NEWS ITEMS ON CAG/ AUDIT REPORTS (21.01.2023 to 23.01.2023)

1. The necessity of taxing farmers' income in India *(newindianexpress.com)* By Bibek Debroy | Jan 21, 2023

There is a figure on the number of people who submit income tax returns, and there is a parallel figure on the number of people who pay income taxes. The latter is smaller than the former, and with a country of India's size, both figures should be higher. Direct taxes are inherently superior to indirect taxes, and the share of direct taxes to total taxes should be higher.

There are several reasons why such numbers aren't higher, evasion being one. But there are two other reasons—exemptions and non-taxation of agricultural income. The former is part of the Union Budget, and the latter isn't. The latter is part of State Budgets or should be. The Seventh Schedule demarcates such matters. Entry 82 in the Union List mentions taxes other than agricultural income, while Entry 46 in the State List mentions taxes on agricultural income. Whether agricultural income should be taxed or not is for state governments to decide. Let's say 45% of the labour force (the figure varies a bit) is employed in agriculture. As a rough indication, we keep 45% of the labour force outside the income tax net. The argument that farmers are poor won't wash. Are all farmers poor? That can't be true. Income taxes must be paid if one's income is above a threshold, irrespective of whether one is a farmer. The poor will be exempt, regardless of whether they are in agriculture.

At this time of the year, we should remember James Wilson, not because he established The Economist magazine and Chartered Bank of India, Australia and China (which later became Standard Chartered Bank). He was the first Finance Member of the Viceroy's Executive Council. We should remember him because he was the first to present a budget. He also introduced the Income Tax Act of 1860. Are farmers poorer now than they were in 1860? Clearly not. The 1860 legislation taxed agricultural income, of course, above a threshold. All those income tax provisions were meant to be temporary (five years), and they eventually lapsed.

Those who develop apoplexy at the mention of taxing agricultural income should read the report of the Indian Taxation Enquiry Committee (1924–25). I will give a longish quote since it is educational on history and equity issues.

"It will thus be seen that, in the first instance, agricultural incomes were assessed to income tax and that when the income tax was replaced by a license tax, they were assessed to a corresponding burden in the shape of a cess. It was the continuing existence of this corresponding burden that was responsible for their exemption in the Act of 1886. The corresponding burden has now been removed under a system under which there is no charge on the land except the land revenue and the local rate. Consequently, there is nothing in the history of the case to justify the continued exemption of this class of income from the income tax, and this is a circumstance which was recognised by more than one prominent non-official in the debate on the proposal made in 1918 that incomes from agriculture should be taken into account in determining the rate at which the income tax was to be levied on incomes from other sources. The consideration of the bearing of this question upon the equitable distribution of the burden of taxation is apt to be confused by arguments relating to the poorest of those who derive their living from the land and especially to the cultivators of uneconomic holdings. There is no doubt that, under the system of fractionation of holdings which prevails in India, the difficulties of the poorest cultivators are considerable, but this is a question which has no concern whatever with the question of imposition of income-tax upon incomes from agriculture. The income tax is imposed only on incomes over Rs.2,000."

Every contemporary counter-argument was discussed threadbare and rebutted. In 1932, the Federal Finance Committee of the Round Table Conference and its report had a view that was no different.

That was a colonial period. Are farmers poorer now than they were in 1947? This, too, is meant to be a rhetorical question. If so, why did we have Agricultural Income Tax Acts in Bihar (1938), Assam (1939), Bengal (1944), Orissa (1948), Uttar Pradesh (1948), Hyderabad (1950), Travancore and Cochin (1951), Madras and Old Mysore State (1955)? Note that in the present geographical compositions, many states retain these statutes and their successors. Except for Karnataka, they haven't repealed these. They do tax some kinds of agricultural income, especially plantations.

Post-Independence, several committees have recommended taxation of agricultural income—Report of the Taxation Enquiry Commission (1953–54), Raj Committee on Taxation of Agricultural Wealth and Income (1972), Fourth Five-Year Plan (1969–74), Report of Fifth Finance Commission (1969), Tax Reforms Committee (1991), Kelkar Task Force on Direct Taxes (2002), White Paper on Black Money (2012) and Tax Administration Reform Commission (2014). They have also listed anomalies that arise.

First, the laundering of non-agricultural income as agricultural income and consequent evasion and litigation. Second, laundering is not only done by individual farmers but also by the corporate sector. (CAG reports highlight both these points.) Second, lack of credibility about the way states issue "farmer" certificates. Third, violation of horizontal and vertical equity principles.

These arguments are incontestable. But let's ask a different question. Until the 1960s, we generally (not just economists and committees) seemed to accept the idea that agricultural income should be taxed. But since the 1970s, this has transformed into a proposal that raises blood pressure. What accounts for the change?

As the Green Revolution spread, I suspect the answer is the political clout that pressure groups of large farmers came to represent. Perversely, agricultural prosperity, not penury, led to agriculture not being taxed. As in other areas of agricultural policy, policies that benefit large farmers started to masquerade as policies for farmers. This does sound like a sweeping generalisation. But I can think of no better explanation. Which states are most luxury cars sold in? This may be an imperfect surrogate indicator, but it does tell us something.

If there are villages in India that have been described as the richest villages on Earth, and we don't tax agricultural income, something doesn't sound right. To state it directly, it is wrong. https://www.newindianexpress.com/opinions/2023/jan/21/the-necessity-of-taxing-farmers-income-in-india-2539771.html

2. States' fiscal deficit is in check, but concerns remain *(thehindubusinessline.com)* January 22, 2023

The Reserve Bank of India's recently released study of State finances points to a sharp recovery in the fiscal condition of States after Covid threw their finances out of gear. This was primarily on account of an improvement in revenue collections. On the expenditure side, the quality of spending has shown a welcome shift in favour of capital expenditure. As a result, the States' fiscal deficit is expected to decline from 4.1 per cent of GDP in 2020-21 to 3.4 per cent in 2022-23.

But this optimism can be called into question on three counts: the accuracy of the States' estimates of own revenue collections, as observed by RBI; the shift by some States towards the old pension system; and the fact that 10 States are fiscal outliers. To take the positives first, rising nominal growth has lifted all heads of revenue. Between FY21 and FY23 (projections for the current fiscal), own State revenues are projected to rise nearly 50 per cent to ₹17.8-lakh crore, whereas the States' share of GST revenues is expected to rise about 38 per cent to ₹8.3-lakh crore. Even if the first set of figures cannot be taken at face value, they do point to an uptick. The expenditure of States rose 40 per cent over this period to ₹47.6-lakh crore. States' own revenues account for half their total kitty, with Central tax transfers and grants (roughly equal to the fiscal deficit) making up the rest, the latter accounting for nearly 25 per cent. At a time of rising interest rates, the net market borrowings of States is likely to fall (against ₹4.92 lakh crore in FY22, it was ₹3.02 lakh crore till December of FY23) this fiscal. However, revenue buoyancy may be tested as nominal growth falls from current 15 per cent levels.

The rise in capex in the form of social and physical infrastructure creation is notable. The RBI notes that the States' capital outlay to GDP ratio is expected to rise to 2.9 per cent in FY23 from 2.3 per cent in FY22 (the Centre's share at about 2.5 per cent). However, spending is backloaded for the latter part of the year, as a result of which planning suffers.

However, 10 States identified by an earlier RBI paper (Punjab, Rajasthan, Kerala, West Bengal, Bihar, Andhra Pradesh, Jharkhand, Madhya Pradesh, Uttar Pradesh and Haryana) have an interest payment to revenue receipts ratio of 10 per cent or above, and a revenue to capital expenditure ratio that exceeds five in most cases. Expenditure on interest payments, pensions and administrative expenses, accounts for over 35 per cent of the total revenue expenditure in States like Haryana, Uttar Pradesh, West Bengal, Kerala and Punjab, leaving limited fiscal space for undertaking developmental expenditure. According to CAG data, the State governments' expenditure on subsidies has grown at 12.9 per cent and 11.2 per cent during 2020-21 and 2021-22, respectively. Finally, the switch by some States to the old pension system is a big cause for worry as the deleterious effect on State finances will be felt by the next generation. https://www.thehindubusinessline.com/opinion/editorial/in-a-better-state/article66420400.ece

3. केन्द्र के भेजे 2.30 लाख करोड़ गए कहां *(patrika.com)* Jan 22, 2023

केन्द्र सरकार की ओर से भेजे गए 2.30 लाख करोड़ रुपए राज्य सरकार ने डाइवर्ट किए हैं। सीएजी (नियंत्रक एवं महालेखापरीक्षक) की 31 मार्च 2021 की रिपोर्ट को आधार बनाकर कलकत्ता हाइकोर्ट में इस आशय की जनहित याचिका दायर की गई है। मुख्य न्यायाधीश प्रकाश श्रीवास्तव की अदालत में याचिका पर मंगलवार को सुनवाई हो सकती है।

जनहित याचिका में 31 मार्च 2021 की कैग रिपोर्ट में विसंगति का जिक्रकरते हुए सीबीआइ जांच की मांग भी की गई है। याचिका में कहा गया है कि केंद्र सरकार ने राज्य में विभिन्न लोककल्याणकारी योजनाओं के लिए राशि भेजी थी। जिसे अन्य मदों में डाइवर्ट किया गया है।

मंगलवार को हो सकती है सुनवाई

जनहित याचिका लगाने वालों में प्रदेश भाजपा महासचिव जगन्नाथ चटर्जी भी शामिल हैं। उनके अलावा याचिकाकर्ताओं में अधिवक्ता सुमनशंकर चटर्जी और सेवानिवृत्त सेनाकर्मी ऋत्विक पाल शामिल हैं। याचिका गत गुरुवार को दर्ज की गई है। अदालत सूत्रों के मुताबिक मंगलवार को मुख्य न्यायाधीश प्रकाश श्रीवास्तव और न्यायाधीश राजर्षि भारद्वाज की खंडपीठ में मामले की सुनवाई होगी।

