NEWS ITEMS ON CAG/ AUDIT REPORTS (13.12.2022)

1. Tax agricultural income, but after ending farm price repression *(livemint.com)* 13 Dec, 2022

The British Empire funded itself in India and drained large quantities of income back to the home country on a regular basis, tapping, primarily, India's agricultural income. Land revenue, in other words, was a potent source of revenue, to collect which the colonial administration appointed collectors in every district and an elaborate administrative machinery under each. The relevant lesson from this bit of potted history for the current debate on taxing agricultural income is two-fold: there is considerable income to be taxed and a formal income tax levied by the central government is not the only way to collect the government's due from this income.

The notion that agricultural income is not taxed is uninformed. The formal arrangement is not that agricultural income is exempt from tax; rather, it is that it is subject to tax but the taxation authority is the state government, whereas the Union government is the taxation authority for other kinds of income. Many state governments do levy tax on organized agricultural enterprises, such as plantations, and most collect land revenue, even if only paltry sums.

More than four-fifths of Indian farmers are small and marginal farmers, and their income would be too small to fall within the taxable limit. Only income accruing to a relatively small proportion of rich farmers would be subject to formal income tax, even if the taxation of agricultural income were to be shifted to the Union government. The real problem with the tax exemption on agricultural income is that it becomes a major gash in the revenue pipeline, through which a whole lot of non-agricultural income leaks away from the taxman's grasp.

A simple expedient might be to subject all returns that club agricultural and non-agricultural income to detailed scrutiny and treat false exemption claims as tax evasion that attracts heavy penalty. If that is done, it would rule out the kind of outright fraud that came to light in the Comptroller and Auditor General's evaluation of tax data, of agricultural income seeking tax exemption in 2011-12 for a total amount that was 22 times that year's GDP.

But there is one another factor that is relevant to the debate on taxing agricultural income but often gets short shrift. This is the repression of farm prices and the resultant skewing of the terms of trade against agriculture. To appreciate this, let us take a hypothetical scenario.

Farm exports are banned or restricted. Local storage limits on farm produce and missing transport and storage links depress farm produce prices below what they ought to be, even within a functional domestic market, although farmers do not get to realise world prices for their produce. At the same time, industrial output is protected from external competition via import duties, inflating industry prices. The net result is to transfer farmers' income to industry without anyone noticing it. To buy a bag of seed or pesticide, the farmer has to part with more bags of grain than he would have had to, if grain prices were higher and seed and pesticide had not been subjected to heavy protection. Ditto for tractors, pumps and pipes for irrigation and other farm machinery. This applies to any industrial good the farmer purchases, whether biscuits, milk cans or cattle feed.

Repressed farm prices and inflated industrial prices, thanks to protection, transfer farm incomes to the industrial sector. There, the income is subjected to tax. So, are farm incomes wholly exempt from tax?

Of course, the reality is messier, with a whole lot of subsidy also flowing to the farm sector. These subsidies tend to be cornered by rich farmers, who get the benefit of free irrigation, free power and procurement at support prices that steadily ratchet up year after year.

The sensible course would be for the government to end farm price repression and restrict protection for industry to a low, uniform rate, say 5%, bring transparency to the subsidy regime and subject income tax returns to rigorous scrutiny. Rich data on Goods and Services Tax, bank credit and modern data mining techniques can be used to estimate all incomes fairly accurately. State governments that do a good job of tapping their tax base should be rewarded with bonus transfers from the Centre, while those that do not exploit their tax base should be penalized. And the underlying data released to the public, so that the people of every state know for whom their state governments work, whatever their election slogans.

Yes, farm incomes should be taxed, but some reform must precede such a step. https://www.livemint.com/opinion/online-views/tax-agricultural-income-but-after-ending-farm-price-repression-11670869419884.html

STATES NEWS ITEMS

2. Corp bags top slot in creating biz ventures *(timesofindia.indiatimes.com)* Dec 13, 2022

Thiruvananthapuram: The city corporation has bagged the first slot in creating the highest number of business ventures among local bodies as part of the industries department scheme named ‘One year, one lakh entrepreneurship schemes’.

While the corporation recorded 2,566 ventures, the district recorded 9,384 business ventures. As much as Rs 600 crore worth of investment and job opportunities to over 20,000 people were recorded in the district.

Thirty-five percent of entrepreneurship schemes belong to women in the district. Kazhakkoottam constituency recorded the highest number of business ventures (942).

The honour comes at a time when the corporation has been facing inquiries from the local fund and Comptroller and Auditor General regarding irregularities and fraud in the loan scheme for joint liability groups (JLGs) for 2021-22. The local fund audit team, in the report of 2020-21, had unearthed the fraud in the disbursal of subsidy amount for JLGs and placed on record an audit objection for Rs 1.26 crore.

The local fund audit report of 2020-21 has recommended a detailed probe into the matter since passbooks of JLGs and details regarding the business venture were never furnished. It also came to the light that the same beneficiary was included in more than one group.

The audit also unearthed lapses in the implementation of the same scheme for the general category as well.

The aim of the industries department through the one lakh MSMEs campaign is to create three to five lakh jobs across. Chief minister Pinarayi Vijayan had launched the initiative in March. https://timesofindia.indiatimes.com/city/thiruvananthapuram/corp-bags-top-slot-in-creating-biz-ventures/articleshow/96186539.cms

3. Liquor bottling facility found operating on school campus in Odisha *(thehindu.com)* December 12, 2022

Odisha excise department has stumbled upon an illegal liquor bottling facility operating from a school campus in Sundargarh district.

Acting on a tip-off, Rourkela excise personnel conducted a raid on the school at Phuljhar village in Nuagaon block of Sundargarh. They found 936 litres of liquor worth ₹6.2 lakh.

Two persons including Surendra Bodei, owner of the premise, were arrested.

Narendra Gop, headmaster of the school, said four of the six rooms available on the premises were used as classrooms while two rooms were left for use of the owner.

The school, which began in 2017, had hardly eight students. The adulterated liquor was being supplied to roadside eateries. One Pawan Mittal was said to be main accused, who was getting raw materials from neighbouring Jharkhand.

In its latest report, the Comptroller and Auditor General (CAG) of India has pointed out various loopholes in manufacturing and sale of liquor in Odisha.

According to the CAG, manufacture and sale of liquor products in Odisha is regulated by the Excise Commission. There are multiple manufacturers and multiple retailers for liquor products. All of them have to apply for and obtain licences from the Excise Commission.

"To ensure that movement of all liquor products in Odisha State through the legal supply chain is monitored, Excise Adhesive Labels (EAL) is required to be affixed on each liquor product (bottle or can) at the point of manufacture. The Excise Officer in Charge at the manufacturing unit is required to inspect and verify that each liquor product has been affixed with EALs, prior to dispatch of the liquor products from the manufacturer to depot," the CAG report says.

It says excise commission does not maintain any data on movement of liquor products through the supply chain on its own while it relies on the Odisha State Beverages Corporation Limited, which maintains data on movement of liquor products from manufacturers to its depots, and then from its depots to retailers as part of its supply chain management software application developed by National Informatics Centre.

The apex audit agency has found shortage of excise officers in the department. "There was no software application or mobile application to enable the officers of the enforcement wing of the Excise Commission to scan the EALs affixed on liquor products at any point during the movement through the legal supply chain," it says. https://www.thehindu.com/news/national/other-states/liquor-bottling-facility-found-operating-on-school-campus-in-odisha/article66254818.ece

SELECTED NEWS ITEMS/ARTICLES FOR READING

4. Five years on, examining the cost of GST *(indianexpress.com)* December 12, 2022

Five years ago, a new indirect tax system was launched by the Narendra Modi government. The Goods and Services Tax was introduced to replace the complex order of entry levies and sales tax in India. It also aimed to modify tax compliance and administration within the country. Half a decade later this move has become a lot more than just being about "one nation, one tax".

On a positive note, GST has been successful in facilitating the free movement of goods in the country. Earlier, checkposts served as bottlenecks that not only involved a lot of waiting time but were also breeding spots for corruption — as taxes varied from state to state, city to city and even local bodies. Thanks to GST, the only requirement at these checkpoints is now the e-way bill.

The most welcome change that came along with GST is the e-invoice system. It has now become an integral part of doing business in India. The segmented approach to this provision aided its acceptance. Starting with companies with a turnover of more than Rs 5 billion in October 2020, to business entities with an annual turnover above Rs 100 million in October 2022, the law has slowly expanded its coverage coverage. The GST number that can track every supply chain transaction has helped to address fraudulent claims and fake invoicing.

However, GST is not just about tax collection anymore. It is important to note that the quantifiable parameters of GST success do not incorporate social and political costs, which have financial and administrative snowballing effects.

