sorely missed.

Moreover, analysts point out that the share of an agricultural household's income from cultivation fell from 48% to 37%, while wages (40%) replaced crop production as the major source of income. It means, even if farmers income indeed doubled, it's not solely on account of agricultural income.

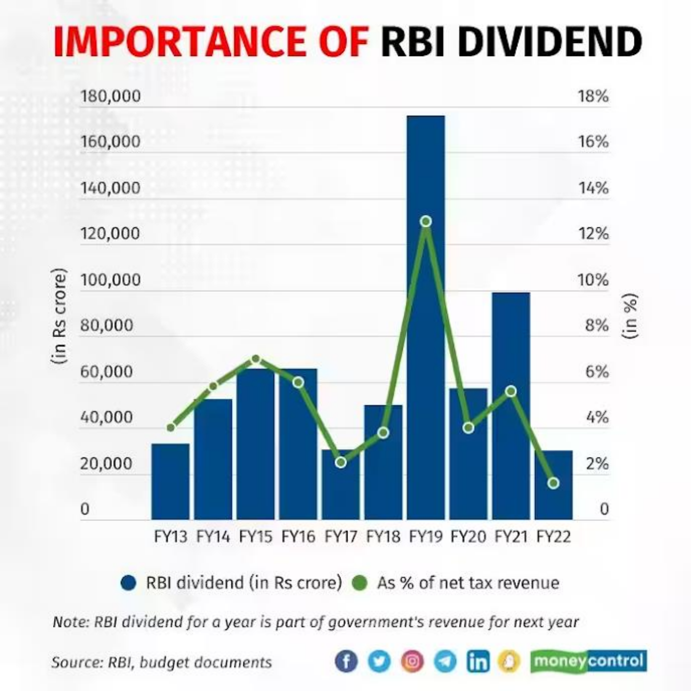
Among all, one aspect where the NDA government scored big includes rural development, providing tap water, electricity and sanitation across the country at an unprecedented scale. Besides, the opening of bank accounts, particularly, in the hinterland helped arrest the leakages in subsidy payouts. What sounded as a playful acronym -- the JAM Trinity -- Jan Dhan Yojana, Aadhaar and mobile numbers -- helped deliver targeted subsidies over time.

While at it, the government decisively reduced its subsidy burden in phases. It was in 2015 that the government first quantified the subsidies for the rich, thanks to Chief Economic Adviser Arvind Subramanian's seminal note on 'Bounties for the well-off.' About Rs 1 lakh crore worth implicit subsidies on cooking gas, power and others benefiting the rich were subsequently scrapped, which in turn helped the government increase its expenditure pie for discretionary spending. https://www.newindianexpress.com/web-only/2023/jan/12/notes-to-the-finance-minister-is-the-government-spending-money-wisely-2537232.html

6. How RBI's dividend gives Centre a much-needed helping hand *(moneycontrol.com)* January 13, 2023

The Reserve Bank of India (RBI) is responsible for the management, regulation, and supervision of various aspects of the economy. It is also a key source of funds for the government.

In the course of performing its duties, the RBI generates revenue. While it also has certain expenditures such as those incurred while printing currency notes and to provide for any losses on its investments, it is left with a pile of surplus money at the end of its accounting year. This surplus money is transferred to the central government in the next financial year as a dividend. And this dividend can be massive.



As shown in the chart above, the RBI's dividend to the Centre dipped to Rs 30,659 crore following demonetistion. One of the reasons for this was the central bank having to rapidly print new notes to replace the banned ones. But things took a turn for the better in 2018-19, when the dividend was a colossal Rs 1.76 lakh crore. Transferred in 2019-20, this dividend included the transfer of the RBI's 'excess reserves.

Over the last decade, the RBI has, on average, transferred an annual dividend of Rs 66,066 crore to the Centre. Again, on average, this amounts to over 5 percent of the Centre's net tax revenue — a tidy sum when one considers the optics of missing the fiscal deficit target by even 10 basis points.

Given the importance of the RBI's dividend — the size of which does not influence its policy actions — it can come as a rude shock to the government when budget estimates are missed.

Like in 2021-22, for instance. In May 2022, the RBI transferred a dividend of Rs 30,307 crore to the Centre for the year 2021-22. This was less than half the Rs 73,948 crore the government had estimated it would get from the central bank and public sector banks, with most of it coming from the RBI.
How much dividend the RBI will transfer to the Centre for 2022-23 will be keenly watched.
https://www.moneycontrol.com/news/business/budget/in-graphic-detail-how-rbis-dividend-gives-centre-a-much-needed-helping-hand-9859231.html

7. Central govt's borrowings may touch Rs 14.8 lakh crore and states' Rs 24.4 lakh crore in FY24: Icra *(financialexpress.com)* January 12, 2023
The Centre as well as state governments are likely to budget for higher market borrowings next fiscal even though the Union Budget may peg a lower-than-expected fiscal deficit at 5.8 per cent of GDP, a report said. Icra Ratings anticipated that higher redemptions will lead to gross market borrowings of the Centre and states to rise to Rs 14.8 lakh crore and Rs 24.4 lakh crore, respectively, in FY24 from Rs 14.1 lakh crore and Rs 22.1 lakh crore, respectively, in FY2023.

The agency also said the Centre is expected to peg its FY24 fiscal deficit at 5.8 per cent of the GDP, a healthy moderation from 6.4 per cent of GDP projected for FY23.

According to Aditi Nayar, chief economist at the agency, with a global growth slowdown looming large, Budget 2024 needs to focus on sustaining the domestic growth momentum, while at the same time demonstrating a continued commitment towards fiscal consolidation in addition to limiting the rise in market borrowings.

She also expects the forthcoming budget enhancing the Central capital expenditure to Rs 8.5-9 lakh crore and targeting a lower fiscal deficit of 5.8 per cent of GDP, aided by lower subsidies. Despite this, higher redemptions will enlarge the Centre's gross market borrowings to Rs 14.8 lakh crore in FY24 from Rs 14.1 lakh crore in FY23.