करोड़ों का हिसाब नहीं, भ्रष्टाचार का भी आरोप

याचिका में सीएजी की रिपोर्ट के हवाले से कहा गया है कि केंद्र की ओर से विभिन्न परियोजनाओं को भेजे गए करोड़ों रुपए का हिसाब नहीं है। वित्तीय भ्रष्टाचार के आरोप भी लगाए गए हैं। अदालत में पेश किए गए दस्तावेजों में दावा किया गया है कि पिछले कुछ वित्तीय वर्षों में विभिन्न परियोजनाओं के लिए राज्य सरकार को केंद्र सरकार से प्राप्त धन में से दो लाख 29 हजार 99 करोड़ की राशि जमा नहीं की गई है। इसमें नगर पालिकाओं और शहरी विकास विभाग के खाते में 30 हजार करोड़ रुपये से अधिक का हिसाब नहीं दिया है।

इनको पक्ष बनाने की अपील

केन्द्र की ओर से पंचायत और ग्रामीण विकास योजनाओं के लिए दिए गए 81 हजार 839 करोड़ रुपए का हिसाब भी नहीं दिया गया है। याचिकाकर्ताओं ने कैग की रिपोर्ट के आधार पर दावा किया है कि राज्य सरकार ने इस बात का हिसाब नहीं दिया है कि यह सारा पैसा किस क्षेत्र में कैसे खर्च किया गया। इस मामले में राज्य के मुख्य सचिव, पंचायत एवं ग्रामीण विकास विभाग के अतिरिक्त मुख्य सचिव, शिक्षा विभाग के प्रमुख सचिव और नगरपालिका एवं शहरी विकास विभाग और सीबीआइ को पक्ष बनाने की अपील की गई है।

नेता प्रतिपक्ष लगा चुके हैं आरोप

नेता प्रतिपक्ष शुभेन्दु अधिकारी राज्य सरकार पर पहले ही एक मद की राशि दूसरी मद में खर्च करने का आरोप लगा चुके हैं। अब इसी तरह के दावे के साथ हाइकोर्ट में मामला दायर किया गया है। https://www.patrika.com/kolkata-news/2-30-lakh-crore-sent-by-the-center-go-where-7998493/

4. उपेक्षा की शिकार धरोहरें *(jansatta.com)* Jan 23, 2023

भारतीय पुरातत्त्व सर्वेक्षण विभाग के अधिकारियों का कहना है कि 'आजादी के बाद की सरकारों की प्राथमिकताएं स्वास्थ्य और विकास थीं, इसलिए विरासत की घोर उपेक्षा की गई।

अब भी, कई बड़े और छोटे स्मारक देखभाल में कमी के कारण विलुप्त होने के कगार पर हैं।' उनका यह भी कहना है कि उनके पास संसाधनों और कर्मचारियों का पर्याप्त अभाव है।

ऐतिहासिक धरोहरें सभ्यता और संस्कृति की जीवंत दस्तावेज होती हैं, जिन्हें देख, पढ़ और जानकर हम अतीत की धड़कती जिंदगियों के अनछुए पहलुओं-समय का आकलन-अवलोकन कर सकते हैं। भारत ऐतिहासिक और सांस्कृतिक दृष्टि से अत्यंत समृद्ध राष्ट्र है। यह एकमात्र ऐसा देश है, जहां की सामाजिक-सांस्कृतिक धारा इतने प्राचीन काल से अविरल-अप्रतिहत रूप से चली आ रही है। भारत की इस अति प्राचीन-प्रवहमान सांस्कृतिक धारा की प्रत्यक्ष प्रतीति और अनुभूति हमें अपनी ऐतिहासिक धरोहरों और पुरातात्त्विक अवशेषों को देखकर होती है।

भारत के गौरवशाली अतीत के मौन, किंतु मुखर कथावाचक के रूप में ये धरोहरें सामाजिक, सांस्कृतिक, आध्यात्मिक और धार्मिक प्रेरणा की जीवंत स्रोत हैं। हमारी ये धरोहरें अनेकता में एकता को सच्चे अर्थों में प्रतिबिंबित और प्रदर्शित करती हैं। इन्हें देखकर भारत की समन्वयवादी संस्कृति और सह-अस्तित्ववादी जीवन-दृष्टि का गहरा बोध होता है। ये वैश्विक स्तर पर हमारी विशिष्ट और मौलिक सांस्कृतिक पहचान के प्रत्यक्ष और श्रेष्ठतम प्रतीक हैं।

मुख्य रूप से तीन प्रकार की धरोहरें होती हैं- सांस्कृतिक, प्राकृतिक और अमूर्त। सांस्कृतिक धरोहरों में भौतिक या कलाकृतियों जैसे मूर्त सांस्कृतिक धरोहर शामिल हैं। ये आमतौर पर चल और अचल धरोहर के दो समूहों में विभाजित होते हैं। जहां अचल धरोहर में इमारतें, ऐतिहासिक स्थान और स्मारक आदि सम्मिलित होते हैं, वहीं चल धरोहर में ग्रंथ, दस्तावेज, चल कलाकृतियां, संगीत और ऐसी अन्य वस्तुएं शामिल होती हैं, जिन्हें भविष्य के लिए संरक्षण योग्य माना जाता है। प्राकृतिक धरोहरों में वनस्पतियों और जीवों सहित ग्रामीण इलाके और प्राकृतिक पर्यावरण आदि शामिल होते हैं।

इसमें ऐसे प्राकृतिक भूदृश्य भी शामिल किए जा सकते हैं, जो महत्त्वपूर्ण सांस्कृतिक विशेषताओं को समेटे-संजोए हों। अमूर्त धरोहरों में किसी संस्कृति विशेष के गैर-भौतिक पहलू सम्मिलित होते हैं, जिन्हें इतिहास में एक विशिष्ट अवधि के दौरान सामाजिक रीति-रिवाजों द्वारा बनाए रखा गया हो। इनमें सामाजिक मूल्य और परंपराएं, रीति-रिवाज और प्रथाएं, सौंदर्यात्मक और

आध्यात्मिक आस्थाएं, कलात्मक अभिव्यक्ति, भाषा और मानव गतिविधि के अन्य पहलू शामिल हैं।

स्वाभाविक रूप से, भौतिक वस्तुओं की तुलना में अमूर्त सांस्कृतिक धरोहरों को संरक्षित करना अधिक कठिन है। निस्संदेह ये सभी धरोहरें हमें अपनी जड़ों और गौरवशाली पंरपराओं से जोड़ती हैं। इन्हें देखकर हम तत्कालीन सामाजिक, सांस्कृतिक, राजनीतिक, धार्मिक और आर्थिक स्थितियों तथा व्यवस्थाओं का सहज और यथार्थ अनुमान ही नहीं लगा सकते, बल्कि इन अवशेषों, अभिलेखों, इमारतों, स्मारकों, शिलालेखों आदि को देखकर हम सभ्यता के ज्ञात और उपलब्ध इतिहास के भी पार झांक सकते हैं।

यही कारण है कि हर सजग और प्रबुद्ध समाज तथा देश अपनी ऐतिहासिक धरोहरों की विशेष देखभाल और साज-संभाल करता है। पर दुर्भाग्य से स्वतंत्र भारत की सरकारों द्वारा ऐतिहासिक-पुरातात्त्विक महत्त्व की इन धरोहरों के संरक्षण में बरती गई घनघोर लापरवाही और सतत उपेक्षा का गंभीर और चिंतनीय मामला संज्ञान में आया है। निस्संदेह ऐसी उपेक्षा और लापरवाही के लिए व्यवस्था तथा सरकारें अधिक उत्तरदायी होती हैं, पर अपने इन ऐतिहासिक-सांस्कृतिक धरोहरों के प्रति देश के शिक्षित और नागरिक-समाज की अवहेलना और उदासीनता भी मन को गहरे में कचोटती है।

इस समय देश भर में ऐतिहासिक और पुरातात्त्विक महत्त्व के 3693 स्मारक हैं, जिन्हें केंद्र सरकार संरक्षित करती है। इनमें से पचास स्मारक अप्राप्य हैं। बीते आठ दिसंबर को केंद्रीय संस्कृति मंत्रालय की संयुक्त संसदीय स्थायी समिति की ओर से प्रस्तुत रिपोर्ट में कहा गया कि 'यह गंभीर चिंता का विषय है कि भारतीय पुरातत्त्व सर्वेक्षण के संरक्षण में राष्ट्रीय महत्त्व के कई स्मारक तेजी से गायब हो गए हैं।

ये स्मारक शहरीकरण, जलाशयों और बांधों के पानी में जलमग्न होने के कारण खो गए हैं। वहीं, कुछ स्मारकों का जगह नहीं मिलने और घने जंगलों में उन्हें खोज न पाने की वजह से भी वे गायब हो गए हैं।' इन लापता स्मारकों में ग्यारह उत्तर प्रदेश के हैं। वहीं, दिल्ली और हरियाणा के दो-दो स्मारक लापता हैं। इनके अलावा इस सूची में असम, पश्चिम बंगाल, अरुणाचल प्रदेश और उत्तराखंड के स्मारकों के भी नाम शामिल हैं।

भारतीय पुरातत्त्व सर्वेक्षण विभाग के अनुसार, इन स्मारकों में से चौदह तेजी से शहरीकरण के कारण खो गए हैं। वहीं, बारह जलाशयों या बांधों की वजह से पानी में डूब गए और बाकी चौबीस की जगह खोज पाना असंभव बताया गया है। अनुमान है कि या तो इनका अस्तित्व ही नहीं रहा या अतिक्रमण आदि के कारण इन्हें पहचान पाना संभव नहीं।

इसी रिपोर्ट के अनुसार वर्ष 1930, 1940 और 1950 के दशक में बड़ी संख्या में संरक्षित स्मारकों की पहचान की गई थी, पर स्वतंत्रता के बाद उन्हें संरक्षित करने के बजाय नए स्मारकों की खोज पर ध्यान केंद्रित किया गया। इस रिपोर्ट में भारतीय पुरातत्त्व सर्वेक्षण विभाग और संस्कृति मंत्रालय की विभिन्न संस्थाओं में खाली पड़े पदों की ओर भी संकेत किया गया है और उस पर गंभीर आपत्ति प्रकट की गई है।