Further, GST has raised issues between states and the Centre. It harms producer states and rewards consumer states in terms of revenues. States like Tamil Nadu, which have invested highly in their manufacturing ecosystem, are facing new problems. With GST, their major source of income from the view point of production is at stake. Though the government decided to roll out compensations for five years of revenue losses for such states, the pandemic affected this plan — the guarantee of 14 per cent growth for the first five years in GST revenues choked under depleted funds. Many states are thus coming together to demand an extension in these compensations because of their deteriorating finances.

A large burden of the slowdown has been passed on to the states as the Centre has been steadily increasing cesses and surcharges to earn revenue. The amplification of the Centre-state disparity after GST was implemented has put Indian federalism in a tight spot. As state revenues are suffering, there is an urgent need for the inclusion of gasoline, diesel, jet fuel, real estate and electricity — this might be a good bargain to arrive at.

Second, federalism is also suffering because of GST from a broader perspective. State governments have lost most of their independent taxation powers, which has increased their dependence on the Centre. GST is monitored by a council where the states have only 2/3 of the voting rights. The Centre, which is vested with the remaining third has presented this reform as a sign of its commitment to federalism, but many states have expressed reservations because any decision can only be made in the GST council if it gets 75 per cent of the votes — a proportion that gives a veto power to the Centre which on the contrary can prevail if it gets the support of only 19 states. Here, it must be noted that these may be the smaller states as each state has the same voting right in the council irrespective of its population. It must also be noted that the decisions of the council are binding on Parliament — in contravention to the principle of parliamentary sovereignty.

Third, there are issues related to real estate and intermediaries. Two significant structural issues in this sector are with transfer of developmental rights (TDR) and floor space index (FSI). TDR is a service liable for GST. Land being an immovable property, GST is not applicable on it and the benefits arising out of it. This makes TDR beyond the purview of GST. But as this is not the case, buyers are paying an additional amount levied due to GST. Regarding FSI – which is the maximum permissible floor area that a builder can build on a particular piece of land — often, developers are granted a right of additional FSI from local municipal authorities and GST is levied upon such grants.

Fourth, the delay in establishment of an appellate tribunal related to GST is increasing the burden on the judiciary. Trapped GST refunds and numerous court cases are alarming.

Lastly, sectoral issues with GST continue to persist. Fuel is out of its purview and the airline industry doesn't get credit for taxes on jet fuel. With a 28 per cent GST rate on products like plywood, automobile parts, and electronic items, potential buyers are forced to opt for unregistered dealers. In fact, for local and unskilled labour, it is difficult to derive an MRP for the products that they hand craft. India's online gaming sector is one of the fastest-growing sectors in the media and entertainment space. With no differentiation between a game of skill and game of chance, there is a 28 per cent GST on the contest entry itself. The gaming industry attracts nearly $3-5 billion. Thus, an increase in this tax burden leads to a loss of investments.

Five years ago, the question was, "is the country completely ready for a single tax?" Five years later, while this question remains relevant, there is a need to ask another: We have transitioned to a "One nation, one tax", but at what cost? https://indianexpress.com/article/opinion/the-cost-of-gst-trishali-chauhan-christophe-jaffrelot-8321139/

5. Why the central government should stop funding the power distribution sector *(indianexpress.com)* December 13, 2022

The Power Finance Corporation has reported that the aggregate technical and commercial (AT&C) losses of discoms have gone up from 20.7 per cent in 2019-20 to 22.3 per cent in 2020-21. The term AT&C is frequently used while talking about the power sector. What does it really mean? The AT&C estimate gives us an idea of the losses a distribution company (discom) faces in its line of business. In layman's terms, if a discom has received 100 units of power, the AT&C figure will tell us how many units are not recovered in terms of revenue. So, a figure of 25 per cent would mean that for every 100 units of power fed into the discom, 25 units are not recovered. Consequently, the discom has to operate with a recovery of only 75 units.

Broadly, the losses in the system comprise technical losses and commercial losses, the latter largely implying theft. Some technical losses are inevitable in a distribution system but these can vary a lot across discoms (roughly between 4 to 12 per cent) depending on the technology adopted, the condition of the distribution infrastructure etc. Commercial losses are due to meters not being read, faulty meters, meters being manipulated or bypassed etc. The Indian distribution system has always faced high AT&C losses (in excess of 30 per cent in the early

2000s) which drains the discoms financially and makes it economically unviable. To meet this revenue gap, discoms borrow money from banks leading to a very high-interest burden.

Policy planners have been trying to lower AT&C losses by providing grants/cheap loans to discoms to improve their distribution infrastructure and also for the installation of meters which would have a direct bearing in reducing theft. This has been going on since the early 2000s when the accelerated power distribution scheme (APDP) was launched. Over the years, many versions of the scheme have been attempted and hundreds of crores of rupees have been doled out to the states to reduce AT&C losses. In the latest scheme announced by the government in July 2022, a budgetary outlay of about Rs 3 trillion was earmarked for aiding the distribution sector. However, the sector registered only a small reduction in losses. The AT&C figure was 26.6 per cent in 2011-12. It has come down to 22.3 per cent in 2020-21, implying an improvement of a little less than half a per cent a year. As per a recent report, AT&C losses for the subsequent year have declined to 17 per cent. However, as the data source has not been mentioned, it is difficult to comment on the figure.

There are several reasons for AT&C losses not coming down despite the huge investments. Apart from what can be grouped as a “work culture” issue in public discoms, one major reason is the lack of consumer indexing. In a distribution set-up, all end consumers get their supply from some identified distribution transformer (DT). Each DT is under the supervision of one person who is held accountable for losses (meaning theft) from his DT. The problem is that in the case of most public discoms, no one knows which consumer is attached to which DT (implying a lack of indexing), hence, it is difficult to fix responsibility on any one employee of the discom. Incidentally, a large number of DTs are not metered. One of the first tasks undertaken by private discoms is to do indexing of consumers. They could, therefore, hold the person in charge of the DT accountable. The results are there for all to see. In the case of Delhi discoms, the AT&C losses came down from 50 per cent (in 2002) to somewhere between 7 to 8 per cent today.

Along with the AT&C figure, other data also reveals that things got worse in 2020-21. The financial losses of the discoms have gone up and so has the difference between the average cost of supply and average revenue. Hopefully, things will look better in the years to come. While the national AT&C average is 22.3 per cent (2020-21), the range is wide, stretching from 4.5 per cent (Daman and Diu) to 60 per cent (Nagaland power department). The major states where the AT&C figures are higher than the national average include Maharashtra, Uttar Pradesh, Rajasthan, Odisha, Bihar, Jharkhand and Madhya Pradesh.

There are two points to ponder here. First, one very frequently hears the argument that if AT&C losses go down in the discoms in India, the distribution sector will become financially viable. This may not be totally correct. Of course, the situation will improve but may not result in discoms coming out of the red completely. Back-of-the-envelope calculations show that if the AT&C losses come down to 15 per cent (the target in several government policy documents) from 23 per cent, an additional revenue of about Rs 50,000 crore may be generated. This will still not take care of the losses faced by the discoms in 2020-21. So, the full remedy lies in enhancing retail tariffs along with reducing losses.

Second, it is quite evident that this approach of providing easy money to the states for improving distribution infrastructure and linking it to a reduction in AT&C losses has not worked. It has been seen repeatedly that states take the money, but fail to engineer a commensurate reduction in losses. Of course, the Union power ministry would like to continue with such schemes since then they would have a huge budget and the states, in turn, would like to continue as beneficiaries — a win-win situation for all. The central government should stop funding the distribution sector and leave it to the states to clear the mess. If the states fail to deliver, they will have to face their voters. https://indianexpress.com/article/opinion/columns/power-distribution-discoms-somit-dasgupta-8320907/

6. Stop freebie economics *(financialexpress.com)* December 13, 2022

In July, Prime Minister Narendra Modi warned the nation about the evils of 'revdi' politics while inaugurating the Bundelkhand Expressway. Last Sunday, after inaugurating `75,000 crore of infrastructure projects in Maharashtra, he said political leaders who use the "hard-earned money of taxpayers" for "shortcuts" are the "biggest enemy" of the taxpayers. The prime minister was obviously trying to showcase his government's expenditure on infrastructure in stark contrast to the populist schemes adopted by some of the state governments, to make the point that the politics of "half income and full expenditure" must be discarded in favour of "sustainable solutions".

Modi's red-flagging of "shortcuts" comes just days after the Congress's narrow victory in the Himachal Pradesh assembly elections, in the run-up to which the party had promised to bring back the old pension system, 300 units of free power, and a basic income for women aged 18-60 years. The state's finances, though, show that such largesse can't be sustained in a fiscally responsible manner. Himachal's total outstanding debt, as a percentage of its gross state domestic product (GSDP), has risen to 43%, which is well above the 15th Financial Commission's target of 36%. The state's own revenue is just 31%, which means it is largely dependent on central transfers.