She said the revenue deficit is expected to fall to Rs 9.5 lakh crore in FY24 from Rs 10.5 lakh crore in FY23, while fiscal deficit may fall only mildly to Rs 17.3 lakh crore from Rs 17.5 lakh crore, respectively, led by higher capex. Nevertheless, as a proportion of GDP, fiscal deficit is expected to ease to 5.8 per cent from 6.4 per cent.

She said the poll-bound government at Centre is expected to budget for a double-digit growth in capital expenditure at Rs 8.5-9 lakh crore in FY24, up from Rs 7.5 lakh crore in FY23. On the other hand, revenue spending is expected to rise by a relatively muted rate of 3 per cent due to the likely lower food and fertiliser subsidies.

Given the robust direct tax and GST collections, Nayar said, the net tax receipts are expected to overshoot the budgeted amount by a healthy Rs 2.1 lakh crore in FY23. Direct tax mop-up grew 24.58 per cent to Rs 14.71 lakh crore in this fiscal till January 10, which is more than 86 per cent of the Budget estimate.

This, combined with expenditure savings to the tune of Rs 1 lakh crore, is expected to partly offset the net cash outgoes announced in the first supplementary demand for grants and the shortfall in non-tax revenue and disinvestment receipts of the central government.

As a result, the fiscal deficit to print in at Rs 17.5 lakh crore in FY23, exceeding the budgeted amount of Rs 16.6 lakh crore; but a larger-than-estimated GDP will allow the gap to remain at the budgeted target of 6.4 per cent of GDP, Nayar said. She said the government is expected to net borrow Rs 10.4 lakh crore in FY24, down from Rs 10.9 lakh crore in FY23. But higher redemptions will have the gross market borrowings to rise to Rs 14.8 lakh crore from Rs 14.1 lakh crore.

On the other hand, states' gross market borrowings, which have been compressed in FY23 for a variety of reasons, is expected to touch Rs 9 lakh crore in the coming fiscal and assuming that 75 per cent of this is funded by the debt, their net borrowings will touch Rs 6.8 lakh crore.

Nayar said the gross tax revenue in FY24 is estimated at Rs 34 lakh crore, a 9.4 per cent expansion over projected level for FY23, with growth in direct taxes likely to outpace that of indirect taxes which is likely to be roiled by poor customs duty collections and reversion of excise duty on auto fuels to pre-pandemic levels.

The share of interest payments in total expenditure will remain elevated at 24-25 per cent, owing to an increase in the debt outstanding, underscoring the need to limit borrowings, going ahead, Nayar said. https://www.financialexpress.com/economy/central-govts-borrowings-may-touch-rs-14-8-lakh-crore-and-states-rs-244-lakh-crore-in-fy24-icranbsp/2946152/

8. No more capital infusion in PSBs; banks seek tax sops *(financialexpress.com)* January 13, 2023

With the capital adequacy of public sector banks (PSBs) being robust now, the government may not require to infuse fresh capital into them for the second year in a row. Given the early signs of new investments in manufacturing and buoyant credit flows, the PSBs will not hopefully need such succour from the government in the coming years as well.

Recapitalisation of PSBs had become for a norm for a few years to FY22 owing to the "twin balance sheet crisis" and rise in banks' NPA levels. The government had provided Rs 20,000 crore each to help PSBs shore up their capital base in FY21 and FY22. Given their improved financials, banks are now in a position to raise capital from the markets themselves. However, the Budget FY24 may provide a tidy sum to bolster the capital base of public-sector general insurance firms.

Meanwhile, banks, which have been promised incentives worth Rs 2,600 crore for the promotion of RuPay Debit Cards and low-value BHIM-UPI transactions for the current financial year, are looking for more tax sops. They have sought extension of beneficial rate of 5% to interest income received by non-residents from investment in government securities (G-secs), which is currently available to foreign portfolio investors (FPI). The recommendation is made by the Indian Banks Association (IBA) to the government ahead of the Union Budget 2023, along with a list of other tax related suggestions that might aid the banking sector.

The government along with the Reserve Bank of India (RBI), in 2020, announced fully opening up G-sec market to the NRIs through the fully accesible route (FAR) without any investment limit. The move was aimed at increasing foreign investment in G-sec market and facilitate its inclusion in global bond indices. The scheme operates through the two existing routes, namely the medium term framework (MTF) and voluntary retention route (VRR).

Currently, FPIs are charged concessional rate of 5% on investments in G-secs under section 115AD of the Income Tax Act. The gains made by NRIs from investment in G-secs is charged in the range of 10-20%. The concessional tax treatment to NRIs for investments made under FAR shall increase its attractiveness among investors, it said.

"This would level the playing field for non-residents not registered as FPIs, who wish to invest in these specified G-secs. This would also attract a new set of non-resident investors to invest in Indian G-secs through the ICSD platform," it said.

Among other things, IBA has also sought clarity on bad debts on credit cards business as it is leading to difference of opinion between lenders and the income tax authorities. The assessing officers of the income tax department classify credit card business as non-banking activity and are not allowing the deduction on non-performing assets (NPAs) in the segment.

"Banking industry was expecting some clarification on this point in present Budget. However, it remained untouched," the association said.