भारतीय पुरातत्त्व सर्वेक्षण विभाग के अधिकारियों का कहना है कि 'आजादी के बाद की सरकारों की प्राथमिकताएं स्वास्थ्य और विकास थीं, इसलिए विरासत की घोर उपेक्षा की गई। अब भी, कई बड़े और छोटे स्मारक देखभाल में कमी के कारण विलुप्त होने के कागार पर हैं।' उनका यह भी कहना है कि उनके पास संसाधनों और कर्मचारियों का पर्याप्त अभाव है। बजट की कमी के कारण इस समय 3693 संरक्षित स्थलों में से केवल 248 स्थलों पर सुरक्षाकर्मी तैनात हैं। इन स्थलों पर 2578 सुरक्षाकर्मियों की तैनाती की गई है। सभी संरक्षित स्थलों की सुरक्षा की दृष्टि से उन्हें निश्चित ही इससे कहीं अधिक कर्मियों की आवश्यकता पड़ेगी और उपलब्ध कर्मियों और संसाधनों का कुशल तथा संतुलित प्रबंधन भी करना होगा।

उल्लेखनीय है कि 2013 में नियंत्रक एवं महालेखा परीक्षक ने भी अपनी तरह के पहले भौतिक सत्यापन अभ्यास के पश्चात बानबे स्मारकों को 'लापता' घोषित किया था। तब भी रेखांकित किया गया था कि भारतीय पुरातत्त्व सर्वेक्षण विभाग के पास संरक्षित स्मारकों और कलाकृतियों का कोई राज्यवार लिखित ब्योरा नहीं है। स्मारकों के गायब होने का मामला 2017 में लोकसभा में भी उठा था।

तत्कालीन केंद्रीय संस्कृति मंत्री ने तब ऐतिहासिक और संरक्षित स्मारकों की विलुप्ति तथा अतिक्रमण के प्रश्न पर उत्तर देते हुए कहा था कि 'अरुणाचल प्रदेश में कापर टैंपल, असम के तिनसुकिया में शेरशाह की बंदूकें, दिल्ली में बाराखंभा और पश्चिम बंगाल के नदिया जिले में बमनपुकुर किले के खंडहर गायब हो चुके हैं और उनका पता नहीं लगाया जा सकता। जिन स्मारकों का पता नहीं लगा है, उन्हें खोजने के लिए पुराने दस्तावेजों का सत्यापन, रेवेन्यू मैप, प्रकाशित रिपोर्ट, भौतिक निरीक्षण और टीमों की तैनाती की गई है।'

अच्छी बात है कि कैग द्वारा लापता घोषित बानबे स्मारकों में से बयालीस को ढूंढ़ लिया गया है। भारतीय पुरातत्त्व सर्वेक्षण विभाग ने पिछले आठ सालों में 8,478 गांवों का सर्वेक्षण किया है। इन गांवों में 2,914 पुरातात्त्विक अवशेष पाए गए हैं, जिन्हें सहेजने का काम चल रहा है। आजादी के बाद से अब तक उन्नीस राज्यों और केंद्र शासित प्रदेशों में स्थित केंद्र संरक्षित स्मारकों और स्थलों से 210 चोरी की घटनाएं हुई हैं, जिनमें 486 वस्तुएं अपने स्थान से गायब मिलीं।

उनमें से इक्यानबे वस्तुएं बरामद कर ली गई हैं और अन्य की बरामदगी के प्रयास चल रहे हैं। संस्कृति मंत्रालय और एएसआइ को यह याद रखना होगा कि ये धरोहरें देश की ऐतिहासिक-सांस्कृतिक पहचान और गौरव के जीवंत प्रतीक हैं। ये वर्तमान द्वारा भविष्य को सौंपी जाने वाली अमूल्य थाती हैं। इनका क्षरण देश की सभ्यता और संस्कृति का क्षरण है। https://www.jansatta.com/politics/neglected-heritage-sitesarchaeological-survey-india-health-development-priorities-post-independence-governments/2621919/

5. Defence research needs stiff dose of reform; should focus on DRDO issues *(economictimes.indiatimes.com)* Jan 20, 2023

The Defence Research and Development Organisation (DRDO) has been in the news recently, perhaps for the wrong reasons. One media report says that the Comptroller and Auditor General (CAG) has pulled it up for its lacklustre performance, while another was speculation on the posting of a bureaucrat as the secretary of the defence R&D department. These give us reason to feel apprehensive about the defence R&D in this country at a time when India seems to have gained some success in revving up domestic defence manufacturing. Lack of professionalism and unreliability of the DRDO and the choice of desperate remedies for its shortcomings are equally worrying.

It has been reported that CAG has assailed the DRDO on two counts. Firstly, its failure to complete mission mode projects on time resulted in heavy time and cost overruns. Two-thirds of the 175 projects examined by CAG failed to deliver as scheduled and required time extensions ranging from 16% to 500%. Such extensions were due to frequent changes in design specifications, and delays in completing user trials and placing supply orders. Extensions were often given after the expiry of the scheduled time of completion. Project management was sloppy, and delays led to the obsolescence of the product and recourse to imports to meet urgent requirements.

Such slipshod project implementation led to inordinate delays in a critical project like the Medium Altitude Long Endurance (MALE), which, after five years of extension, remained incomplete. The HELINA, helicopter launched anti-tank missiles, with December 2010 as the deadline was finally tested successfully in 2022. Much worse is the reported finding that many projects that were closed as successful were subsequently started as fresh projects.

Stories of this kind unravelled by the government's top watchdog are bound to shake public confidence in the DRDO when the MoD is holding its 'Aatmanirbharta' banner high, having boldly imposed an embargo on the import of many products which, it believed, could be domestically manufactured. The engine of self-reliance will sputter, and national security will be compromised if domestic defence manufacturing is not fully supported by homegrown technology. DRDO's monopoly in defence research is also responsible for this sorry state. The involvement of the private sector in R&D is still work in progress and its success will depend on what the DRDO is willing to relinquish in favour of the private sector. Even when the private sector is roped in, the 'productisation' of the developed technologies could be hobbled by poor project management and procedural bottlenecks.

Therefore, the next round of defence reform should focus on fixing the DRDO's problems. Defence research can be productive with private sector-like efficiency only in an environment of innovation, freedom and flexibility devoid of bureaucratic hurdles and rigid procedures.

Scientists should be freed from administrative responsibilities. The departmental system within which DRDO functions has to make way for a highly autonomous structure. One problem of the DRDO is its lack of synergy with the armed forces as pointed out by CAG. The armed forces, being the main stakeholders in defence research, need to play a leading role with full ownership. A Defence R&D Council comprising top military leaders and scientists should be the apex decision-making body with a sharp focus on the capability development plans which are spelt out in the long-term integrated perspective plans (LTIPPS) of the services. A senior serving or retired member of the armed forces should head the council.

The council should have its own simplified procedures shorn of the rigidity of the general financial rules with delegated powers to the project leaders. The research projects of the DRDO should be led by a CEO who should be accountable to the council. The DRDO, now a leviathan, should wind up a number of projects and focus attention on critical ones. The council should have many degrees of freedom one of which should be to induct world-class project leaders on contract by tapping the Indian diaspora and the products of IITs. It has to support them with an ideal ecosystem, ample research funds and compensation at market rates without being constrained by the prevailing recruitment system.It should be the responsibility of the Council to fund defence research in the private sector and other research institutions keeping the key requirements of the defence forces in view. By winding up redundant DRDO labs and projects, sizeable landed assets could be released and monetised to create a corpus fund for innovation. Agencies like the iDEX (innovation for defence excellence) could be brought under the council to nurture innovations required for the armed forces.

If the reforms are carried out, the debate on whether an MoD bureaucrat should head the defence R&D department becomes irrelevant. The only function of MoD will be to place funds at the disposal of the council and periodically evaluate the progress of projects. This can be done more appropriately by the Department of Military Affairs (DMA) which is closely associated with the capability development plans and for that reason is the main stakeholder in defence research. A new tri-service division could be created within the DMA to look after defence research under a senior officer from one of the services. This will lead to the real integration of capability development and defence R&D. https://economictimes.indiatimes.com/news/defence/defence-research-needs-stiff-dose-of-reform-should-focus-on-drdo-issues/articleshow/97183046.cms

6. Why Iran's drone programme is a 'triumph' – Harsh sanctions, western components & simple designs *(theprint.in)* Jan 23, 2023

Eleven months into the invasion, the Biden administration is scrambling to prevent Iran from supplying drones to Russia after witnessing the extent to which the Iranian Shahed-136 drones — also called "lawn mowers" or "mopeds" — wreaked havoc in war-torn Ukraine.

The war has shown how, with their precision strike capabilities, cheap drones, especially the ones like the Iran-made Shahed-136, have democratised the modern battlefield.

It is not as if drones have brought in precision strikes for the first time. Precision strike capability has always been the focus of the military. But it comes at a huge cost.

For instance, precision-guided munitions accounted for 8 per cent of total munitions used by US-led coalition forces against the Saddam Hussein regime in the first Gulf War (1991). But their share in the total cost incurred on munitions by the US-led coalition was approximately 84 per cent.

One of the mainstays of precision strike missiles with the US military is the 1,300 kg Tomahawk subsonic cruise missile that costs about USD 2 million a piece at current prices, according to the London-based security and international affairs think tank Royal United Services Institute (RUSI).

Washington-based think tank Carnegie Endowment for International Peace notes that though it is cheap, Iran's Shahed-136 drone retains important capabilities, including the ability to evade radar detection and to operate at a range of up to 1,500 miles. By comparison, Ukraine's US-supplied single-use Switchblade drones only operate in the range of 25 miles.

The success of Iran's drone programme in the face of heavy sanctions is a lesson for India's defence and security establishment, especially the Defence Research and Development Organisation (DRDO) which has been struggling with its Unmanned Aerial Vehicle (UAV) programme for decades.