Indeed, in state after state, parties have made fiscally-irresponsible promises of "freebies", and this has paid electorally for most. In Punjab, where the total outstanding debt is a whopping 53.3% of the gross state domestic product, the Aam Aadmi Party which was voted into power earlier this year had promised freebies wide and deep. Indeed, while Modi is justifiably concerned about the erosion of the state's capacity for "sustainable solutions" because of competitive populism, his own party hasn't shied away from it in the past. The Uttar Pradesh unit of the BJP had promised state-level farm-loan waivers in 2017, which set off a cascade of similar promises by other states, resulting in a whopping `2 trillion of loan-waivers announced. And, in Himachal, it promised free tablets, monthly data, scooters/bicycles, LPG cylinders and what not.

The Supreme Court had directed the Centre to consult the Finance Commission on regulating "irrational freebies". A welfare push from the government in key areas—crucially, at key points of time—must not be resisted. For instance, the Garib Kalyan Anna Yojana likely saw millions of families through the worst of economic pain wrought by the pandemic, but should it have continued as long as it has? Even a MGNREGA, which the present dispensation at the Centre had disparaged as "a monument to the UPA's failure", has provided much needed income relief to the rural poor. But, carrots for the electorate in the form of reverting to the old pension scheme, or basic income to women across economic classes surely call for some form of accountability. Beyond the locking of political horns, however, Modi's warning against fiscally profligate policies, which tend to be driven more by electoral concerns, echoes widespread concerns over "wasteful" spending. At the very least, the states and the Centre must work towards consensually arriving at some new form of financing in the Inter-State Council. Former revenue secretary Tarun Bajaj has recently made a case for taxing agricultural income above a certain threshold. Though the wisdom dawned on him only after his retirement, it would be interesting to see whether the government can muster enough courage to phase out this "freebie". https://www.financialexpress.com/opinion/stop-freebie-economics/2910699/

7. Major subsidies to fall in FY24 *(financialexpress.com)* December 13, 2022

The Centre's subsidy expenditure on food, fertilisers and fuel may be about Rs3.56 trillion in FY24 or 33% lower than Rs5.2 trillion seen for FY23, aided by likely discontinuation of free grains scheme and cooling of global commodity prices. However, the Centre may choose to keep the initial Budget Estimate for these subsidies in FY24 close to the FY23 BE of Rs3.2 trillion.

The three major explicit subsidies account for nearly 90% of the Centre's annual expenditure on subsidies and subsidy-related expenditures.

The Centre's subsidy expenditure on food as well as on fertilisers may decline by 30% each on year in FY24. The subsidy outgo on cooking gas may decline by 80% to around Rs6,000 crore in next financial year.

"Food subsidy will come down as the free food scheme (PMGKAY) can be withdrawn as the normalcy has been restored after the pandemic. Secondly, global commodity prices have tended to stabilise and hence fertilizer prices would be down thus reducing the subsidy on imported fertilisers," Bank of Baroda chief economist Madan Sabnavis said. "In my view, we should be able to cap the subsidies in FY24 at the budgeted levels for FY23. This can always be revisited in case there are any new problems that surface."

Food subsidy, which used to be around Rs1 trillion, spiralled in the past three years due to the government's free grains scheme launched after Covid broke out in FY21. Besides clearance of most arrears, the annual food subsidies rose to a record Rs5.25 trillion in FY21 due to PMGKAY cost of Rs1.05 trillion. The PMGKAY cost was Rs1.35 trillion in FY22 and is estimated to be Rs1.25 trillion for FY23. However, the actual cash outgo may be around Rs80,000 crore in FY23 and another Rs20,000-odd crore may be released next year as some of the bills are not expected by end-March 2023, sources said.

Sources said that the food ministry is likely to ask for Rs1.75 trillion for FY24 under subsidy head as the free ration scheme is unlikely to be extended beyond December 31, 2022. Including some of PMGKAY payments that are to happen next year, the food subsidy may be around Rs2 trillion next fiscal.

"Lower wheat procurement and depletion of grains stocks because the implementation of free ration scheme, has contributed to lower food subsidy expenses in the current year compared to the previous year," an official said.

Due to lower production and higher global demand, The Food Corporation of India's (FCI)'s wheat procurement in the 2022-23 season fell by 56.6% to only 18.8 million tonne (MT) against 43.3 MT purchased from the farmers in the previous year.

Global fertiliser prices have softened in the last month and thus are likely to reduce the subsidy burden of the government. Arun Singhal, secretary, the department of fertilisers told FE recently. In the current fiscal, the fertiliser subsidy is likely to be in the range of Rs 2.25-2.5 trillion in FY23 because of elevated global soil nutrients and liquified natural gas (LNG) prices. Analysts see softening global fertiliser prices reducing the subsidy burden next year.

According to Icra chief economist Aditi Nayar, the amount required for food subsidy in FY24 will take a cue from whether the free foodgrain scheme under PMGKAY is extended beyond December 2022 and the magnitude of fertiliser subsidy would be driven by market-determined global prices. “The outgo for fuel subsidy is likely to be relatively small when compared with the outlay for food and fertilisers,” Nayar said.

The savings would help the government to target a fiscal deficit in the range of 5.5-6% of GDP in FY24 from the target of 6.4% in FY23, to reach less than 4.5% by FY26 as per the glide path, analysts reckon. https://www.financialexpress.com/economy/major-subsidies-to-fall-in-fy24/2910725/

8. RBI sells $33.42 billion in Apr-Sep FY23 to curb rupee volatility *(business-standard.com)* December 12, 2022

The Reserve Bank of India (RBI) net sold USD 33.42 billion in the foreign exchange market in the first six months of current fiscal to defend the rupee from excessive volatility.

The central bank closely monitors the foreign exchange markets and intervenes only to maintain orderly market conditions by containing excessive volatility in the exchange rate, without reference to any pre-determined target level or band.

"During the financial year, the RBI's operations have resulted in net sales of USD 33.42 billion till September 2022 (settlement basis)," Finance Minister Nirmala Sitharaman said in a reply to the Lok Sabha.

The exchange rate of the Indian Rupee (INR) against the greenback hit a record high of Rs 83.20 per dollar on October 20, 2022. The value of rupee is market-determined.

As global spillovers from geopolitical tensions and aggressive monetary policy tightening across the world intensified alongside a surge in crude oil prices, the US dollar strengthened by 7.8 per cent in 2022-23 (till November 30, 2022), she said.

The rupee depreciated 6.9 per cent in the same period, she said, adding, it has performed better than most Asian peer currencies, including the Chinese Renminbi (10.6 per cent), Indonesian Rupiah (8.7 per cent), Philippine Peso (8.5 per cent), South Korean Won (8.1 per cent), Taiwanese Dollar (7.3 per cent) etc.

The RBI announced various measures in the recent period to expand sources of forex funding to mitigate exchange rate volatility, including hike in the external commercial borrowing limit to USD 1.5 billion and raising the all-in-cost ceiling by 100 basis points in select cases up to December 31, 2022, she said.

In order to promote growth of exports from India and support the increasing interest of the global trading community in the rupee, the RBI put in place an additional arrangement for invoicing, payment, and settlement of exports/imports in the rupee on July 11, 2022.

Replying to another question, Sitharaman said, non-performing assets including those in respect of which full provisions have been made on completion of four years, are removed from the balance-sheet of the banks concerned by way of write-off as per the RBI guidelines and policy approved by banks' boards.

Banks evaluate and consider the impact of write-offs as part of their regular exercise to clean up their balance-sheet, avail of tax benefit and optimise capital, in accordance with the RBI guidelines and policy approved by their boards, she said.

The borrowers of written-off loans continue to be liable for repayment and the process of recovery of dues from the borrower in written-off loan accounts continues, the minister said.

Banks continue to pursue recovery actions initiated in written-off accounts through various recovery mechanisms available, such as filing of a suit in civil courts or in Debts Recovery Tribunals, filing of cases under the Insolvency and Bankruptcy Code, 2016, she said.

As per RBI data on domestic operations, she said, 0.82 per cent of gross NPAs of banks pertain to education loans as on March 31, 2022. https://www.business-standard.com/article/economy-policy/rbi-sells-33-42-billion-in-apr-sep-fy23-to-curb-rupee-volatility-122121200506_1.html

9. Unstress the stressed, for less bankaches *(economictimes.indiatimes.com)* Updated: Dec 12, 2022

RBI's move to enable banks to sell all stressed loans that are in default to asset reconstruction companies (ARCs) is pragmatic. The rule change raises chances of an early turnaround of stressed assets. Earlier, lenders had to wait until the loan was in default for more than 60 days, or classified as a non-performing asset (NPA) for them to be transferred to ARCs.