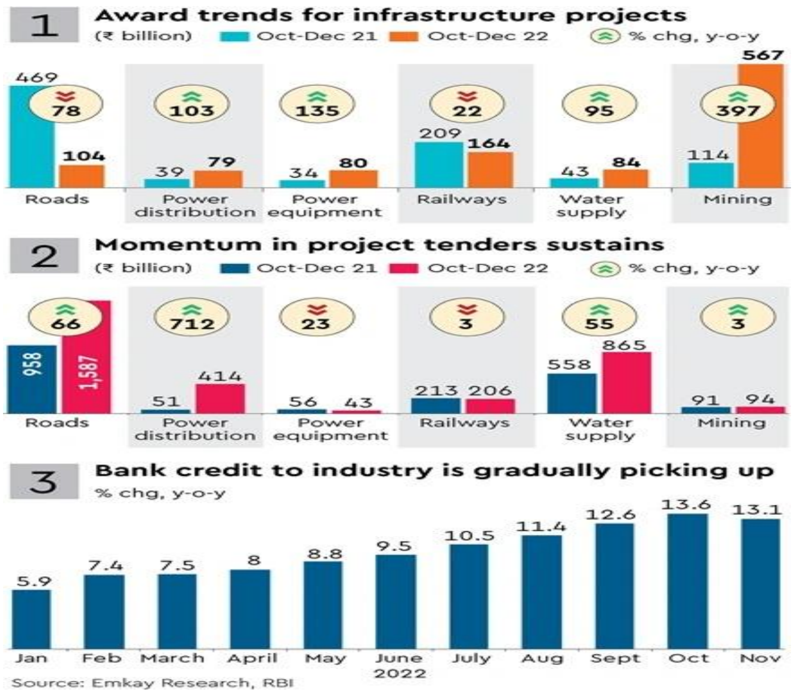
Overall credit card spending declined 12.4% to Rs 11.5 trillion in November, sharply lower than Rs 1.29 trillion a month ago, as per latest data from the Reserve Bank of India (RBI), while in volume terms transaction declined 8% in November to 235.1 million. The gross NPA ratio of the entire banking system fell to a seven-year low of 5% as of September 30 while the net NPA ratio declined to ten-year low of 1.3%, as per a central bank report.

The IBA has also sought full deduction on provisions made on bad, doubtful and standard assets. Currently, banks are not allowed to claim full provision made on bad and doubtful debts. The tax department has capped deduction on provisions on bad and doubtful assets at 8.5% of total income of the bank. The rules drafted by CBDT also need to be changed as per existing framework. While the banks are required to recognise delinquent assets as per 90-day regime, the tax rules require them to calculate provisions as per old rules, recognising bad loans after 180 days.

Banks have also sought clarity on income from perpetual bonds, which is another point of contention between banks and the taxman. The interest paid by the lenders on perpetual bonds to the bond holders are treated as dividend. IBA has also sought lower tax slab for foreign banks. While domestic banks have a lower rate of 22%, branches of foreign banks are taxed at the base rate of 40%, creating significant disparity between Indian and foreign banks, IBA said. https://www.financialexpress.com/budget/no-more-capital-infusion-in-psbs-banks-seek-tax-sops-2946562/

9. **Road projects in slow lane** *(financialexpress.com)* January 13, 2023

While tender awards for infrastructure projects such as mining, power distribution, water supply and power equipment have grown in the three months to December 2022, poor awarding in the roads sector continued in the quarter—it contracted 78% as compared to the three months of September last year—because of higher costs of input materials and slack pace of execution.



Tenders logged a four-year CAGR of 18% during the quarter as against 14% for the quarter ending September last year.

In fact, tenders, excluding roads, were robust, at 21% on a four-year CAGR basis. https://www.financialexpress.com/opinion/data-drive-road-projects-in-slow-lane/2946571/.

10. India missed a chance to reform the Public Distribution System *(livemint.com)* Updated: 13 Jan 2023

The PMGKY was meant to provide a cushion to the majority of rural and urban poor against the loss of income during the pandemic.

While saving food-subsidy cost on the erstwhile PMGKY, the government also decided to forgo the token prices collected from NFSA beneficiaries.

In a widely anticipated move, the government finally ended the free foodgrain scheme under the Pradhan Mantri Garib Kalyan Yojana (PMGKY) from 1 January. The scheme, which was introduced as part of the pandemic relief effort in March 2020, provided 5kg of free cereals, rice or wheat to eligible Public Distribution System (PDS) beneficiaries. PDS beneficiaries are entitled to 5kg of rice/wheat/millets at ₹3/2/1 per kg as part of the National Food Security Act (NFSA). The PMGKY was over and above that.

The primary reason for the discontinuation of the scheme is the ballooning fiscal deficit of the government. However, while saving food-subsidy cost on the erstwhile PMGKY, the government also decided to forgo the token prices collected from NFSA beneficiaries for foodgrain entitlement through the PDS. This additional step will cost the government a small sum of ₹18,000 crore. However, the impact of both these measures taken together is likely to be an additional monthly spending of around ₹500-600 for a household of four members, as they will now have to purchase an additional 5kg from the market if they need it.

While the decisions by the government are politically and fiscally savvy, this is not the best option either in the short or long run. The PMGKY was meant to provide a cushion to the majority of rural and urban poor against the loss of income and employment during the pandemic. While pandemic-related disruptions are over, most indicators of the rural economy suggest that distress persists. Given that cereal inflation has been in double digits with no signs of slowing, the additional foodgrain could have been continued until inflationary pressures cooled. Also, the decision to reduce PDS prices to ‘free’ is unlikely to save the government much and will also be a difficult decision to reverse.

A more serious matter of priority is for the government to reform the PDS as it exists today. This system, used by the NFSA and PMGKY both, has played an important role in recent years. A large part of this is thanks to the quasi-universal nature of food entitlements, with 75% coverage of rural areas and 50% of urban. As several studies have documented, enlarging the beneficiary pool has helped in curbing leakages and increasing efficiency of the PDS. However, despite several economists and the Supreme Court too reminding the government to increase its number of beneficiaries to adjust for population increase, there has been no effort to do so. Perhaps a better option would have been to expand the beneficiary roll while retaining subsidized issue prices for food staples. That would have been a fiscally neutral step.