India's Comptroller and Auditor General (CAG) had in 2020 slammed DRDO's UAV programme for poor planning, keeping end users in dark and flouting standard operating procedures.

Conception of Iran's drone programme

Treated as a pariah by the West, Iran claims to have drones with the ability to deliver precision-guided missiles in a whopping range of 2,000 km, besides flight endurance of over 24 hours and stealth capabilities.

The US-based bipartisan non-profit United Against Nuclear Iran (UANI) notes that while Tehran's technological prowess is often exaggerated for propagandistic purposes, the success of its drone programme represents a technological triumph for the Islamic Republic.

Washington severed military and diplomatic relations with Tehran after the Iranian revolution in 1979 led to the ouster of the US-backed Shah of Iran, and the subsequent foundation of the Islamic Republic of Iran.

The Iranian drone programme began in the 1980s and it has advanced its military UAV program, seeking to improve its fleets' intelligence, surveillance, and reconnaissance capabilities and to field UAVs able to carry out airstrikes.

Iran has unveiled numerous new drone systems just over the last decade, many of which have been used in combat, demonstrating Tehran's advancements in the UAV space, UANI notes.

Tehran's focus on drones came about as it was looking for ways to monitor and harass ships in the Persian Gulf.

In 1985, the Iranian military set up the Quds Aviation Industry Company as a wing of its Self-Sufficiency Organization. Later that year, it tested its first UAV, Mohajer-1, which demonstrated its usefulness during the Iran-Iraq war (1980-1988).

A predecessor to one of the drones Tehran is now supplying to Russia, the Mohajer-1 was crudely designed and came fitted with a single oblique camera on its nose. It is understood that this was a still camera and its film was developed only upon recovery.

This drone was used in the later stages of the war to photograph Iraqi infantry positions in preparation for offensives and to yield intelligence that would prevent Iranian troops from walking into ambushes, UANI notes.

Tehran also reportedly attempted to outfit these drones with rocket-propelled grenade (RPG) launchers under each wing, but it is unclear whether its attempts ever bore fruit.

Beginning in the 1990s, Iran developed several new variants of the Mohajer, the latest being the Mohajer-6. Every single variant boasted increased range and flight endurance, besides more precise strike capabilities.

In the mid-200os, Iran also shifted its focus on building attack drones and now has a full-fledged array of such UAVs.

Karrar, unveiled in 2010, was the first such attack drone. Iranian state media declared then that it had "different capabilities, including carrying bombs to destroy targets" and could fly for a "long-range at high speed".

Two years later, in September 2012, Iran unveiled the Shahed-129 — a significant step forward in Tehran's efforts to develop a strike-capable UAV.

It is believed that the new drone was developed by reverse engineering an American RQ-170 UAV which flew over Iran to map the hundreds of tunnels dug by the Iranians to conceal elements of their nuclear program.

Washington maintained it was a malfunction that led to the RQ-170 landing in an Iranian desert, while Tehran claimed it hacked the drone and forced it to land.

However, it is also believed that the Shahed-129 is largely based on the Israeli Hermes 450 model, rather than the American one. This means that Iranians could have also captured and reverse-engineered an Israeli drone.

Western components in Iranian drones

Despite Tehran's persistent anti-West rhetoric, western components are key to the Iranian drone programme.

According to an analysis of four Iranian drones captured in Ukraine, over 70 manufacturers based in 13 different countries and territories, including the western world and Asia, produced drone components for Tehran.

Conducted by the UK-based investigative organisation Conflict Armament Research, the analysis also shows that 82 per cent of the components were manufactured in companies based in the United States.

In December last year, the Biden administration launched an expansive task force to investigate how components made in the West, including American-made microelectronics, made their way into Iranian drones.

A report by The New York Times suggests that the White House reached out to American manufacturers after photographs began to circulate of the circuit boards of downed Iranian drones in Ukraine — visibly packed with chips manufactured by the US-based firms in question.

Almost all manufacturers had the same response: the chips are unrestricted, “dual use” items and tracking or stopping their circulation is almost impossible.

Security sources abroad point out that Iran has mastered the art of operating under sanctions. For its drones and other military programmes, Iran managed to get foreign components like engines from arms brokers or through front companies that sourced the required components.

India too ‘process driven’, not ‘goal oriented’

While the success of the Iranian drone programme does not come as a surprise for many in the Indian defence establishment and industry, sources say its success demands deeper introspection by New Delhi.

Explaining how Iran’s focus has always centred on simple designs and simple engines, one source tells ThePrint, “India does not want to keep it simple. There is a huge disconnect between the DRDO and the end user in our country, the armed forces. The end user is not able to decide what it actually wants in a real-life scenario and the DRDO ends up promising the moon and failing to deliver.”

India’s Comptroller and Auditor General (CAG) had in 2020 slammed DRDO’s UAV programme for poor planning, keeping end users in dark and flouting standard operating procedures.

Pointing out that Iranian drones come equipped with baseline counter GPS jamming systems which are able to counter jamming to a certain extent, a second source says, “There are about 10 drone programmes that the Indian armed forces are inducting and none of them has a requirement to operate in a GPS-denied atmosphere.”

On why the Iranians have been able to circumvent sanctions to further their drone programme and India’s efforts have fallen short, the first source says, “India is a process-driven country and not goal oriented. Iran had a goal and worked towards it. It is easier there because everything comes under the control of the Islamic Revolutionary Guard Corps”.

Sources in the defence establishment accept that much of India’s focus has been on the process itself, adding that the government has been trying to make the process simpler. Building on their argument, sources cite the IDEX programme which seeks to cut through the maze of processes and fast track development of niche technology and their easier absorption into the armed forces.

However, industry sources say the government’s thrust on adding more projects to the IDEX initiative actually works against the concept.

“The idea is to focus on some core projects and ramp it up through government funding and handholding. More projects mean that the pie gets divided into smaller units. The question is whether there should be quality or numbers,” says a third source in the defence establishment. https://theprint.in/defence/why-irans-drone-programme-is-a-triumph-harsh-sanctions-western-components-simple-designs/1326076/

STATES NEWS ITEMS

7. Illegalities found in assignment, leasing government land in Kerala: CAG *(timesofindia.indiatimes.com)* Jan 23, 2023

THIRUVANANTHAPURAM: A draft compliance audit report of the comptroller and auditor general (CAG) found multiple serious illegalities and ignorance in the land assignment on registry and leasing out government land in state.

The draft audit report, accessed by TOI, says that CAG found non-compliance of rules for land assignment on registry, lease and licence, non-maintenance of the list of land, waiver of rent leading to monetary loss to the public exchequer, allotment of land to ineligible persons and lapses in monitoring leased and assigned land.

Land measuring 6,410.21 hectare (15,839.97 acre) was assigned on registry to 33,808 beneficiaries and 775.78 hectare (1,916.99 acre) was given on lease to 2,920 beneficiaries from 2017 till March 31, 2022, in the state. CAG found that in some districts, where the most assignments were made, the list of all land approved for assignment or for leasing out was not being maintained. In some cases, on receiving application for land assignment, instead of assigning land from the list of assignable land, the land encroached by the applicant was included in the assignment register. CAG found that in 21,207 cases of assignments on registry and 23 assignments on lease were made from a list of land approved by the government or the district collector. "Land was transferred on registry to various agencies without collecting the market value and such lands were even being used for commercial activities. Lands were being assigned to ineligible persons," said the audit findings.

CAG found that though land was assigned for specific purposes, these are being utilized for other purposes, and in violation of rules, there were instances of alienation of assigned land. "Lease rents of land were neither being revised as per the periodicity set by extant rules nor were lease rents being collected regularly, causing loss to the exchequer. Government was not seen taking punitive measures like resumption of the land in case of default by the beneficiaries," it said.

Another crucial finding is that waiver of lease rent for land provided to clubs and other agencies caused immense monetary loss to the government. Out of 1,183 lease cases in some districts, CAG found that 51 lease cases amounting to Rs 166.71 crore were under orders of stay by various courts. The period of stay ranged up to 23 years, exposing laxity by revenue authorities in getting the stays vacated.

The irregular continuance of lease under obsolete and discarded rules caused a huge loss to the state exchequer, CAG found.

Rules stipulate that granted lease period shall not exceed three years and renewed lease period not over three years in urban areas. However, CAG found that only four of 584 lease cases in some districts were renewed every three years. Owing to non-renewal, the leased land was unauthorizedly occupied. Just 12 random cases that CAG examined found pending lease rent amounted to Rs 265.08 crore. https://timesofindia.indiatimes.com/city/thiruvananthapuram/illegalities-found-in-assignment-leasing-government-land-in-kerala-cag/articleshow/97236730.cms?from=mdr

8. Kerala failed to comply with food safety rules, says CAG report *(english.mathrubhumi.com)* 21 January 2023

Thiruvananthapuram: The Comptroller and Auditor General (CAG) has found that Kerala has failed to comply with the Food Safety Act. The observations made in the CAG's interim audit report published in July becomes relevant when the state has been reporting several cases of food poisoning. The functioning of the Food Safety Commissionerate from 2016-2021 was evaluated.

According to the report, there were flaws at various stages in implementation of the Food Safety Act, issuing licences and registration, inspection, sample collection, food analysis and monitoring. The report stated that the department failed to ensure the standards of the food that reached the public. Operations were not efficient due to a lack of staff.

Inspection officers are not prescribing a period for inspection of licenced food establishments. This is a huge lapse on their side. The department is not complying with the requirement that an annual inspection has to be conducted of the registered catering establishments.

The main problem is that the NABL accreditation, which is a quality standard, has not been given to several components at the laboratories notified by the state Food Safety and Standards Authority.

CAG recommendations
-Make licence/registration mandatory for all food manufacturing establishments. Avoid delay in application.

-Implement a system through which the Food Safety Officer will get the information of the expiry dates in advance

-Take steps to test maximum food samples and to remove inedible food from the market.