Scrapping the waiting period will help in faster debt aggregation, given that the same borrower is classified differently by different lenders, depending on the record of recovery. This will improve the performance of ARCs typically saddled with vintage loans.

The sale of bad loans at the sign of first distress will enable banks to fetch a better price and lower their haircuts. This rule change is well-timed as banks will need to make provisions on expected credit losses when India shifts to Indian Accounting Standards (Ind-AS).

Banks invest in the security receipts issued by ARCs that make the recoveries. ARCs characterise patient capital that can buy bankrupt companies, run portions that can be run profitably, and sell off those to buyers looking to buy, to get optimal value of the assets. In October, RBI had made changes in their regulatory framework. This included raising their minimum capital requirement and letting ARCs buy stressed assets of failed companies under the bankruptcy code. But banks prefer to sell bad loans to ARCs, rather than use the bankruptcy route that delays resolution.

RBI should broaden the investor base of security receipts to enable ARCs to raise more funds. An expert committee recommended the inclusion of high net-worth individuals and corporates in the list of qualified buyers. Non-banking finance companies (NBFCs) and housing finance companies (HFCs) not notified as financial institutions, trusts, pension funds and distressed asset funds also feature in this list with the condition that defaulting promoters should not gain access to secured assets through security receipts. India also needs a vibrant secondary debt market for better liquidity in the system. https://economictimes.indiatimes.com/opinion/et-editorial/unstress-the-stressed-for-less-bankaches/articleshow/96180293.cms

10. Banks wrote off NPAs over 10 lakh crore in last five financial years: Finance Minister Nirmala Sitharaman *(moneycontrol.com)* December 13, 2022

Banks have written off bad loans worth Rs 10,09,511 crore during the last five financial years, finance minister Nirmala Sitharaman informed Parliament on Tuesday.

The non-performing assets (NPAs), including those in respect of which full provisioning has been made on completion of four years, are removed from the balance sheet of the bank concerned by way of write-off, she said in a reply to Rajya Sabha.

"Banks write off NPAs as part of their regular exercise to clean up their balance sheet, avail tax benefit and optimise capital, in accordance with RBI guidelines and policy approved by their boards. As per inputs received from RBI, Scheduled Commercial Banks (SCBs) wrote off an amount of Rs 10,09,511 crore during the last five financial years," she said.

As borrowers of written-off loans continue to be liable for repayment and the process of recovery of dues from the borrower in written-off loan accounts continues, write-off does not benefit the borrower, she said.

Banks continue to pursue recovery actions initiated in written-off accounts through various recovery mechanisms available, such as filing of a suit in civil courts or in Debts Recovery Tribunals, filing of cases under the Insolvency and Bankruptcy Code, 2016 and through sale of non-performing assets.

SCBs have recovered an aggregate amount of Rs 6,59,596 crore, including recovery of Rs 1,32,036 crore from written-off loan accounts during the last five financial years, she said.

In cases where it is prima facie found that officials are responsible for the lapses of non-compliance with the laid down systems and procedures or misconduct or non-adherence to the due-diligence norms, action is initiated against the erring officials under the board-approved staff accountability policy, she said.

As per inputs received from public sector banks, she said, staff accountability in respect of NPA cases has been fixed against 3,312 bank officials (of AGM and above rank) during the last five financial years, and suitable punitive actions have been taken commensurate to their lapses.

Replying to another question, Sitharaman said Indian Banks Association (IBA) has informed that at present, only a few banks are using blockchain technology at a small scale.

As such, the issue pertaining to interoperability of such a platform between banks is not present, she said.

Further, she said Indian Banks' Blockchain Infrastructure Company (IBBIC) Private Limited that was incorporated with an objective of providing a platform for exploring, building, and implementing Distributed Ledger Technology (DLT) solutions for the Indian financial services sector, is currently working on scoping the implementation of domestic Letter of Credit (LC) issuance as its first use case through the platform.

The consortium consists of 18 banks comprising leading public and private sector banks of India.

Reserve Bank of India (RBI) has been providing guidance for development of blockchain-based application through its mechanism for testing of innovative technologies, products and services, known as regulatory sandbox.

Blockchain technology has been listed as one of the innovative technologies in this regard, where innovators can apply to test their products through this mechanism, she said.

There is no proposal to set up guidelines or prescribe a model common blockchain technology platform for the banks, she said. https://www.moneycontrol.com/news/business/banks/banks-wrote-off-npas-over-10-lakh-crore-in-last-five-financial-years-finance-minister-nirmala-sitharaman-9697731.html

11. Time to fix up income tax system, end most of the exemptions: Arvind Panagariya *(moneycontrol.com)* December 13, 2022

Dr. Arvind Panagariya is one of the world's most distinguished economists. He's the former Vice-Chairman of Niti Aayog and Professor of economics at Columbia University. Dr. Panagariya has done extensive research on the Gujarat model, and is one of the first people to have done in-depth studies on what distinguishes Gujarat from other states. In a wide-ranging conversation with Moneycontrol, he spoke on economics, politics, and the politics of economics.

Shweta Punj: Dr. Panagariya, a very warm welcome to moneycontrol.com. Let me begin by asking you, were you expecting this landslide victory for the BJP in Gujarat? What is it that defines the Gujarat model? What is it that distinguishes Gujarat from other states?

Arvind Panagariya: Thank you Shweta, really great to be with you. The BJP's victory in Gujarat shows that the Prime Minister's personal popularity reigns supreme. This was one rather exceptional case where all the exit polls turned out to be right. So this was a victory foretold and it did play out as predicted.

Multiple factors are responsible for any election outcome, even though in this case the Prime Minister's popularity was key. For instance, Gujarat's prosperity is there for everybody to see. When something is going well, you don't want to change it.

Gujarat has grown phenomenally over the last 10 years. Indeed, it is the fastest growing state after Mizoram I think, or one of the smaller north-eastern states. But Gujarat is a large state, and it grew at about 9.4 annually. Haryana, the only state that comes close to it, is a full percentage point below it, at 8.4 percent. The Kerala model which we talked about so much during the 2014 elections has done very poorly, with a growth rate of 5.7 percent.

Shweta Punj: With respect to Gujarat, what are the reforms that have helped drive prosperity? I was in Gujarat last week. The work that's happening in GIFT city seems very forward-looking.

People also said that water was one of the problems the Prime Minister had tackled head on. So what are the defining schemes or policies that have been instrumental in driving this growth?

Arvind Panagariya: I've not looked closely at policies. Besides, many of the policies that really matter come from the central government. It is the implementation that varies across states, and Gujarat is very effective in that. I think the bureaucratic tradition in Gujarat is very different from, say, my own state, Rajasthan.

Gujarat's bureaucracy works. During my time at NITI Aayog, I saw that the bureaucracy was really on top of what was going on. They had their own databases going all the way down to the village level. It's very data-driven policymaking and policy execution in the state. That plays an important role.

A lot of good policies that are adopted pay dividends with a bit of a lag. A lot of the policies Modi adopted as Gujarat Chief Minister played out over the subsequent years.

Shweta Punj: The state attracted the highest FDI of 1.62 lakh crore in the 2020-21 fiscal. What is it that the investor community finds attractive in Gujarat as an investment destination?

Arvind Panagariya: It's the business environment and the government. Investors choose the country because of its policies. But which state to set up shop in — the state government and the bureaucracy has a key role in helping facilitate that.

Every investor has to deal with things like land acquisition, power and water connections, vendors / ancillary industries, etc. For all of that the ecosystem in Gujarat happens to be quite good. In this, Gujarat stands out. Also, Gujaratis being a business community, the state has traditionally had a very good business environment.

The special economic zones (SEZ) of Gujarat account for about a third of the exports from these zones, pan-India. I think that that says a lot.

Shweta Punj: Unlike people in other states, Gujaratis don't seem to be queueing up for government jobs. Instead, they say that they want the government to be a facilitator. Like the PM says, minimum government, maximum governance. He's managed to implement this slogan successfully in Gujarat. Can you throw some light on how he did that?

Arvind Panagariya: Gujarat's bureaucracy does not suffer from a sense of entitlement, they're there to serve, and ensure things work. The view from the inside may be a little different, but that's what I feel as an outsider. When I visited Gujarat as the Vice-Chairman of the Niti Aayog, I was very impressed with the work they were doing on transportation. Even in 2016 they had a centralised control room from where they could monitor everything.

In terms of public projects, I visited the Sabarmati waterfront and the Kankaria Lake, among others. Things were very well managed. Where fees should be charged, they were charging fees, but small fees, because you don't want high fees in public places. That allows you to maintain the place well.