The real issue, however, is about what the PDS represents. In the case of NFSA and also PMGKY, it is erroneous to treat it as an income transfer programme. The basic purpose as envisaged is to make essential foodgrains available to a large majority of the population at affordable and stable prices. More than an income transfer, it is the availability and stability of prices that play an important role in assuring Indians food security. When the NFSA was enacted, an issue price of ₹3/2/1 was fixed for three years. After that, it was supposed to change as prices increased, so long as it remained under the minimum support prices (MSPs) of the crops. In fact, by simply increasing prices a little to keep real prices constant, the government could have raised the quantum of grains given to beneficiaries without affecting its fiscal discipline. Raising the prices to even half the MSP levels would have allowed entitlement to increase to 7-8kg per person. It is also possible to provide pulses and edible oil, which were given during the pandemic. These are not just essential sources of nutrition as far as proteins and fats go, but are also part of the NFSA objectives. With India having declared 2023 as “the year of millets", it is time to diversify away from the rice/wheat combination and provide people nutritious food.

The PDS plays an important role for consumers, but equally so for farmers, as it enables government procurement for distribution. Diversifying to oilseeds and pulses, for which the country is highly import-dependent, is essential to incentivize their production.

While the government may have scored political points, its move does not benefit consumers reeling under inflation or farmers in distress. It is also a missed opportunity to take bold steps towards reforming the PDS in line with NFSA goals. Doing so is not just essential for ensuring food security in its true sense, but is also fiscally prudent. https://www.livemint.com/opinion/columns/india-missed-a-chance-to-reform-the-public-distribution-system-11673541568039.html

11. Joshimath: A well-engineered calamity *(millenniumpost.in)* Sunita Narain | 12 Jan 2023

The sinking of the Himalayan town shows we have completely lost the ability to plan while keeping in mind the ecological uniqueness of fragile areas

The town of Joshimath, at 1,874 metres high on the slopes of the Himalayas, is sinking. It is feared that not only this town but many settlements around could be in danger of being wiped out. People are being evacuated and governments are looking desperately for safe ground where they could be shifted temporarily. All this, as I write, is happening in the bitter cold of the mountains. It is a human tragedy and it is man-made.

The fact is that the Himalayas are the world’s youngest mountain ranges, this means that the slopes are unstable, built on moraine — practically loose soil — and so, prone to landslides and erosion. Combined with this, is the fact that this region is highly seismic — it is classified as the most earthquake-prone. Then there is the added factor of climate change, which is bringing more volatility because of unseasonal and extreme rain events. The bottom line is that this region is “different” — it is not the plains of India which are situated on alluvial soil; it is not the Indian peninsular region where there is hard rock; it is not even the slopes of the Alps, where mountains have aged.

You will say this is kindergarten knowledge — why do I need to tell you this? But I do because we have completely lost the ability to plan to keep in mind the ecological uniqueness of the region. We have built mindlessly in the name of development. This is not to say that this region should not see roads, infrastructure, water, sewage or housing. Rather, it is about the appropriateness of planning — how these structures will be built, where and in how many — and about ensuring that these plans are implemented.

Take, for instance, the hydropower plants. There is a concern — of course, that is being furiously negated by dam engineers — that the 520 MW Tapovan-Vishnugad project is part of the reason for the soil collapse. In 2021, to this very date almost, the same area saw massive flash floods and landslides, which wiped out the Rishiganga hydropower project, killing some 200 people. Each disaster has the same message: learn to respect the mountains before you build tunnels, roads and houses.

The fact is that this region can generate clean power from its mighty rivers. The question is how many hydropower units should be built, and how will the damage from these built projects be minimised? This is where the faith of engineers is blind to the region's fragility. Or you could argue that they believe that all of nature is there to be dominated and re-engineered. I saw this first-hand when in 2013 I was a member of a high-level government committee to discuss these projects in the same region where this latest disaster struck. The engineers had come up with a grand plan for some 9,000 MW from 70-odd hydroelectric projects.

According to their estimate (told with proud confidence), they would modify up to 80 per cent of the mighty Ganga and its tributaries in these moraine slopes through diversion in tunnels and then concrete structures and turbines for generating power. They told the committee that they had "planned" the projects so that the river would be left with some 10 per cent flow through the lean season. In this back-to-back project design, the river would be re-engineered to be a drain. This was their idea for development.

The alternative that I suggested, which of course was dismissed and relegated to a dissent note, was that the projects that had already been built should be redesigned by mimicking the river flow. This would mean that more energy would be generated when there was more water in the river and less during its lean times — at all times, the river would flow and not be re-trained, as was their plan. We even showed, with the data that was provided by officials, that this would not result in a loss of revenue for the projects. But it would mean that any future project would only come up if the river had excess water flow. It would mean many under-construction or proposed projects, including the Tapovan-Vishnugad plant would be cancelled. This, of course, was not convenient to the dam proponents and I wrote then (and am repeating) that the engineers from the prestigious IIT-Roorkee manipulated data to convince the committee that all was well. Over this last decade, virtually all the 70-odd projects are now being built, disaster or no disaster.

So the issue on the table has to be our inability to use the knowledge for ensuring development that is ecologically appropriate and socially inclusive. Why is it that all the institutions set up to design projects — and there are many located in this very region — are unable to provide this technical advice? Is it because their "science" has become so fossilised and arrogant that they cannot comprehend the "nature" of their business? Or is it because policymaking has become so obstinate and obdurate that it refuses to entertain positions that are not in conformity with its chosen view? In this echo chamber, there will be more disasters — let's at least accept this. https://www.millenniumpost.in/opinion/joshimath-a-well-engineered-calamity-505142

12. Rehabilitate people from Joshimath, re-evaluate hydro projects: Experts *(business-standard.com)* January 12, 2023

Uttarakhand's Joshimath is facing a catastrophe with houses developing cracks due to land subsidence

With the government making efforts to relocate people and provide compensation of Rs 1.5 lakh to affected families in Joshimath, experts suggest that all infrastructure work in the region be halted and big projects be re-evaluated.