-Get NABL accreditation for laboratories under the department. https://english.mathrubhumi.com/news/kerala/food-safety-kerala-failed-to-comply-with-food-safety-rules-says-cag-1.8240679

9. Dysfunctional governance pushes Kerala economy into a crisis *(organiser.org)* Jan 20, 2023

Crippled by massive debts, low revenues, spiralling unemployment, the exodus of youth to the West, uncertainty on the remittance front and systemic corruption, Kerala's economy is heading towards a perfect storm. Even the leftists who once played up Kerala model development as their answer to the developmental problems of India have lost confidence in it.

Recently, Kerala Finance Minister K N Balagopal admitted that the State is reeling under an unprecedented financial crisis, and it is unwise to bank on remittance alone. A couple of months ago, Chief Minister Pinarayi Vijayan admitted that Kerala's infrastructure is below par and a massive effort is needed to upgrade it to the standards of neighbouring States. But the LDF Government has no concrete solutions. Instead of taking corrective steps, the State Government is trying to pass the buck by blaming the centre's policies.

Extreme political polarisations between the CPM-led LDF and Congress-led UDF are one of the primary reasons for setting wrong priorities, as projects are never considered on their merit. Political considerations drive governance, not merit. The lock, stock, and barrel must be changed to set priorities correctly. But, it can happen only at the end of a crisis

The reason for Kerala's financial squeeze is fiscal mismanagement and wrong priorities. The State's revenues are insufficient to meet the Government's extravagant expenditure. So, the Government resorts to borrowing. On the below potential tax collection, noted economist Dr Mary George points out,"while Kerala ranks first in India as the consumer State, it ranks seventh in indirect tax collection. This shows the magnitude and rank inefficiency of tax collection." She adds that the result is huge outstanding loans of the State have become unsustainable.

Unsustainable Debt

According to the Comptroller and Auditor General (CAG), the overall debt of Kerala (including off-budget borrowings) was Rs 3,24,855 crores in 2020-21 with a Debt-GSDP ratio of 39.87. That is unsustainable by all norms. The preliminary accounts for the year 2021-22, prepared by the CAG, say Kerala's total Revenue deficit is Rs 26, 582 crores.

As the State Government gropes in the dark to find ways to increase Revenue, it resorts to unsustainable borrowing violating the limits set by Kerala Financial Regulation Act (KFR). To circumvent the mandatory limits on lending, the State Government is accused of using the facade of institutions like the KIIFB. However, the CAG caught this red-handed, found under-reporting debt and asked the Government to include specific out-of-budget borrowings in the budget. That infuriated the left.

The finance minister rues that the centre reducing borrowing limits and discontinuing GST compensation have landed the Kerala economy in dire straits. However, his weak and vacuous arguments have few takers. The State's failure to collect taxes, a lethargic bureaucracy, failed agricultural and manufacturing sectors, ever-increasing expenditure on salary and pension, and fiscal profligacy are widely seen as the real reasons for the economic squeeze.

Tax arrears

When the State finance minister presented the budget for 2022-23 in the State Assembly in March 2022, the opposition pointed out that the actual increase in revenue collection after GST implementation was 10 per cent against a targeted 30 per cent. During the discussions on the budget in the State Assembly, it was pointed out that there is a fall to the tune of Rs 30,000 crore in tax collection compared to the budget estimates in the previous year.

The latest media reports say that the State Government has not issued data on tax collection arrears since 2019. According to the media, the tax overdue could be as high as Rs 40,000 crore. Despite the looming crisis, there needs to speak about collecting the dues.

Stay orders on tax collection, the superficial attitude of the bureaucracy and widespread corruption are some reasons for the shortcomings in tax collection. While corruption is ubiquitous in Kerala, it is not tangible, which is why many transparency surveys fail to find it.

There is an ecosystem for corruption around Government offices here involving autorickshaw drivers, neighbourhood shops, and agents who accept bribes for the bureaucrats and take a share. Such ingenious systems have institutionalised graft and made it invisible.

Agriculture sector

Kerala's agriculture sector is in shambles. The violent anti-mechanisation and anti-crop diversification agitations by CPI(M)'s worker's union, the Kerala State Karzhaka Thozhilali Union (KSKTU), frightened farmers away from fields. Food grain cultivation was the first to suffer. Cash crop farmers who once made a fortune by cultivating rubber and spices are now struggling and selling off their property.

There is a severe shortage of agricultural labourers, and farmers depend on migrant workers. Despite the claims of technological advances in the State, the productivity of crops here is less than the national average. The plight of the agriculture sector is evident in the Government's statistics.

According to the Directorate of Economics and Statistics data, the 11th and 12th five-year plan periods witnessed negative growth in agriculture and allied sectors. The share of agriculture and allied sectors in the total GSDP declined from 14.38 in 2011-12 to 10.38 in 2015-16. It is widely quoted that agriculture and allied sectors contribute just 9.38 per cent of GSDP.

Industrial sector

The Government claims that the share of the manufacturing sector to GSDP improved to 12.5 in 2019-20 from 9.8 in 2014-15. However, it is far less than the national average of 16.92. When the Central Government plans to raise the contribution of manufacturing to 25 per cent of the GDP, Kerala has yet to make plans to take advantage of it.

While Kerala imported goods worth Rs 1.5 lakh crore from other States in the financial year 2022, its export was worth just Rs fifty-five thousand crore. If the revenues from Kochi Oil Refinery and other Central PSUs are deducted from Kerala's export revenue, the situation would be pathetic.

While India received around $ 142 billion in foreign investments from 2019 to 2022 March, Kerala's share was just $ 0,6 billion. Despite the claim that the State has a vast repository of educated youth, the State doesn't have industrial hubs like the automobile industrial hub in Tamil Nadu or the software industry in Bangalore. Kerala doesn't attract new investors.

When Foxconn recently scouted for a location to manufacture Apple phones, they initially settled on Tamil Nadu after considering Kerala. Meanwhile, the unemployment rate among youth aged 15-29 was a whopping 35.4 per cent, per economic review 20-21.

Poor infrastructure

While road and rail development are imperatives for economic development, Kerala lacks both. Dedicating 51 renovated roads in the State on March 31, 2022, Pinarayi Vijayan said,"If we fail to change, we will end up a laggard." Kerala is already one. The delay in implementing projects is unbelievable and causes staggering cost escalation. It took over 30 years to complete

12- kilometre-long Kollam and seven-kilometre Alappuzha by-pass roads inaugurated in 2019. Such are many examples.

While remittances shored up the economy till recently, it has started dwindling. The present migration to Europe, the US and Australia are unlikely to sustain remittance as the migrants eventually get citizenship and spend money there, unlike in the Gulf nations, which rarely grant citizenship, forcing the migrants to invest at home.

Extreme political polarisations between the CPM-led LDF and Congress-led UDF are one of the primary reasons for setting wrong priorities, as projects are never considered on their merit. Political considerations drive governance, not merit. The lock, stock, and barrel must be changed to set priorities correctly. But, it can happen only at the end of a crisis. https://organiser.org/2023/01/20/105084/bharat/dysfunctional-governance-pushes-kerala-economy-into-a-crisis/

10. MC caused Rs 29.56-lakh loss in stamp duty: CAG *(tribuneindia.com)* Jan 23, 2023

Chandigarh: Acceptance of lease agreement from a previous parking contractor by the city Municipal Corporation on a non-judicial stamp paper without ensuring its registry as a lease deed resulted in a revenue loss of Rs 29.66 lakh on account of stamp duty and registration fee, an audit report of the Comptroller and Auditor General (CAG) of India has said.

Rs 10K registration fee also not paid

-In June 2017, MC gave licence to operate 25 parking lots & Sec 17 multi-level parking to Arya Toll Infra Ltd for Rs 14.78 cr per annum

-MC and firm executed pact, but it was accepted on non-judicial stamp paper of Rs 100, without ensuring its registry as lease deed

-As a result, government was deprived of stamp duty of Rs 29.56 lakh and registration fee of Rs 10,000, CAG observed

-Civic body in Jan 2022 stated there was no fault on its part as it was the sole responsibility of the agency

-The matter was referred to the Ministry of Home Affairs in Jan 2021 and a reply was awaited as of March 2022

In June 2017, the civic body had granted a licence to operate and manage 25 paid parking lots and the Sector 17 multi-level parking to successful bidder Arya Toll Infra Limited, Mumbai, initially for a period of three years, extendable for further two years, for Rs 14.78 crore per annum.

Accordingly, an agreement was executed in June 2017 between the corporation and the firm. The audit noted the civic body accepted the instrument as agreement on non-judicial stamp paper of Rs 100, without ensuring the instrument was registered as a lease deed with the Sub-Registrar concerned.

Due to non-registration of lease deed by the licencee and acceptance of the same by the corporation, the government was deprived of stamp duty and registration fee of Rs 29.56 lakh and Rs 10,000, respectively.

After the matter was pointed out in February and June 2020, the corporation in January 2022 stated there was no fault on its part as it was the sole responsibility of the agency.

"The reply is not acceptable, as the lease agreement is a compulsorily registerable document under the Indian Registration Act and the corporation should have ensured the registration of lease deed/licence deed before accepting the same," said the CAG report.

It further stated in a subsequent agreement on July 2021 concluded with another firm, stamp duty at the prescribed rate was paid by the agency while preparing the agreement with the corporation. The matter was referred to the Ministry of Home Affairs in January 2021 and a reply was awaited as of March 2022.

Meanwhile, Isha Kamboj, Joint Commissioner and the parking branch officer, couldn't be reached for comment. https://www.tribuneindia.com/news/chandigarh/mc-caused-29-56-lakh-loss-in-stamp-duty-cag-472860

11. Officials of CTU to face action for tax blunder *(tribuneindia.com)* Jan 22, 2023

Officials of the Chandigarh Transport Undertaking (CTU) will face the music for their failure to charge service tax from the passengers of air-conditioned (AC) buses from the prescribed dates.

In its latest report tabled in Parliament in December, the Comptroller and Auditor General (CAG) has recommended action against CTU officials who had failed to implement the relevant tax from the prescribed dates and consequent non-collection of the service tax/GST from the passengers of AC buses that resulted in an avoidable payment of Rs 5.89 crore from the government exchequer and burden on taxes on the public without any corresponding service being availed of by them.