Shweta Punj: Roti, kapda, aur makaan (food, clothing, and shelter) are no longer a priority in Gujarat, or even jobs for that matter. But these are burning issues in many parts of the country.

Arvind Panagariya: People not wanting government jobs is indicative of Gujarat’s prosperity, where incomes are growing at 8-9 percent a year. That is where you want to be.

Roti, kapda, makaan is history for Gujaratis. if you look at per capita income levels, they are now among the highest. Among the larger states they are just a little below Haryana. Considering price differences between Haryana and Gujarat, in real terms Gujarat’s per capita income may be higher than Haryana’s.

Gujarat was below Karnataka, below Tamil Nadu, it was below even Uttarakhand about 10 years back, but that's all history.

Shweta Punj: The state government has taken some financially unpopular decisions. For instance, they’ve scrapped the old pension scheme, angering government employees. Both the Aam Aadmi Party (AAP) and the Congress had promised to reinstate it. But despite that the BJP managed to seize the electoral narrative. Your thoughts.

Also, with the budget round the corner, might the central government be tempted to reintroduce the old pension scheme?

Arvind Panagariya: The old pension scheme was scrapped by consensus across the entire country. It was recognised that the old scheme was eating up the budget. Every year, the share of pensions in the government budget was rising. Increasing life expectancy was compounding the problem. Also, the pension would rise along with your age. When my father passed away, in real terms his pension was higher than his salary at the time of retirement. The fiscal burden of pensions would have turned us into Brazil, which spends about 12-13 percent of its GDP on pensions.

No country can bear that. The bureaucracy is maybe 2 percent of the population, 2 percent of the workforce. You cannot tax the people and transfer that kind of money.

This is also intergenerational transfer, because the young who are employed today are paying for the pensions of those who have already retired.

All this is avoided with the new pension scheme. You can see why the state governments want to do it. Because it lowers their budget deficit.

The old scheme will shift the burden of the pension to future generations. They will pay for the pensions of those who are employed today. This is a very risky and irresponsible thing to do.

It's unconscionable for any government or political party to make such offers to win an election. They are not helping the people in any way. In fact, they're really hurting them because ultimately the taxes they pay will be spent on pensions instead of public projects. This is basically like taking money from one person's pocket and putting it in somebody else's. That is not the right thing to do unless there is a compelling reason like poverty alleviation. I would be very, very surprised, devastated even, if one day the central government is tempted to try this.

But I don’t think they will, as they did not in Gujarat. It's a very responsible government. Responsible Congress leaders have also not spoken in favour of going back to the old pension plan.

I recently saw an interview of Mr. Chidambaram's on this. He said that he will not speak on this as he's bound by his party's discipline. Which basically means that he doesn't support reverting to the old pension scheme, but as a responsible party leader he would not say anything against the party line

Shweta Punj: We're barely two months away from the budget. It is the last budget before the Modi government goes in for the general elections. There's been a lot of talk about whether the government needs to spur consumption by putting money into the hands of people. Should there be a scheme like an urban MGNREGA that will spur consumption? Or do you think that India is in a very safe position and the government does not need to resort to such measures?

Arvind Panagariya: Quite the contrary. We need to get back to fiscal consolidation. Which means restraining government expenditure. As far as I can see the data is showing that consumption demand is returning. Investment demand is also robust. We have seen investment as a proportion of GDP rise. This trend should last several quarters.

Programmes like MGNREGA are rolled out when there's a drought, etc. But we have made it a permanent feature and that's not a good use of resources that get taken out of the economy. If we want to give money to alleviate poverty we should have done simple cash transfers, so that people can use their labour on productive activities rather than unproductive public projects.

Speaking of the budget, it's time we fixed the personal income tax system, and considerably simplified that. And much like what we have done with taxes on corporate profits, we need to end all exemptions, or most of them.

If revenue is an issue, we can have four or five tax rates. Today computers calculate the taxes. So the reasons for having only two or three rates are no longer applicable. We also need to reform our higher education system, which has been pending for two to three years.

We need to privatise public sector enterprises, including banks, for which there is a policy now, which separates strategic sectors from the non-strategic ones.

We should also continue with our free trade agreement (FTA) negotiations and conclude them within two years, with some sort of agreement with the European Union (EU) as well.

If we pursue this agenda, I have no doubt that we will continue to grow at 7 percent-plus.

Shweta Punj: Is inflation a concern? Considering how it is impacting small business owners, is that something the budget needs to address aggressively?

Arvind Panagariya: Inflation is not a budget issue it is a central bank issue. The only way the budget can help is through fiscal restraint. We cannot say we want feel-good consumption on the one hand, and on the other, we complain about inflation. These are contradictory forces.

If inflation is a concern, then the fiscal policy ought to have fiscal consolidation in place and it should begin with the new year.

We were impacted by external factors which are abating now. In the United States we are seeing incipient signs of a recession. Though total employment remains robust we're also seeing a lot of job losses.

Since the external factors are abating, I'm not worried about India's inflation. In fact, the RBI should seriously think whether it wants to continue on its current path, because when you raise interest rates they get transmitted to borrowers rather easily. But when you reduce them the transmission takes longer. We ought to bear that in mind.

Shweta Punj: How would the looming recession in the US and UK impact India? What's your view on the India story at this point?

Arvind Panagariya: I read it very differently. I don't think that recession in the US economy is round the corner. Even though tech firms are laying off workers in thousands, total employment is robust, and it is still increasing.

But should there be some mild recession, that is not necessarily bad news for India. In fact, it is good news. Because that will restrain interest rates. Thus, the capital flowing out of India and putting pressure on the Rupee would be stanched, and that is a good thing. From the point of view of inflation, external factors will become less important, or would at least stop contributing to domestic inflation.

Shweta Punj: Any specific FTAs that India should pursue aggressively so that exporters can benefit?

Arvind Panagariya: We have to conclude the one with the UK. Exports used to be a pittance in 1991. From $50 billion in 2002 - exports have expanded as rapidly as our exports during that period. So, liberalisation is good for us. If we go in with that attitude we seek market access vigorously.

The big FTA that we need to conclude is with the EU. That is a large market and we need access to that to grow. This is the most opportune moment for that, because when multinationals explore a China-plus-one strategy what are they going to look for? We have everything: market size, skilled labour, etc. An FTA with a large market such as the EU would be a big plus.

Shweta Punj: You mentioned asset monetisation and privatisation of the public sector. That's been an ongoing theme of the Modi government but hasn't seen much success. Not being a very popular move, and with elections round the corner, there may be pushback from the unions and the government might go slow on this. Any inputs on how the government can push this through?

Arvind Panagariya: There are many companies where the unions are not a threat. During my time at Niti Aayog I found that it was the ministries and the management who pushed back harder than the unions. Even with Air India, the union that came to see me was not so opposed to privatisation. They wanted their health insurance and medical benefits to continue.

The unions understand that the enterprise will do better in private hands, hence their workers will do better too. They can see for themselves that virtually all the companies that were privatised by the Vajpayee government have flourished over the last 20 years. As for the sick enterprises that are doing nothing, close them down. If the timing of an election is an issue, there are still ways to do things.

We should not worry whether the government will get good value for the companies. The companies do not belong to the government. They belong to the people. The primary issue for the country as a whole is whether or not the enterprise flourishes. That ought to be the sole consideration. Otherwise, we will never be able to privatise anything.

Shweta Punj: One last question. What's your outlook on the Indian economy? I know you're optimistic about the India growth story. I want to understand where your optimism stems from.

Arvind Panagariya: My optimism is supported by the outcomes that we have observed. I had predicted 8 percent growth in the second quarter. It didn't quite pan out that way. While the economy still did decently (it grew 6.3 percent), it was not 8 percent.

That's because none of us thought that manufacturing would clock minus 4 percent growth. I was expecting manufacturing to clock about 4-5 percent growth, in which case my prediction would have come true.

Be that as it may, the reason I'm optimistic is because there’s a very well-functioning government at the centre. It is reforms oriented. I've huge, huge hopes because of the Prime Minister himself. The one thing that one can see, and hardly anybody disputes, is that the Prime Minister really wants to take the country forward as fast as possible.

A leader like that is a cause for optimism and inspiration. It means that reforms will continue. The issue isn’t whether reforms are going to happen or not, the issue is when. Which he decides, strategically, which is fair enough.

It's better to have a three-time Prime Minister who will do a hell of a lot of reforms rather than a one-term Prime Minister who might stop them. Which is what happened after the Vajpayee government. Between 2004-2014, we lost 10 years as far as reforms were concerned.

Shweta Punj: Any growth estimates that you'd like to share with us?

Arvind Panagariya: If we stay the course, probably about 7-8 percent annually. But that is well below our potential, which is 9-10 percent. However, that requires aggressively embracing the global economy. I think we have slipped a bit on that front.