Uttarakhand's Joshimath is facing a catastrophe with houses developing cracks due to land subsidence. Nearly 700 homes and two hotels have been identified for demolition and National Disaster Response Force (NDRF) teams are in the state along with teams of scientists.

India Narrative speaks with Prof. Anjal Prakash, Research Director and Adjunct Associate Professor at the Indian School of Business and the Lead Author for IPCC Reports on the way forward and how to avert similar possible crises from happening in other Himalayan towns.

Prakash says: "The first thing is to evacuate people from high risk zones and those which have been marked as susceptible to landslides. These people also need to be given respectable places to stay which have long-term access to sanitation, water and other facilities. The process of evacuation has to be dignified for the people who are being evacuated".

However, his main thrust is to re-evaluate the infrastructure development that is taking place in the region to prevent future disasters.

"Authorities have to re-evaluate all infrastructure development from the climate change lens. When these plans were made climate change was not so pronounced. But now we see that it is a force-multiplier and is aggravating things in the fragile ecosystem. Therefore, we have to evaluate the cost and the benefit of the project from the socio-environment perspective and the cultural cost", Prakash says.

He adds that the re-evaluation has to be done for the Himalayas and nearby regions as many other towns have been designated in the high risk category in the eastern and western Himalayas. These include states like Uttarakhand, Himachal Pradesh, Arunachal Pradesh and Sikkim.

"Whatever we plan has to be planned carefully at a bio-regional scale, which means that it cannot be one town and one district. Because the entire Himalayan region is one ecosystem it means that the impact of any development project has to look at the entire region", he mentions for future planning.

An important point Prakash highlights is whether local people's voices are not coming into the execution of these projects. "We need to listen to the people and find out if the big projects are needed or not".

As a caveat, Prakash adds that he is not against infrastructure development for the local people as the Himalayan states are places of tourist interest and at many places that is the only economic activity. He says: "We must leave out some things and look out for other ways for energy generation. The return investment cost in hydropower projects is very less when compared to the cost associated with environmental and ecological damage. Joshimath is a clear example of what one should not do in the Himalayas." https://www.business-standard.com/article/current-affairs/rehabilitate-people-from-joshimath-re-evaluate-hydro-projects-experts-123011201206_1.html

13. Stop all hydroelectric projects in Himalayan region to avoid a Joshimath repeat: Experts *(downtoearth.org.in)* 12 Jan 2023

The Himachal Pradesh forest department has raised environmental concerns over approving hydroelectric projects on the Ravi river basin in Chamba valley.

A letter written on November 26, 2022 to the joint secretary of the Union Ministry of Environment Forest and Climate Change (MoEF&CC) specified five projects in Himachal Pradesh and Haryana pending approval sans environment assessment.

The note by the chief conservator of forests (CCF), Chamba forest circle pointed out the lack of a culmulative study looking into the environmental effects of the projects.

The proposed projects are: 240 megawatts (MW) Kuther Hydro Electric Project by M/s JSW Energy Ltd, 4.98 MW Ghator Top Small Hydro Electric Project (SHEP) and 5MW Rudraveer SHEP in Chamba, Himachal Pradesh.

The CCF also mentioned two Haryana projects, Jai Bani Mata HEP (24MW) and Jai Kartikay HEP (2.5MW).

The projects have not reeived approvals from the forest department for procuring land yet. The MoEF&CC has not yet given initial approvals due to conditions under the Forest Conservation Act for carrying capacity and cumulative impact assessment, the letter said.

The chief conservator of forests, Upasana Patiyal, wrote:

A cumulative study may be carried out by the state government on the behest of all project proponents on the Ravi river to assess the impact on the landscape in general and wildlife and ecological aspects in specific.

The user agency must submit an undertaking to comply with any additional conditions that the central government may stipulate based on the outcome of the said study, Patiyal said in the note.

The study will also look into issues like forest fragmentation and landscape-level changes due to the direct and indirect impact of the project. It should take into account the proposed and existing micro hydel projects on the project basin, the note added.

As these issues have not been looked into, the forest department is unable to recommend the FCA proposals received for the construction of hydroelectric projects, the CCF wrote.

“The carrying capacity and cumulative impact assessment for the projects have a striking resemblance to the Joshimath crisis in Uttarakhand,” Himanshu Thakkar, coordinator at South Asia Network on Dams, Rivers and People told Down To Earth. SANDRP is an informal network working on concerns related to rivers, communities and massive water infrastructure like dams

Joshimath crisis in Uttarakhand gained attention as residents on January 4, 2023 staged a protest to raise concerns about the deepening of cracks in houses due to land subsidence.

The land subsidence has affected at least 2,000 houses since October 2021. National Thermal Power Corporation's (NTPC) Tapovan-Vishnugad hydropower project and Helang bypass led to the situation by hollowing the ground from the inside.

"All hydroelectric projects in the Himalayan region should be immediately stopped, considering the Joshimath incident," said Nivit Yadav, programme director of the industrial pollution unit at Delhi-based non-profit Centre for Science and Environment.

Read more: Grasslands, forests and glaciers decreased in the Kedarnath-Joshimath region over 3 decades

These projects should be reassessed for their impact on the environment, he said.

"The cumulative impact assessment is an extension of Environment Impact Assessment which is limited to a single project, whereas the former involves multiple projects," said Yadav.

Himalayan mountains are young and new compared to other mountain ranges. These mountains undergo continuous movement and therefore, it is time to go for detailed cumulative impact assessment where such hydro projects are proposed, he added.

A detailed study would also enable entrepreneurs and policymakers to understand what effect past projects have had on the environment and ecology for consideration in the future, Yadav said.

There are 167 hydroelectric projects that have been commissioned, are under construction or are planned to generate 2,835.12 MW of electricity, a 2016 study found. It was conducted by Himdhara Environment Research and Action Collective, a Himachal-based environment research group.

However, there is a need for more credible and accountable studies, even from the government agencies, said Thakkar.