Finance Act amendment

After an amendment was made to Section 66D of the Finance Act, 1994, service tax was levied at the rate of 6 per cent on transportation of passengers by AC buses, with effect from June 1, 2016. Further, GST was levied on transportation of passengers by AC buses with effect from July 1, 2017, at the rate of 5 per cent.

Accordingly, the CTU was liable to charge service tax at 6 per cent from passengers of AC buses with effect from June 1, 2016, till June 30, 2017, and GST on such services from July 1, 2017, at the rate of 5 per cent and to pay the service tax/GST so collected from the passengers to the government account.

While conducting the audit in June 2020, CAG noted that the CTU had failed to implement the enactments and did not take any action to collect the service tax/GST from the passengers of AC buses with effect from the prescribed dates.

After an inquiry made by the Director General of Goods & Services Tax Intelligence in July 2018, the CTU belatedly deposited (January-March 2020) service tax/GST amounting to Rs

5.89 crore (Rs 1.42 crore service tax for the period October 1, 2016, to June 30, 2017, and GST worth Rs 4.47 crore, for the period July 1, 2017, to January 15, 2020) using funds from the government exchequer, as the CTU had not collected this tax amount from the passengers.

However, the service tax for the period from June 1, 2016, to September 30, 2016, was not deposited on the grounds of lapse of limitation period. The limitation period means period of five years prescribed for recovery of tax under Section 73 of the Finance Act, 1994. Further, the lapse of limitation period means expiry of period of five years for recovery of tax.

Thus, due to its failure to collect service tax/GST from passengers, the CTU had to deposit the same using its funds from the Consolidated Fund of India that resulted in an avoidable outgo of Rs 5.89 crore from the government exchequer, stated the report.

On being pointed out, the department stated that the CTU had commenced charging GST from the passengers with effect from January 16, 2020, after approval of enhanced rates of tickets.

The department further stated that Rs 5.53 crore paid as service tax was being recovered from the passengers with effect from January 16, 2020, by way of increase in the bus fare, daily and monthly passes and concessional tickets.

The CAG pointed out that the department had failed to implement the statutory requirement of collection of service tax and GST from the users of services and instead, paid it from the government exchequer.

"Failure of the CTU to take timely action to implement the relevant tax enactments from the applicable dates caused an avoidable payment of Rs 5.89 crore from the government exchequer and the burden of taxes on the public without any corresponding service being availed of by them," stated CAG and recommended that an inquiry may be instituted to identify officials responsible for violation and for appropriate action.

Unnecessary burden on passengers: CAG
The CAG points out the department had wrongly increased the fares of all buses, including non-AC buses, to recover the amount of tax paid earlier from the consolidated fund of India. As a result, the department had imposed a tax burden even on those who had not travelled by AC buses and had also collected tax for previous years from passengers other than those who had actually availed of the service. https://www.tribuneindia.com/news/chandigarh/officials-of-ctu-to-face-action-for-tax-blunder-472561

12. Why the J&K Admin's 'Anti-Encroachment Drive' Is Being Met With Opposition *(thewire.in)* 22 Jan 2023

A listing from a survey, which was shared on social media by J&K's former education minister Naeem Akhtar among others, shows that the 'Governor's House' (Raj Bhawan), which is located adjacent to the Mughal-era health resort of Cheshma Shahi, sits on more than four kanals of encroached 'Gair Mumkin' or agricultural land, involving five land parcels (khasras) in Srinagar district.

A pre-independence-era building rooted in J&K's Dogra rule, Raj Bhawan is located in the lap of Srinagar's Zabarwan Hills, offering a panoramic view of the iconic Dal Lake in the front.

According to a note on its official website, the president and prime minister of India "usually stay in the Raj Bhawan on their visits to Kashmir".

The alleged encroachment is listed on Serial No 5854 of the land survey purportedly carried out in Srinagar in 2001 by J&K's Revenue Department. The survey, which was not published earlier, shows that the office of the United Nations Military Observers Group in Sonawar locality of Srinagar is also built on more than 10 kanal 'encroached' land.

Other prominent buildings in Srinagar which, the survey shows, are built on 'encroached' land include the Gupkar residence of Farooq Abdullah, Kashmir International Convention Centre flanking Dal Lake which hosts all the top official functions and meetings, Srinagar Golf Club, and the Army's Tattoo Ground which sits on 1628 kanal 'encroached' land in Central Shalteng area of Srinagar's Batamaloo locality.

Commissioner secretary of J&K's Revenue Department Vijay Kumar Bidhuri and divisional commissioner Kashmir P.K. Pole told The Wire that they were not aware of the survey and sought a soft copy before making a comment. However, both the senior officers didn't answer repeated calls and text messages after the survey report was shared with them.

The survey came into focus earlier this week when the UT administration on January 15 ordered a sweeping drive for the removal of encroachments from state land "to the extent of 100% by 31st January 2023". A similar land survey of Baramulla district also circulated on social media messaging platforms. The Wire couldn't immediately confirm the authenticity of the surveys.

A senior official in J&K administration said that the major target of the anti-encroachment drive is 3.48 lakh kanals of state land, whose ownership was taken over by private individuals against a premium under the now scrapped J&K State Land (Vesting of Ownership to the Occupants) Act, or Roshni Act.

In a statement, the Srinagar administration claimed that the list "appears forged" and it doesn't exist "in official records". However, the list is still available on the official website of the Divisional Commissioner Kashmir.

The Srinagar administration said that the "government institutions established on government land serve the public purpose and cannot be classified as an instance of encroachment."

"The government land is exclusively meant for use of government which includes construction of government offices for the people. So, the list is based on misreporting and misinterpretation of rules in vogue," the administration said in the statement.

However, a senior official in the administration said that the government departments have to take permission from the Revenue department before using the state land, "If the Public Works department wants to build a road on state land, it has to first obtain written permission of the Revenue department," the official, who didn't want to be named, said.

The Roshni 'scam'

In 2020, the J&K high court termed the Roshni Act "illegal, unconstitutional and unsustainable", upholding the 2018 decision of the J&K administration led by Governor Satya

Pal Malik to scrap the law which was introduced by the National Conference government led by Farooq Abdullah in 2000.

Under the Roshni Act, 20.46 lakh kanals of state land were identified for transfer of ownership to private individuals against a premium which was expected to raise Rs 25,000 crore. The J&K government had said that the money would be used for building hydropower projects.

However, only about six lakh kanal with 5.7 lakh kanal in Jammu alone were approved for transfer and the actual land transfer was only 3.48 lakh canals. From Rs 25,000 crore, the earning came down to only Rs 76.46 crore, prompting allegations of financial and political irregularities.

In 2014, a Comptroller and Auditor General report alleged that the premium of Roshni land was arbitrarily reduced by the J&K administration to favour politicians and influential people. According to reports, more than 30 politicians from various political parties, former J&K ministers and lawmakers, top hoteliers and other businessmen are among the beneficiaries of the Roshni Act.

The CAG also revealed that the land had been transferred to people who didn't meet the eligibility criteria, pointing to the official involvement in the scam. The then head of the administration in Kashmir and IAS officer, Baseer Khan, was named as one of the top accused in Gulmarg land scam involving Roshni Act. Although Khan was indicted by J&K's Anti-Corruption Bureau for his involvement in the scam, he continued to serve as an advisor to the Lieutenant Governor Manoj Sinha.

Speaking with reporters in Srinagar earlier this week, Sinha said that the high court has repeatedly passed directions to evict illegal encroachers from the state land. "Let me clarify that influential people who have misused their position, violated rules and grabbed land will be evicted. The common man and poor man will not be touched. We will ensure their rights are secured," Sinha said in Srinagar earlier this week.

However, pointing to the deeper rot and larger complexities involved in the land retrieval drive, the survey shows that the government itself is one of the major culprits of land encroachment in Jammu and Kashmir. Even the Revenue Department, which was behind the exercise to find out the status of land in J&K, seems to have occupied hundreds of kanals of state land in different parts of the union territory along with the Tourism, Forest, Public Works and other departments.

It was not immediately known if the departments have applied under Roshni Act for taking over the ownership of the land which is shown to be 'encroached' by them in different parts of Jammu and Kashmir, and whether the status of land shown in the 2001 survey as 'encroached' by different departments has changed over the last more than two decades since the survey was carried out.

Political weapon against opposition

Although a number of petitions against the scrapping of the Roshni Act are pending in J&K high court, the eviction order, issued by commissioner secretary Bidhuri to all the deputy commissioners on January 15, has prompted concerns that the axe might fall on the poor and the political opposition. "If there is any encroachment, we are duty bound to implement the order," Bidhuri told The Wire, adding that only "influential" and "corrupt" people will be targeted.

While LG Sinha has repeatedly given assurances that only a certain section of "influential" people were going to be targeted, the official eviction order makes no such distinction, asking all the alleged land grabbers to remove the encroachments on their own or foot the bill if the official machinery gets involved in the eviction.

The eviction drive has also triggered concerns that it could be used by the Union government, which is directly administering the UT, as a weapon to settle political scores against the opposition parties in Kashmir Valley. Regional political parties including the National Conference, Peoples Democratic Party and Peoples Conference have demanded that the administration should stop the drive.

Protests broke out in Larnoo area of south Kashmir earlier this week against the drive while the All Jammu and Kashmir Panchayat Conference, a grouping of panchayat members, has threatened to launch protests across the union territory if the drive is not stopped.

Former chief minister Omar Abdullah said that the eviction drive is a betrayal of the people of Jammu and Kashmir and it is aimed to "divert people's attention" from the deteriorating security situation. "Killings of innocents in Rajouri and subsequently providing arms to VDCs are ample proof of the bad situation in J&K. To avoid questions, the government has started the eviction drive," Omar said.

People Democratic Party president Mehbooba Mufti tweeted: "Laws are created for the welfare of public, but in J&K they are weaponised to disempower, humiliate & punish. This latest diktat was issued because despite GOI misusing all the agencies at its disposal & unleashing draconian laws, aren't getting the desired results."