The recidivism in liberalisation is turning into protectionism. That is a big mistake. It takes away from the positive reforms we have done. But I think I'm sort of a lone voice on that. Industry loves protection from imports. In the US you will see that the exporters are very vocal, they want to open up markets. But in India, exporters never come to the table, never push for liberalisation.

But even in the US exporters have become a little less vocal in recent years because a lot of them have invested abroad. When you have an automobile factory in India (e.g,), then you don't want the Indian market to be liberalised.

But that's not the case with India, so Indian exporters ought to be more vocal, particularly when it comes to FTAs, etc. They ought to be at the table countering the anti-import lobbies. That is how these negotiations work in places like the US and the EU.

Shweta Punj: The protectionism is hurting small businesses, driving up their cost of raw materials. But their voice is not reaching the powers that be. There's a gap between the policies and the people.

Arvind Panagariya: Remember one thing. The bulk — 80 to 90 percent — of the exports are done by large firms. Yet everybody keeps claiming that micro and small enterprises (MSME) are big exporters. Where is the evidence? Pravin Krishna, my friend at Johns Hopkins, a very eminent trade economist, has looked at export figures at the firm level. He tells me that 80-90 percent of the exports are coming from a very, very small number of firms that are incredibly large. Where are these firms when the FTA negotiations happen? They ought to be present. Why will they not be heard? I don't buy the argument that their voice is not reaching the powers that be.

Shweta Punj: That's interesting.

Arvind Panagariya: They're simply not lending their voice to this. I don't know what the reasons are. For some inexplicable reason they seem not to articulate their own interests in these negotiations.

Shweta Punj: We do hope that budget '23-'24 sets India's agenda for the next decade. And we hope that your optimism for the country continues to grow. Thank you very much, Dr. Panagariya, always most edifying talking to you. Thank you very much for your time and for joining us all the way from New York. https://www.moneycontrol.com/news/business/a-leader-like-modi-is-a-cause-for-optimism-and-inspiration-ive-huge-huge-hopes-arvind-panagariya-9695301.html

12. With 719 National Highway Projects Hitting Speed Bumps, MoRTH Extends Relief for Developers till March 2023 *(news18.com)* December 13, 2022

At least 719 projects of the ministry of road transport and highways (MoRTH) have been delayed to some extent, government documents accessed by News18 show. The highways section, meanwhile, has extended some of the relief measures to the contractors and developers in the road sector.

As per the ministry documents, 719 of its projects across various states saw construction works on national highways getting delayed to some extent. This was "due to protracted monsoon in many states, above average rainfall in some states, COVID 19 pandemic, increase in price of raw materials (mainly steel), issues/bottlenecks relating to land acquisition, statutory clearances/permissions, utility shifting, encroachment removal, law and order, non-availability of soil/aggregate, financial crunch of concessionaire, poor performance of contractor/concessionaire," the ministry said.

The delayed projects included nine from Kerala and 31 from Rajasthan. The ministry has said that it is closely monitoring the construction progress and proactively working with project-implementing agencies, state governments, and contractors/developers to complete the delayed projects and avoid exorbitant cost overruns.

“Periodic review meetings are being held at various levels, to resolve issues/bottlenecks and complete the delayed projects," it said.

Earlier this month, MoRTH extended some of the relief measures to contractors and developers in the road sector and in view of the Covid-19 pandemic.

The extended relaxations included monthly payment to the contractor for the work done and accepted as per the specification of the contract during the month EPC/HAM contract, reduction of performance security from existing 5-10 per cent to three per cent of the value of the contract for all existing contracts, and release of retention money.

“Retention money is a part of the performance security till construction period. Hence, release of retention money may be continued in proportion to the work already executed and no reduction of retention money may be made from the bills raised by the Contractor till 31.03.2023," said the order.

It further said that for projects under the Hybrid Annuity Model (HAM) or Build, Operate, Transfer (BOT) mode, “performance guarantee may-be released on pro-rata basis, as provided in the contract, if the concessionaire is not in breach of the contract.” https://www.news18.com/news/india/with-719-national-highway-projects-hitting-speed-bumps-morth-extends-relief-for-developers-till-march-2023-6604051.html

13. Since its founding, BSNL has had a net loss totaling Rs. 57 671 crores. Govt *(inventiva.co.in)* 13 Dec 2022

According to information provided to the Parliament on Friday, MTNL has a cumulative net loss of Rs 14,989 crore as of March 31, 2022, compared to Rs 57,671 crore for BSNL from its foundation.

According to the Ministry of Communication, the BSNL and MTNL’s losses can be attributed to their high staff costs over time, heavy debt loads, market competition, and a lack of 4G networks (except on a limited basis in some areas). The government approved the resuscitation program for BSNL and MTNL on October 23, 2019.

The Rajya Sabha received a written response in which it was stated that the committee had approved, in other things, the reduction of employee costs through the Voluntary State Pension (VRS), loan revamping through the issuance of self-governing of guarantee bonds, an organizational part of the spectral range for 4G services thru the capital injection, monetization of cornerstone and non-core investments, and in-principle approbation of the merger of BSNL and MTNL.

With the financial year 2020–21, BSNL and MTNL have achieved EBITDA (Earnings After Interest, Taxes, Amortization, and Amortization) profitability.

Additionally, on July 27, 2022, the government authorized a revival plan for BSNL of Rs 1.64 lakh crore to turn BSNL into a thriving public sector business. The recovery plans that center on injecting new money for BSNL’s fiber networking expansion, spectrum allocation, balance sheet de-stressing, and motivating its services. Bharat Internet Nigam Ltd (BBNL) would be merged into BSNL. The Ministry predicted that BSNL would recover and start turning a profit if these steps were put in place.

The Ministry stated that in the growth of the communications infrastructure and extension of telecom services, BSNL and MTNL have been playing a major role in private telecom businesses. The implementation of the citizen-centric government of India programs relies heavily on BSNL and MTNL, specifically in unreachable rural and remote areas.

As of September 30, 2022, BSNL had provided 24,58,827 FTTH links. Further, BSNL was told to roll out the Indian 4G stacking in accordance with the Government's Atma-nirbhar plan. For the need of 1.6 million 4G sites, BSNL published the contract in October 2022, it was said.

The telecom industry boasted intense competition between 2000 and 2010, keeping private and government service providers on their toes. Bharat Sanchar Nigam experienced both a rise and subsequent decline in the early 2000s. The government established the public service undertaking (PSU) in October 2000, and the first deficit was detailed during the 2009–2010 fiscal year.

What was then regarded to be India's dependable telecom brand was under immense pressure from rival companies like Ambani and Airtel. Government-owned companies like BSNL and MTNL were in competition with businesses like Hutch, Vodafone, Idea, Airtel, Bharti Airtel, and Reliance.

The days when smartphones with pictures and websites were a luxury are long gone. In those bygone eras, when a household had just one cell device, BSNL aimed for a user base surface of 4 million. The PSU's circumstances only deteriorated during the ensuing years. BSNL made a profit of 1,444 crores in the fiscal year that ended in 2003, a sharp decline of 76% from the profit made the year before.

The business asked the government for a rescue package worth 40,000 crores in 2021. A government guarantee to start their short-term debt was sought with around half of the aid package's funds. If the business installed 100,000 node B (mobile networking) mobile sites, the remaining 20,000 crores would be used.

In the past, BSNL was renowned for providing telecom services to places where commerce was not possible. Financial Express stated in 2019 that the government could think of the company's permanent closure due to growing tensions. It is effortless for the state to declare that it will shut down the corporation, according to the former finance director for BSNL.

The business has provided the government with big returns. The type of investments in the industry has more than compensated for itself. According to the other director, the corporation reimbursed the government several times from 2000 to 2008. Causes of the Demise Numerous telecom experts attribute the PSU's downward slide to excessive red tape and sluggish decision-making.

W0e Even as recently as 2019, BSNL was a dependable fixed-line service provider, but it could not compete in mobile networks with its quick-thinking private rivals. Because of decreased prices and more competition from other growing companies, the company's high maintenance costs for its staff accounted for between 55 and 60 percent of its expenditure.

One can pinpoint persistent and unregulated government involvement and adamant union opposition to selling a stake in PSUs because of the root causes of the bad state of things for BSNL. With the release of Jio, Mukesh Ambani-led Reliance seized most of the telecom market. Other service providers like Vodafone, Idea, and the like faded off the map to be a result of the decision's major influence. The important switch to Jio was a major setback for BSNL and other telecom companies.

Small telecom companies just disappeared, while others became heavily indebted. To balance their losses, Vodafone and Idea combined, but Airtel survived. However, each business can compete with Reliance in the current market.