"The assessments seem to include wildlife and ecological aspects, but geological and hydrology impacts are being ignored. One should know the impact of debris, changes in the landscape and hydrological changes the area will affect due to construction," he told DTE.

The credibility of the studies needs improvement, said Thakkar. "If the assessment for the Tapovan-Vishnugad hydropower project included geological studies, the situation may have been different today. But the officials who conducted the studies and others responsible are not being held accountable," he said.

The appraisal quality of the studies needs to be boosted dramatically, he said. It is also essential for these studies to be conducted by independent researchers and agencies whom the project developers do not fund.

"There is an urgent need to overhaul the process by including independent people who possess a track record of taking independent positions with an independent mind," Thakkar said.

Multiple attempts to reach Patiyal and joint secretary of MoEF&CC Biswanath Sinha did not produce any response till the time of publishing this report. https://www.downtoearth.org.in/news/environment/stop-all-hydroelectric-projects-in-himalayan-region-to-avoid-a-joshimath-repeat-experts-87095

14. Is MGNREGA the Rotten Apple, Or Does Govt Want it to be? *(newsclick.in)* 12 Jan 2023

On December 14, Finance Minister Nirmala Sitharaman informed Parliament that the demand for MGNREGA works is falling. However, official data gives little proof to substantiate the minister's claim.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is an employment-generating social protection scheme passed by the Indian Parliament in August 2005, subsequently coming into force in February 2006 in 200 of the country's poorest districts. It was later extended to the entire country in April 2008. Under the Act, any individual living in a rural area and willing to work at the prevailing wage rate is entitled to get work in 15 days, 100 days being the maximum for a household.

The programme works under the principle of self-selection, which means that a person from a household willing to work at the agreed-upon wage rate can enrol themselves under the scheme. As the enrolment and participation are based on the people's choice, it is safe to assume that the active participants and beneficiaries of the programme are those who are actually in need of them.

Several studies conducted on MGNREGA have emphasised that the workers under the scheme are mostly people from lower caste and class backgrounds. Over the years, development practitioners and policymakers have found that MGNREGA works as a safety net for the rural poor and unemployed. In fact, the impact of the programme extends beyond employment generation.

The minister claimed in Parliament that the demand for MGNREGA works was decreasing. This was actually true for October. But a look at the monthly data for the financial year starting April 2022 paints a different picture. The person-days generated under the scheme peaked in May, falling later. However, November saw a rise in person-days generated, higher than the preceding three months. This shouldn't be taken as assertive evidence for any policy decision in a country that depends on seasonal employment. The data clearly states that a conclusive statement on the fall in demand for MGNREGA work cannot be made yet.

Why, then, would the government be rushing to conclude that MGNREGA is lesser beneficial than popular belief? It would be hard to guess. However, it is indeed intriguing to look at the performance of the scheme over the years to see who benefits from the scheme and then understand why the government desires to stop it.

MGNREGA – The Safety Net

As mentioned earlier, the beneficiaries of MGNREGA are often the marginalised rural poor. Given that the wages offered under the scheme are much lesser than the minimum wages in several states, the demand for the scheme points towards several interesting reasons. To begin with, MGNREGA serves as a safety net for the rural poor. This is evident from the data on the change in demand for work during or immediately after economic shocks.

Undoubtedly, the two major economic events that shook the nation in the recent past were the demonetisation of late 2016 and the COVID-19 pandemic that hit the world in early 2020. The impact that these two have on the demand for MGNREGA works speaks volumes about the benefit it has for the rural poor.

In November 2016, the BJP-led Union government withdrew overnight the high-value notes of denominations of 500 and 1000. This effectively removed 85% of all currency notes from the economy and destroyed supply chains, affecting agriculture, small-scale traders, and manufacturing and industrial sectors heavily. The move undoubtedly had a huge negative effect on the informal economy, affecting millions of workers across the country as about 90% of the country's workforce is informal workers.

Evidently, MGNREGA was one option that saved millions from a massive fall. The hasty implementation of the Goods and Service Tax in 2017 further choked the informal economy that employed millions of unskilled and semi-skilled workers. The demand for MGNREGA has seen an increase since 2016. Clearly, employment options in the urban sector were looking bleak. A steep increase in MGNREGA demand was seen in 2020-21. This was the time when the COVID-19 pandemic hit the world. On the eve of March 24, 2020, the Prime Minister announced that the country would go into a lockdown in less than four hours.

Needless to say, the move was unplanned and hastily announced, leading to a lot of confusion and panic. One of the most severely affected groups was migrant workers. The following days saw thousands of migrant workers walking back to their homes, several of them losing their lives. As the government was pressured to arrange transportation for these migrant workers, the concerned minister informed Parliament that about 10 million migrant workers went back to their places of origin during the lockdown. They also said no data was available on the number of people who died en route during the period.

What India witnessed then was the largest reverse migration since Independence. A recent study by a group of migration researchers using visitor location register (VLR) and roaming mobile data estimated the number of migrant workers who went back to be about 44.13 million and 26.3 million during the first and the second lockdowns, respectively. With the uncertainties in the labour market, MGNREGA provided assured hope to keep these people and their families alive. The sudden jump in demand for MGNREGA works in 2020-21 is hence explained. Several studies also found that MGNREGA compensated for the loss of income during the pandemic. Clearly, the programme has worked as a safety net for the millions who lost their livelihood during the pandemic.

The continued high demand for MGNREGA, even as the lockdowns were lifted and migration was back in place, shall not go unnoticed. Though there was a fall in MGNREGA works, it still hasn't fallen behind the pre-pandemic levels. Take a look at the work demand for November over the years. The demand for November 2022-23 has fallen from its peaked 2020-21 numbers but is still higher than the pre-pandemic level of 2019-20. Experts suggest that this could be because of the dip in farm jobs, the lack of sufficient non-farm jobs in rural areas, and the dearth of hope or confidence in further employment generation. People are not confident about getting work elsewhere; they are largely dependent on the lower-paying MGNREGA works. Precisely, MGNREGA continues to help millions stay out of poverty and unemployment in rural India.