Peoples Conference chairperson Sajjad Lone urged the administration to roll back its order. "Who stops you from going after the rich powerful elite? The elites till now are getting away with mere threats. The humbler structures of the poor are abodes born out of necessities. These structures house families, aspirations, dreams, ambitions, emotions, memories," Lone tweeted. https://thewire.in/government/why-the-jk-admins-anti-encroachment-drive-is-being-met-with-opposition

13. Protest in Kishtwar against land eviction campaign *(tribuneindia.com)* Jan 22, 2023

Members of the Democratic Azad Party (DAP) held a protest in Kishtwar district on Saturday, demanding immediate rollback of the administration's recent order for eviction of state land from encroachers.

The protesters marched towards the deputy commissioner's office in Kishtwar and handed over the memorandum to the official in presence of party's general secretary RS Chib, vice chairman GM Saroori, provincial president Jugal Kishore Sharma among others.

Meanwhile, People's Conference president Sajad Gani Lone said a policy should be framed to define criteria for identifying the poor and vest them with ownership rights.

The January 9 circular of the administration directs the deputy commissioners (DCs) to “ensure that all encroachments on state land, including Roshni and Kahcharai (grazing) land, are removed to the extent of 100% by January 31”.

The Roshni Act, officially known as Jammu and Kashmir State Land (Vesting of Ownership to Occupants) Act, 2001, was enacted during the regime of the then CM Farooq Abdullah. The law granted ownership of the encroached land to encroachers to raise funds for different power projects of the government. In 2014, the CAG report pointed out that many political persons from different parties had been benefited under the Act. https://www.tribuneindia.com/news/j-k/protest-in-kishtwar-against-land-eviction-campaign-472655

14. Roshni Act: SC ने सरकार से कहा- रोशनी एक्ट के तहत आने वाले लोगों पर न करें कोई कार्रवाई, घर से न निकालें *(amarujala.com)* Jan 20, 2023

सुप्रीम कोर्ट ने केंद्र सरकार से कहा है कि वह रोशनी अधिनियम के तहत आने वाले लोगों के खिलाफ कोई कार्रवाई न करें। सरकार का प्रतिनिधित्व करने वाले अधिवक्ता मुजफ्फर इकबाल खान ने बताया कि शीर्ष कोर्ट ने कहा है कि उन्हें अपने घरों से न निकालें।

अधिवक्ता ने बताया कि अगली सुनवाई 31 जनवरी को है और सुप्रीम कोर्ट ने केंद्र से स्पष्टीकरण मांगा है। कोर्ट ने कहा है कि जब तक वे इसके साथ नहीं आते, उन्हें कोई कार्रवाई नहीं करने के लिए कहा गया है।

11 अक्तूबर को जम्मू और कश्मीर हाईकोर्ट ने कहा था कि रोशनी अधिनियम असंवैधानिक है और इसके तहत किए गए सभी कार्य इसमें शामिल हैं। हाईकोर्ट ने माना था कि जम्मू और कश्मीर राज्य भूमि (कब्जाधारकों के लिए स्वामित्व का अधिकार) अधिनियम, 2001 पूरी तरह से असंवैधानिक है और इसके तहत किए गए सभी कार्य या संशोधन असंवैधानिक और शून्य हैं।

क्या है रोशनी अधिनियम

उल्लेखनीय है कि जम्मू-कश्मीर राज्य भूमि अधिनियम, 2001 को तत्कालीन फारूक अब्दुल्ला सरकार ने जल विद्युत परियोजनाओं के लिए फंड एकत्रित करने के उद्देश्य से बनाया था। इस कानून को 'रोशनी' नाम दिया गया था। इसके अनुसार, भूमि का मालिकाना हक उसके अनधिकृत कब्जेदारों को इस शर्त पर दिया जाना था कि वे बाजार भाव पर सरकार को भूमि की कीमत का भुगतान करेंगे। इसके लिए कटऑफ मूल्य 1990 की गाइडलाइन के अनुसार तय किए गए थे। शुरुआत में सरकारी जमीन पर कब्जा करने वाले किसानों को कृषि के लिए मालिकाना हक दिया गया।

हालांकि, इस अधिनियम में दो बार संशोधन किए गए, जो मुफ्ती मोहम्मद सईद और गुलाम नबी आजाद की सरकार के कार्यकाल में हुए। उस दौरान कटऑफ मूल्य पहले 2004 और बाद में 2007 के हिसाब से कर दिए गए। 2014 में सीएजी की रिपोर्ट आई, जिसमें खुलासा हुआ कि 2007 से 2013 के बीच जमीन ट्रांसफर करने के मामले में गड़बड़ी हुई। सीएजी रिपोर्ट में दावा किया गया कि सरकार ने 25 हजार करोड़ के बजाय सिर्फ 76 करोड़ रुपये ही जमा कराए। जम्मू-कश्मीर हाई कोर्ट के आदेश पर इस मामले की जांच अब सीबीआई को सौंप दी थी। https://www.amarujala.com/india-news/sc-to-govt-of-india-not-take-any-action-against-people-who-come-under-roshni-act-2023-01-20?pageId=1

15. BMC denies ACB nod to probe officials 377 times *(timesofindia.indiatimes.com)* Jan 23, 2023

MUMBAI: Last year, the BMC had rejected permission to the state Anti-Corruption Bureau (ACB) to conduct an investigation against Assistant Municipal Commissioner Manish Radhakrishna Walunj for approving a contract in his area to a company connected to his father Radhakrishna Walunj during the Covid-19 pandemic.

Data under Right to Information (RTI), however, has revealed that the BMC hasn't given approval to any of the 395 such requests from the ACB since 2018, when it became mandatory for the ACB to take prior permission from the BMC or any government department before carrying out investigation against its officials.

Of the 395 requests, permission for investigation has been rejected in 377 cases, while a decision on the remaining 18 cases is pending.

The BMC's enquiries department gave the information in a reply to RTI activist Jeetendra Ghadge of Young Whistleblowers Foundation. Officials said that under Section 17A of the Prevention of Corruption Act 1988, which came into force in 2018, it is mandatory for the ACB to seek permission of the competent authority before carrying out any investigation against a public servant.

In most of the BMC's cases, the competent authority is the municipal commissioner. The BMC said that in the 18 pending requests for investigation, an administrative process was underway by the concerned departments. According to information given to Ghadge under RTI, there are currently 142 ACB cases in which 200 BMC officials are involved, apart from the 395 cases where permission for investigation was rejected.

"When any request is received, an internal preliminary probe is conducted and based on that if there is no substance then permission is rejected. In some cases, a departmental probe is carried out if needed," a senior civic official said.

"The municipal commissioner recently shielded BMC from Comptroller and Auditor General (CAG) audit by sighting the Epidemic Disease Act 1897, & Disaster Management Act 2005, and now section 17A of Prevention of Corruption Act is also being used to protect BMC officials from facing any corruption enquiry. This behaviour is shocking considering he is head of a public authority which is supposed to be transparent and open to scrutiny in the public interest," said Ghadge.

"When it comes to giving sanctions of prosecution or for registration of FIR by ACB, the BMC has refused to give information stating that such information is not maintained separately by the BMC.This proves the BMC leaves no stone unturned when it comes to protecting its corrupt officials from facing enquiry or prosecution," Ghadge said.

In Walunj's case, too, permission was sought under Section 17A, but it was rejected by municipal commissioner Iqbal Chahal. The BMC only sought an explanation from Walunj and closed the issue without any Departmental Enquiry (DE). https://timesofindia.indiatimes.com/city/mumbai/brihanmumbai-municipal-corporation-denies-acb-nod-to-probe-officials-377-times/articleshow/97236593.cms

16. HP to take loan of 1,500cr through sale of securities *(timesofindia.indiatimes.com)* Jan 22, 2023

Shimla: The Himachal government is going to take a loan of Rs 1,500 crore through the sale of Himachal Pradesh Government Stock (securities) for which notification has already been issued. While Rs 800 crore loan would be taken for a period of 15 years, Rs 700 crore loan would be for a period of 13 years. Chief minister Sukhvinder Singh Sukhu led government has inherited a debt burden of around Rs 75,000 crore and with fresh loans, the debt burden on the state would increase further.

The state government has notified the sale of Government Stock (securities) of 13-year tenure for an aggregate amount of Rs 700 Crore (nominal) and government stock (securities) of 15-year tenure for an aggregate amount of Rs 800 Crore (nominal).

In this financial year, the state government has taken Rs 8,000 crore loan so far and about Rs 4,000 crore loan can be taken in the last quarter. Out of this, Rs 1,500 crore is being taken in the month of January itself. Although the loan limit for the last quarter has not been decided by the Government of India, the Himachal Pradesh government passed a bill to increase the loan limit in the winter session. Through this, the limit has been increased from four percent to six per cent. Due to this, about Rs 5,000 crore more loans can be taken in this financial year. The state government has to pay the old pension to its employees from this month itself. If the notification is done on time, then this payment will also have to be made. A decision has been taken in this regard in the cabinet and information has also been sent to the Government of India. On the other hand, the arrears of pay-commission and dearness allowance are also outstanding, which amounts of about Rs 10000 crores. It also has to be paid by the state government, as it is a committed liability.

The report of Comptroller and Auditor General of India (CAG) on Finance Accounts for the year 2021-22 tabled in the state assembly during the winter session stated that projected committed liability of state, as projected in the Medium Term Fiscal Plan/FRBM, for the year 2022-23 would be Rs 28,44,849 lakh, of which Rs 13,29,703 lakh would be towards salary; Rs 7,79,020 lakh towards pension; 5,10,464 towards interest payment; 99,978 lakh towards social security and 1,25,684 towards subsidy. https://timesofindia.indiatimes.com/city/shimla/hp-to-take-loan-of-1500cr-through-sale-of-securities/articleshow/97217836.cms

17. Harish Rao writes to Sitaraman over CSS funds to Telangana *(siasat.com)* 23 January 2023

Telangana's finance minister T Harish Rao on Sunday in a letter to the Union finance minister Nirmala Sitharaman requesting the release Rs 495.20 crore, part of the Central Sponsorship Schemes (CSS) funds, which were 'wrongly' credited to Andhra Pradesh.