What Is the Telecom Industry's Future?
With 436.69 million followers, Jio is presently the largest service provider. Airtel is second with 193.74 million, VI is third with 121.41 million, & BSNL is having trouble keeping 16.67 million customers. However, it is debatable whether it is practical for Indian consumers to rely purposely on private businesses for important things like a website and a reliable cellphone connection.

It may be preferable for the state to deem the service "important" and stop treating it like a commodity since the changing times, and everyone must use a mobile phone to complete their daily to daily activities. The consumer can receive amazing services at the lowest costs, and the industry does not become monopolistic or duopolistic. https://www.inventiva.co.in/trends/bsnl-has-had-a-net-loss/

14. Bring cities to the high table of global climate policies *(hindustantimes.com)* 12 Dec 2022

New York City mayor Michael Bloomberg once famously said, "While nations talk, but too often drag their heels—cities act". In another context, the COP-27 outcomes and deliverables stated in the 'Sharm el-Sheikh Implementation Plan' will need cities to react, respond and act if countries need to meet global climate commitments in 2023.

And yet, cities– clubbed under the Local Governments and Municipal Authorities (LGMA) Constituency to the United Nations – do not find a formal role in global climate negotiations and in the implementation of the Paris Agreement. With the growing awareness that the climate war will be won or lost in cities, this will need to change.

Here is why.
In November 2022, climate practitioners, activists, governments, academics, experts and thousands of greenhorns ascended onto the pretty Egyptian resort island of Sharm el-Sheikh for the COP-27, the climate conference of the world led by the United Nations.

Apart from the much-celebrated announcement of the 'lost and damage fund' that will come into play and be detailed only next year, the Sharm el-Sheikh Implementation Plan reaffirmed the commitments of the past COPs, from Kyoto to Paris and Glasgow.

Among many things, the plan welcomes the contribution of the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), the UNEP's Adaptation Gap Report 2022, and the Emissions Gap Report 2022. It also resolves to pursue further efforts to limit the temperature increase to 1.5 °C. All these reports put a huge premium on the role of cities - both as emitters and as entities that need to drive climate action. The IPCC report had a clear message for cities- that the time to act is now. It stated that to meet this, global emissions will need to be cut by 45% by 2030.

And for countries like India, where a third of its population is in urban areas, the majority of the burden of climate action is shouldered by cities. Indian cities contribute to 70% of India's greenhouse gas emissions. Also, three quarters of its infrastructure, which will exist in the towns by 2050, is yet to be built. These alarming figures highlight the pressing need for cities to make low-carbon transitions and enhance carbon-rich systems.

The Katowice Committee on Impacts annual reports for 2019 and 2021–2022 require parties to develop tools and methodologies for assessing impact, build capacities for deploying the tools, inform and support climate change mitigation and policies nationally, and develop more replicable and exchangeable case studies.

India has already embarked on the Climate Smart Cities Assessment Framework (CSCAF), a tool for cities to assess their current climate situation and provides a green roadmap for Indian cities to adopt and implement actions.

Similarly, another report by the United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities released during COP-27 talks of how 'cities and regions —play a critical role in getting the world to net-zero no later than 2050'. It spells out how cities will either help scale the ambition and action we need to ensure a sustainable planet or else they strongly increase the likelihood of failure.

India at COP submitted its Long-Term Low Emission Development Strategy (LT-LEDS) where it laid out that climate-resilient urban development in cities will be driven by smart city initiatives, integrated planning of cities for mainstreaming adaptation and enhancing energy and resource efficiency, effective green building codes and rapid developments in innovative solid and liquid waste management.

Two initiatives that took off at the COP-- a campaign and a challenge, respectively have a direct urban mandate. The Cool Coalition launched the Beat the Heat: Nature for Cool Cities Challenge, which will see cities pledging to increase nature-based solutions in their urban areas by 2030 and demonstrate tangible progress by 2025.The 'Roof Over Our Heads 4 global campaign' was launched beginning with community project labs in India. It aims to provide two billion people with resilient, low-carbon, and affordable homes by 2050.

Also, a big first in this COP was the Urbanisation and Climate Ministerial facilitated by UN-Habitat and ICLEI. This brought together ministers and mayors to discuss the challenges of cities and launch the Sustainable Urban Resilience for the Next Generation (SURGe) initiative. This ambitious programme will see the unlocking of urban climate finance and work with national governments, multilateral development banks and the private sector to build resilient cities. In the current scenario, there is a global call for organisations to join and build this initiative for more sustainable urban futures.

Along with SURGe, the High-Level Champions and Marrakech Partnership for Global Climate Action will support the implementation of the Paris Agreement, by enabling collaboration between governments and non-State actors, including cities, regions, businesses, and investors.

In 2022, Prime Minister Narendra Modi announced the flagship vision of Lifestyle for the Environment (LiFE), that calls for a worldwide paradigm shift from mindless and destructive consumption to mindful and deliberate utilisation. This can happen through individual acts, collaborations and a push in cities. The City Climate Alliance which has a presence in over 126 cities and has 70-odd climate partners to boost and matchmake the demand and supply gap in climate action.

Multi-level climate action in cities that commit to accelerated climate action and local climate finance cannot take place if these important sub-national players remain on the fringes. National governments will need to propel the role of urban players and bring them to the negotiation table. This will help them garner direct funds and technical support, which will, in turn, create formally monitored data repositories of cities on their carbon emission reductions and increase their commitments.

As India takes over the G20 presidency, this is an opportunity for cities to get the much needed thrust for achieving its net zero goals. If we want cities to deliver, build decarbonisation and resilience pathways, then bring them to the high table of climate negotiations and policies. https://www.hindustantimes.com/ht-insight/climate-change/bring-cities-to-the-high-table-of-global-climate-policies-101670846014594.html

15. Rafale and Self Reliance? *(thecitizen.in)* 13 Dec 2022

The Indian armed services, as I have long maintained, are really not serious about making the country self-reliant in arms, all their swearing by 'atma nirbhar Bharat' notwithstanding. The indenting by army under the "emergency financial powers" provision for 15,000 foreign-sourced Level-4 light body armour capable of stopping steel-core bullets at 10 meters for use by counter-insurgency troops in Kashmir, and the imminent decision by navy to go in for Rafale-Marine aircraft under its TEDBF (Twin Engine Deck Based Fighter) programme, are only the latest manifestations of the military's reluctance to give home-made products even a fighting chance.

Bhabha Atomic Research Centre, Trombay, as far back as 2018 had readied for production tested technology for bullet-proof jackets weighing 6.6 kg using boron carbide ceramics that met milspecs. Indian companies — Tata Advanced Materials Ltd and MKU of Kanpur, have been exporting body armour for years. And yet, here's the army misusing its emergency powers to secure "phoren maal".

Death likewise awaits the indigenous navalised Tejas Light Combat Aircraft (NLCA) at the navy's hands. The original air force variant of the Tejas LCA somehow survived IAF's sustained efforts at killing it off, something the service had succeeded in doing with the home-grown Marut HF-24 fighter aircraft and its Mark-II version in the 1970s.

The NLCA first performed a ski-jump takeoff demonstration at INS Hansa, Goa in 2017 and has since passed every performance metric from 'sink rate', angle-of-attack, to folding wing-tip, including perfectly executed take-offs and landings on Vikramaditya's deck. (For technical details on the progress made in the NLCA programme and how it is being thwarted at every turn, see my 2018 book — 'Staggering Forward: Narendra Modi and India's Global Ambition', pages 289-305.)

But it was nevertheless declared overweight and unfit for aircraft carrier duty — the protestations by the navy officered project that weight reduction was eminently doable and once outfitted with the more powerful GE 414 jet turbine engine, would meet reasonable requirements of range and payload capacity for single engined aircraft, making no headway with the Service brass.

Why? Because, well, the navy is well and truly embarked on the TEDBF — a cover, yeah, you guessed it, for importing the phoren Boeing F-18 Super Hornet, or the French Dassault Rafale-Marine, come naval Tejas or high water! And no, no atma nirbharta programme, or defence minister Rajnath Singh's 'No imports' lists is going to stop them. Even if, mind you, this imported TEDBF was pushed as an interim measure, a "stop gap" solution, until the heavier two-engined variant of Tejas became available in 2032 — or a decade from now.

DRDO has promised this larger naval Tejas by then, which promise will be easier to keep considering just how adaptable the basic design is to a little upscaling for a twin-engined configuration, and because of the extraordinary progress in design and other aviation technologies already made in the NLCA programme.

But the problem is this: Once the Rafale-M or the Super Hornet enter the Indian Naval carrier service and the IAF into its 112-aircraft strong MMRCA fleet in big numbers, the sheer inertia and the procurement logic (of reducing unit cost by buying large numbers) will ensure follow-on buys of the Rafale or the F-18, and investments and interest in the Indian NLCA and successor carrier aircraft for the navy, and in the AMCA for the air force, will peter out.