The Rational Economic Decision
While MGNREGA provides a safety net, it wouldn't be the first choice of most workers. This is because of the disparity in wage rates. Even though MGNREGA had its wages revised earlier this year, it is still much lesser than the minimum wages in most of the states. Some states, like Kerala and Maharashtra, have a gap of about a hundred rupees between the wages provided under MGNREGA and the minimum wages for unskilled workers, which is much lower than the actual wages paid. Being the rational beings that economists call them, workers would choose jobs that would pay them better, provided they have the choice.

Furthermore, MGNREGA guarantees only 100 days of work in a year for a household. It means that the people who get into it would be unemployed for most of the year if this is their primary source of income. Yet, the high demand for MGNREGA works tells an interesting story of the dire state of the country's poor. When people settle for lower wages, it indicates a higher level of unemployment and the possible risk of being unemployed in the near future. Expectations of work and income are pretty low, and given that inflation continues to be high, the rural poor are trying everything in their capacity to simply stay alive.

The obvious positive trend in the person-days of work generated under the scheme points towards the increasing dependence of millions on work that pays less than minimum wage and for fewer days. For a government that promised two crore jobs/year, people turning up in large numbers for MGNREGA despite irregular payments and hassle ought to be a cause of concern.

It is also to be noted that several states have been requesting the Union government for higher wages and increased person-days of work. This is especially true in the case of states that have seen a huge reverse migration during the pandemic. However, the Union government has been delaying wage payments and providing lesser than demanded work. This has also led to widespread protests by workers as well as states.

Benefits Beyond Income
The dualistic models suggested by economists in the second half of the 20th century explained rural-urban economic migration and developed the debates around the informal economy. Two exogenous shocks that badly affected the country did the most harm to this informal economy that the majority of the people of the country rely on. MGNREGA was the one hope they had at a guaranteed job, a guaranteed source of income, however less it may be, at least for a part of the year. Social security measures such as MGNREGA and the PDS system helped the poor of the country, especially the rural poor, to explore the possibilities of a better livelihood in the growing cities. As much as this sounds contradictory, there is a logical explanation.

Most unskilled migrant workers who move from the villages to cities for informal work are often men who leave their families behind at home. This is made possible not only because of the possible higher earnings in cities but also the backup option their families have at home – the guaranteed 100 days of work for the household and the provision of food grains at subsidised rates. It allows them to move in search of better livelihoods, knowing their families would not starve. MGNREGA is the hope that helped the people who built our modern cities move from their villages.

This is not limited to times of crisis alone. The programme aimed to provide guaranteed employment for the rural poor burdened with disguised unemployment and seasonal unemployment. As much of the agriculture in the country is still traditional, the existence of seasons and the cycles of employment and unemployment also impact the livelihood of marginal farmers and landless labourers. An employment guarantee scheme helped them stay employed throughout the year and not fall prey to debt traps for survival in lean seasons.

The idea of economic productivity, especially when it comes to social security measures, is an altogether different debate. While MGNREGA provisions for the creation of tangible public assets like roads, canals, and public wells, among others, there are far more intangible benefits that MGNREGA has for households in rural India. The earlier studies on MGNREGA have emphasised its impact on childcare and children's education. It has helped more rural women to be a part of the paid labour force, with a steady income and agency that comes along with it. It has also helped in greater political participation of women and the marginalised. Eliminating contractors and intermediaries has also helped make them less vulnerable to exploitation.

A much pressing concern, therefore, is the timing of the disapproval the government has for the programme. In times of economic shocks, especially in a country with about a fifth of its population in absolute poverty, one would expect a democratic government to take up and implement schemes and projects that would help the citizens live life, at least of subsistence. The requests by state governments to expand the programme in terms of its duration, tasks, and increased wages underscore the benefits the programme served the people during difficulties. The growing unemployment, risks of poverty, and inflation has also led to demands for extending the scope of the programme to urban spaces. Unfortunately, stripping the poor of chances at meagre livelihood seems like the interest of the current government.

An Adamant Government

Why has the government been keen to establish that the demand for MGNREGA works is falling? The timing of the statement amidst the rumours of the government trying to wrap up the programme cannot be considered a coincidence. The Finance Minister’s statement was also corresponding with the demands by the states to clear the dues on the MGNREGA payments to them. Of the Rs 7,655 crore that the Centre owes the states, Rs 3,207.43 crore is pending for material components, and Rs 4,447.92 crore is pending as wages. More than half of the pending wage payments are due to a single state – West Bengal. The second and third in line are Kerala and Tamil Nadu, respectively. Keeping aside the political differences in play here, deferring payments for work done is criminal and outright cruel, especially in times of crisis.

In a silent move, the government has also decided to remove agricultural activities in MGNREGA. The works provided now are limited to tangible asset creation, reducing possible tasks that could be taken up under the scheme. At a time when states have been asking to create more jobs under the scheme, the government has practically restricted the possible number of jobs that can be generated. Adding to it the deferred payments and unforeseen uncertainty, it seems that Sitharman was prophesying what is on hold for MGNREGA. And this did not start recently. The lower budgetary allocation for MGNREGA was criticised by policy experts and workers' unions alike.

It wouldn't be misplaced to read that one of the first things the government went for during the lifting of the lockdowns was to reform the labour codes against the interest of the labourers themselves. A few states in the country did reduce the minimum wages and the right to unionise for workers. While the underlying logic was to incentivise the producers to build a stronger supply side, the fact is that almost all of the incentives given by the government through economic packages and otherwise during the lockdown were all for the corporates. This includes tax exemption, lowering tax rates, and writing off bad loans. While much was given to the supply side, demand building and keeping most of the common people alive seemed to have been missed by the policy experts.