This is, perhaps, what the Indian Navy and IAF want to see happen.

Assuming the Modi regime weathers the American pressure to buy F-18 and 26 Rafale-M are bought, 2032 is almost the timeline by which the sale formalities are likely to be completed and Rafale-M, if it is indeed chosen, is inducted in adequate numbers. Navy further decided that the always controversial pill of importing arms, this time the Rafale-M, would go down the government's throat better if this TEDBF acquisition piggybacked on IAF's Rafale deal.

The case was therefore made that because IAF's Rafale servicing and maintenance infrastructure was already in place, the cost-saving on this side-deal would be sizeable. Naval HQrs were confident the generalist babu-manned defence ministry would be unable to discern the spuriousness of this argument considering naval and air force fighting assets are rarely co-located.

Whatever the other ill-effects of the supposedly stop gap Rafale-M/F-18 acquisition, it will definitely write finis to the NLCA and hence also to the development of the twin engined naval Tejas, and possibly also the follow-on aircraft to IAF's Tejas Mk-1A — the Advanced Medium Combat Aircraft programme. The country then can kiss a royal goodbye to genuine atma nirbharta and settle down in its long nursed arms dependency status.

The fact is there's just too much temptation offered by foreign firms for military men and civilians in the defence procurement loops that few apparently can resist. Senior uniformed officers, serving or retired, will never allude to it, but younger, more idealistic, officers in the Group Captain and equivalent grade, not yet compromised, readily point to the filthy lucre at work, all the hoo-ha about corruption-free G2G deals being so much pretense.

If the Modi government is serious about an "atma nirbhar Bharat" and wants to prevent the doing away by indirect means of the still infant indigenous defence industrial and aerospace capabilities, it can have a TEDBF, give the indigenous programmes much needed boost, and save tens of billions in hard currency — what it has to do is have Rajnath Singh immediately announce that the government has reconsidered its decision and the single engined NLCA programme will be put on a war footing, and be the precursor to the wholly India made TEDBF– the 2-engine medium weight navalised Tejas — to fly off the Vikramaditya and Vikrant decks ten years from now.

He should also announce that the government will look askance at all procurement proposals hereon from any military service for importing weapons systems and platforms that, intended or not, undermine the government's atma nirbharta policy. And that the government will ensure by diplomatic means to not put the navy in harm's way by asking it to pull distant missions beyond their ken. After all, it is diplomacy army generals, and flagrank military officers generally suggest, do they not, as the means to fend off for the nonce a conventionally superior China in Ladakh and elsewhere on the Line of Actual Control?

What are the chances the Modi government will do as recommended above? ————-

Now let's turn to Rafale-M and how India has been a boon to France, the French defence industry, and to foreign arms suppliers generally.

France invested some $50 billion in developing the Rafale combat aircraft and found no buyers, earning for this warplane the sobriquet of a "cursed" aircraft after a bunch of countries — Brazil, Libya, Morocco, and Switzerland serially rejected it.

Then in April 2015, India galloped on to the scene replaying its familiar role of upkeeping Western defence programmes — the proverbial knight coming to the aid of fair maidens in distress, this even as the enormously capable Indian private sector defence industry is in a permanent state of funk, pleading for custom to survive! The Indian beneficence in this case came in April 2015 when Prime Minister Narendra Modi visiting Paris decided to short circuit the MMRCA (medium multi-role combat aircraft) process and take Rafale in a government-to-government (G2G) deal ostensibly to cut the middleman, commissions, etc. out of the procurement circus. New Delhi plonked down $6.9 billion in hard currency for 36 "customized" Rafales for the Indian Air Force.

"Customized" usually means hanging a lot of bells and jangles on the hardware to make a duffer of a Third World customer feel he's getting something extra for his hard earned and scarce money! (Even so, many people in the know claim the costs were padded to the extent of Rs 1,000 crore for each of the 36 Rafales IAF has acquired via the G2G transaction!)

By way of contrast, the same year — 2015, Egypt too jumped on board, agreeing to consider this warplane for its air force. But a cleverer Cairo signed up only in May 2021 for 24 of this aircraft with promise to purchase 30 more in due time for a total of 50 Rafales, to be paid for — wait for it! — with France's own money! Paris agreed to finance the entire deal with a 10 year loan for the package worth $4.5 billion. With the euro's annual inflation rate of nearly 11% (10.61% actually) in October 2022 as baseline, it means Egypt will secure at least 24 Rafales for virtually nothing! (Like the masses of military hardware India got in the "good old days" from the USSR at 2% interest, i.e, virtually free.)

France has cannily played on two aspects, that (1) unlike the US, and UK and Sweden (whose Gripen combat aircraft are powered by US engines and hence sanctionable), Rafale customers can be worry free — the supply of spares and service support being outside the numbra of potential US sanctions. After all, the Indian Navy remembers how its Westland Sea King anti-submarine warfare helicopter fleet was instantly grounded once US imposed sanctions in the wake of the Indian nuclear tests in 1998, because the Sea King — a British licensed version of the Sikorsky S-61, had US components. And (2) that there are no 'black box" technologies — an inducement for India to license manufacture the Rafale to meet IAF's MMRCA need for another 112 aircraft, all technologies, including avionics, will be transferred. It is a tech transfer deal that does not include the munitions (Meteor, Hammer, etc), of course!!

The revenues in billions of dollars generated from the sale of the 4.5 gen Rafale — exactly the same generation as the Tejas, will be poured into the 6th gen fighter aircraft France and Germany have just decided jointly to design, develop and produce by 2050. The sum of $3.8 billion for the first phase (labeled '1B') for feasibility study has already been authorized.

Meanwhile, the indigenous Indian combat aircraft programmes will die a slow death from lack of service interest in them and consequent starvation of funds. https://www.thecitizen.in/opinion/rafale-and-self-reliance--552715

16. Faculty shortage continues to plague AIIMS across India *(downtoearth.org.in)* 12 December 2022

Some 157 medical colleges have been sanctioned in three phases to improve the strength of India’s healthcare workforce and reduce geographical disparities in the availability of resources, the health ministry said in a written response to a Parliament question December 9, 2022. Ninety four of them are currently operational, the ministry added.

In complete contrast, data shared by the health ministry while answering another question the same day revealed almost half of the sanctioned posts are vacant in 18 of the newly created All India Institute of Medical Science (AIIMS).

Imtiaz Jaleel, a Lok Sabha member from Aurangabad, raised this dichotomy in Parliament December 9, calling out the government’s “hypocritical behaviour” when it resorts to mass transfer of faculty members to escape regular inspections by the Medical Council of India.

The medical colleges will be set up on a fund-sharing basis between the Centre and state governments; a ratio of 90:10 for northeastern and special category states and a 60:40 ratio for others.

“As per the scheme guidelines, the state government is the implementing agency and the planning, execution and commissioning of the projects is to be done by the state government,” the ministry noted in its answer.

Release of funds under the scheme is based on pace of expenditure, release of corresponding state share and receipt of Utilisation Certificates, as well as demand from State/UT Government, it added.

In Phase one, 58 medical colleges at the cost of Rs 10,962 crore will be built in 20 states, including Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Odisha, Rajasthan and Uttar Pradesh, have been approved. Only six of them are yet to be functional.

In Phase two, 24 medical colleges worth Rs 6,000 crore in eight states have been approved. Some 14 of them are currently functional. In Phase three, 75 medical colleges worth Rs 24370.41 crore in 18 states have been approved, of which only 29 are functional as of now.

Other efforts being undertaken by the government to augment medical education facilities include Centrally Sponsored Schemes (CSS) to upgrade existing state government/central government medical colleges to increase the number of MBBS and PG seats, constructing Super Speciality Blocks to upgrade medical colleges — 75 such projects are currently underway — and 22 new AIIMS where undergraduate courses have begun in 19 of them.

While these efforts are commendable, they will not achieve the intended fruition until the faculty vacancy issue is resolved first. AIIMS Rajkot fares the worst, where only 40 of the 183 sanctioned posts have been filled. At AIIMS Gorakhpur, 105 of the 183 sanctioned posts remain vacant.

Other poor performing institutions include AIIMS Vijaypur —107 of 183 sanctioned posts are vacant — AIIMS Raebareli — 101 of 183 sanctioned posts are vacant — AIIMS Guwahati — 104 of the 183 sanctioned posts are vacant — and AIIMS Patna — 151 of the 183 sanctioned posts are vacant.

On the student-teacher ratio in these institutes, AIIMS Bilaspur has a good balance of 2:1, followed by AIIMS Bhubaneswar (2.34:1) and AIIMS Jodhpur (2.97:1). https://www.downtoearth.org.in/news/health/faculty-shortage-continues-to-plague-aiims-across-india-86515