The ruling party, which has been in power for more than eight years now, promised to create 100 crore jobs. Not only has this promise remained unfulfilled, but unemployment in the country has also gone up drastically. The labour market has been facing high levels of precarity for decades. Various international agencies have placed us in alarming positions regarding hunger, malnutrition, and poverty indices. The government trying to bulldoze a programme that guarantees income and survival in such desperate times is cruel and a mockery of the people.

Programmes such as the MGNREGA helped the rural poor live dignified lives with assured income. Taking away that would mean taking away not just a work guarantee programme but a lot more. It would mean an end to a working population who could 'choose' to work. It could also mean the end of economic agency, freedom, and capability for the rural poor, especially the most vulnerable of the country. Destroying MGNREGA could be the final step in creating a vulnerable population that could become modern forms of bonded labourers or, worse, enslaved people in a neoliberal economy. https://www.newsclick.in/MGNREGA-Rotten-Apple-Does-Govt-Want-it-to-be

15. Defence Ministry Initiates Steps to Procure New Water Jet Fast Attack Craft for Indian Navy *(swarajyamag.com)* Jan 12, 2023

The Ministry of Defence (MoD) released a request for information (RFI) for the procurement of 21 new water jet fast attack craft (NWJFAC) for Indian Navy.

The project is estimated to be completed in four years, from 2026-2030.

These NWJFAC will help the navy in defence of ports, offshore installations and vital points and areas.

These NWJFAC will have a maximum displacement of 320 tonnes and a range of 2,000NM at a cruising speed of 12 Knots.

NWJFAC will also be able to conduct maritime interception and attack, special operations, anti-piracy operations and visit, board, search and seizure and presence cum surveillance mission operations.

These fast attack craft will have a sustained speed of 25 knots and can go to a maximum speed of 35 knots. Their high speeds allow the navy to reach troubled areas in a short span of time, decreasing the response times of the navy. https://swarajyamag.com/defence/defence-ministry-initiates-steps-to-procure-new-water-jet-fast-attack-craft-for-indian-navy

16. Importance of Public-Private Partnership (PPP) to bridge the doctor-patient ratio in India *(timesofindia.indiatimes.com)* January 13, 2023

The Covid-19 pandemic was a "wake-up call" for the Indian healthcare system, exposing the critical infrastructural gaps in the system. As India grappled with the surge in coronavirus cases, there was a scramble for hospital beds, ventilators and oxygen across the states. It highlighted the vulnerabilities that the Indian healthcare system has been dealing with for over many years.

While increased focus on digitization has enhanced healthcare delivery in India over the past few years, accessibility and affordability still remain a big concern. Nearly 75% of healthcare infrastructure is available in urban areas where only 27% of the country's population resides. This indicates that 73% of the population which resides in rural areas lack access to even primary healthcare facilities. Also, India has a low doctor-patient ratio of 1.1445 compared to WHO's recommendation of 1:1000 and nearly 74% of doctors are available in urban areas. Considering these numbers, it is safe to assume that to change the overall scenario of healthcare in India, the government and private institutions need to work collaboratively to bridge the divide. Many sectors have already benefited immensely from public-private partnerships (PPP) and the healthcare sector too can reap great benefits from it.

How the PPP Model can strengthen the Healthcare Ecosystem in India

In different areas like education, energy, tourism, infrastructure and urban development, the PPP model has proved to be a big success. A strategic partnership between public and private players can help to get the best of both parties together and bring an impactful change. Here are some of the ways a PPP model can help develop a sustainable healthcare system in India:

Enhanced Accessibility and Expertise: In remote, rural areas of the country, access to quality healthcare facilities is extremely limited. Reports by NITI Aayog reveal that almost 60% of healthcare infrastructure is present across metropolitan cities. However, to address this gap, private healthcare institutions are expanding their facilities beyond tier-2 and tier-3 cities and reaching out to places where there is an unmet need. PPPs can emerge as a strong alternative to traditional public healthcare delivery, targeting populations who are denied quality healthcare because of the limited reach and scope of public health services. Other than that, the PPP model will also enable the private sector to bring independent and in-house domain experts to develop successful organisations, by properly utilising insights, skills and technology which can be crucial in rehabilitating the healthcare infrastructure.

Financial Assistance: Lack of adequate funds is also a major concern for the public healthcare system in India. The majority of private healthcare companies nowadays have a CSR budget which can be effectively channelized to create an investment engine that can assist with the procurement of new equipment and for the reconstruction of existing public healthcare infrastructure, especially in remote, rural areas.

Increasing Affordability: When PPP models are managed effectively, they can work on a mass scale, functioning on low-margin models to make a bigger impact. In simple words, PPP models that work on a mass scale can assist in making services affordable while retaining quality standards. This would enable to provision of quality healthcare to everyone at an affordable price, creating better access to a wider part of the population.

Better Access to Innovation and Technology: With the advancement of digital technologies, the majority of private healthcare providers in the country are adopting technological innovations across their operational domains. This not only helps them streamline their operations but understand what the patient needs, build trust and loyalty and offer a better patient experience. Through a collaborative PPP model, the private sector can enhance the public healthcare system significantly through the utilisation of different healthcare technologies. By using telemedicine facilities, the private sector can help the public healthcare sector to meet the day-to-day requirements of primary care centres in rural regions. On top of that, it also allows the utilisation of technologies to gather, store and analyse data of patients in real-time and help doctors attend to more patients within a short period of time.

Final Say

If India is to achieve its dream of universal health coverage, the public and the private sector need to come together to build a sustainable healthcare ecosystem in the country. One of the biggest concerns is the low doctor-patient ratio in India. While increasing the seats and medical colleges in the country is a way to address the issue but this would only be possible after a certain time in the future. To help on an immediate basis, the PPP model is the only way to deliver things on a scale and on time. https://timesofindia.indiatimes.com/blogs/voices/importance-of-public-private-partnership-ppp-to-bridge-the-doctor-patient-ratio-in-india/