The minister said that in 2014-15, the first year of the formation of the state, the Centre's share, with respect to CSS, divided between the two states as per the population ratio, was released to Andhra Pradesh by oversight.

In his letter, he said that grants worth Rs 4495.20 crore due to Telangana were wrongly credited to AP.

"Telangana Government with its number of attempts requested the Centre, the AP government, and the Accountant General to provide the state its rightful chunk of CSS matching grants. Our attempts have not been successful so far. I shall be grateful for your personal intervention in this matter," he added. https://www.siasat.com/harish-rao-writes-to-sitaraman-over-css-funds-to-telangana-2508729/

SELECTED NEWS ITEMS/ARTICLES FOR READING

18. Fix the fisc *(financialexpress.com)* January 23, 2023

The government should resist the temptation of being populist or expansionary in the last full-fledged Union Budget before the Parliamentary elections in May next year. With public debt to gross domestic product (GDP) uncomfortably high at 85%, there is some urgency to consolidate the fisc. It is important in these challenging times to ensure debt is at sustainable levels especially as close to 50% of the Centre's next tax revenues are being used to service the interest bill. As such, even though the economy needs a boost because growth is expected to taper off sharply to sub-6% next year, the government needs to be disciplined. Unfortunately, as inflation eases, nominal GDP too will grow at just about 10% next year from 15%-plus in the current year, and that would mean only modest increase in tax collections. Against this backdrop, the fiscal deficit should not exceed 6% of GDP and preferably be pegged at 5.8-5.9%. The size of the Budget is likely to be contained within Rs 44 trillion. While this would amount to an increase of just about 5% over the estimated levels in FY23, it must be remembered that the targeted expenditure was a more modest Rs 39.5 trillion. Seen from that perspective, the increase would be a healthy 11%.

Constraint is also important because while interest rates should soften in the later part of FY24 as inflation tapers off, on average they could remain at about 7.3-7.4%. If the government borrows too much, it might spook the bond markets and crowd out private sector investment. A net borrowing of Rs 11-11.2 trillion should be acceptable to the bond markets. Anything more might drive up yields especially if demand for credit remains high and banks prefer to extend loans rather than subscribe to government bonds. The government's spending mix has improved over the years. The ratio of revenue expenditure to capex is expected to improve to 4.5 from 5.3 in FY22 and 7 in FY20.

In the current year, expenditure on food and fertiliser subsidies has jumped way beyond targets in the current year, thanks to high global prices of fertilisers following the Russia-Ukraine hostilities. While the fertiliser subsidy bill could more than double to Rs 2.2 trillion, the continuation of the PMGKAY till December would cost the exchequer an additional Rs 80,000 crore taking the food subsidy bill to around Rs 3 trillion. Things could be better next year should international prices of natural gas and fertiliser stay benign lowering the tab for fertiliser subsidies to Rs 2 trillion.

Moreover, now that the free food scheme has been restructured, the food subsidy bill too should be smaller at about Rs 2 trillion. The Centre is also saving on interest by releasing funds to the states, for the centrally-sponsored schemes, only when the previous tranche has been utilised. Overall, revenue expenditure would probably increase very slightly over FY2023 levels. The focus on infrastructure creation would, no doubt, continue, with the capex budget going up to a little over Rs 8 trillion, driven by spends on roads and railways. Given how the recovery in rural India has been very weak, there should be no let-up in the thrust on rural development and bigger allocations for MGNREGA and PM Awas Yojana. In a tough year, the Centre must also continue to support states which do the bulk of the spending on capex. https://www.financialexpress.com/opinion/fix-the-fisc/2956793/

19. Why currency is still in demand *(thehindubusinessline.com)* January 22, 2023

Rural India is still largely cash-driven, and the huge shadow economy survives on currency

The Central Government recently announced an incentive scheme for promotion of RuPay debit cards and low-value BHIM-UPI transactions (person-to-merchant) for the current FY 2022-23, with an outlay of ₹2,600 crore. The scheme will also promote UPI Lite and UPI 123PAY, introduced a few months back.

The decision to provide financial incentive to acquiring banks was prompted by some concerns expressed by the RBI and the NPCI, the operator of UPI suite of products, IMPS, NACH, ABPS, AePS and the RuPay payment system. Continuing its upward march, UPI clocked 782.9 crore transactions with a value of ₹12.82-lakh crore in the month of December 2022 compared with 62 crore transactions valued ₹1.03-lakh crore, four years back, in the same month of 2018.

Digital payments are gaining a lot of ground. Cash has not fallen behind, either.

Cash, cash everywhere

Currency in circulation, which was ₹18.04-lakh crore at end-March 2018, jumped to ₹31.34-lakh crore at end-March 2022 and further to ₹32.42-lakh crore as on December 23, 2022. The trend in currency-to-GDP ratio reveals that there has been an overall increase in the last decade from 12 per cent in 2012-13 to 13.7 per cent in 2021-22.

What is baffling about the huge demand for cash is that it persists and grows despite proliferation of alternative payment mechanisms. Physical currency not only continues to be relevant, but the demand is also growing as the cash-GDP ratio shows. Probably realising the staying power of currency, the Bank Note Paper Mill India Pvt. Ltd, a joint venture of the Government and the RBI, is planning to set up a bank note paper plant at Balasore in Odisha, closer to the RBI's note printing press at Salboni in West Bengal.

India's shadow economy — production of and trade in goods and services that are deliberately concealed from public authorities — requires cash to survive and prosper. The share of cash in the total volume of expenditure is on a steady decline in the formal economy but it is still used in a big way for small transactions, especially in rural and semi-urban areas.

According to 'The 2020 McKinsey Global Payments Report', about 89 per cent of all transactions by volume in India were estimated to be cash-based. A study by San Francisco-based Narvar says that a massive 65 per cent of all deliveries received by e-retail platforms in India are cash on delivery (COD), going up to 80 per cent in tier 1 and 2 cities despite the ongoing push for digital payments. Cash continues to be a preferred payment method for most shoppers, and e-commerce businesses risk losing volume if they were to discourage COD.

A field research by 1Bridge, India's leading village commerce network, published in April 2022 reveals that a mere 3-7 per cent of rural India actively uses any UPI platform to make payments.

"When we look at the current UPI, there are about 250 million registered with us now…. and CIC will reduce only when a third of the population starts using digital payment alternatives", says Dilip Asbe, MD and CEO of NPCI. Findings from the Global Findex 2021 published by the World Bank reveal that we still have an unbanked adult population of 22 per cent and only 35 per cent of adults used their accounts to make or receive a digital payment in 2021. Further, India shows a significant gender gap in payment use, as women are 13 per cent less likely than men to make or receive digital payments.

Unaccounted money

The use of unaccounted money — mainly cash — in our electoral system has been well-documented. Record seizures amounting to ₹6.6 crore in cash were made in one single assembly constituency in Telangana a few months back. In the recently conducted elections in Himachal Pradesh (HP) and Gujarat, the EC had stated that there had been a five-fold increase in seizures in HP compared to that in the 2017 polls. The Supreme Court was recently told by the EC that it was "seriously concerned about increasing use of money power in elections."

Real estate deals are difficult to cut without cash. A survey recently conducted by LocalCircles, a community social media platform, revealed that property transactions were the top area of cash usage. As many as 8 per cent of the respondents surveyed had paid over 50 per cent in cash. Nearly 15 per cent had paid 30-50 per cent of the transaction amount in cash; 13 per cent had paid 10-30 per cent cash and remaining 8 per cent had paid up to 10 per cent of the value in cash, bringing the total to 44 per cent who had paid cash in property deals.

Undertaking cash transactions to avoid payment of GST is all very familiar. The Central Board of Indirect Taxes & Custom has booked over 8,200 cases involving revenue over ₹62,000 crore since the inception of GST till date.

The culture of cash has deep roots in India and tax avoidance became a habit among its wealthiest and well-off chiefly because of the steeply progressive tax rates in the earlier decades. Habits like hiding income from the government to avoid paying taxes change slowly. Worse still, it may not change given the direct tax rates and the compliance burden imposed by GST.

Paper currency has many virtues: preserving privacy, dealing with power and network outages and other emergencies, security from cybercrime, providing a medium of exchange for unbanked low-income individuals and achieving real-time clearing of transactions. There is still no fully satisfactory substitute for cash.

"Phasing out currency may open a door to unrestricted negative rates that central bank may someday be tempted to walk through", writes Kenneth Rogoff, a Harvard Professor and former Chief Economist of the IMF, in ' The Curse of Cash'. Currency note is a product of history, nay it is history. It is too early to write its epitaph. https://www.thehindubusinessline.com/opinion/why-currency-is-still-in-demand/article66421105.ece

20. Centre to spend Rs 1 lakh crore to set up agri labs in each district of the country *(newindianexpress.com)* 22 Jan 2023

Union Minister of State for Agriculture and Farmers' Welfare Shobha Karandlaje said the Union government will spend Rs 1 lakh crore to set up laboratories in all the districts of the country and improve agriculture infrastructure.

She said the laboratories will help in examining the quality of seeds and food products as people from across the state depend on labs in Mysuru and Bengaluru. Inaugurating a seminar on importance of millet at Sri Shivarathri Shivayogi Jatra festival here on Saturday, Shobha said the government will use agriculture mission funds to set up labs as the Central government has set aside Rs 1.32 lakh crore in the budget besides separate funds to improve basic infrastructure like building cold storages, markets and warehouses across the country.

Referring to farmers dumping tomatoes and other produce on the roads and fields whenever there is a crash in price, she said cold storages will help them stock and preserve the crop until prices stabilise. She informed that the Central government is willing to offer 50 per cent subsidy to set up such units.

The Union Minister said progressive farmers and women self-help groups under Rashtriya Krishi Vikas Yojana will fund them to buy machinery for value addition. She reminded the gathering that the world is celebrating the International Year of Millets when India has assumed the G-20 presidency and is organising more than 200 events.

She said one meeting of G-20 will also be held in Mysuru and India should create an international market for millets. The country is growing 345 million tonne of fruits, vegetables and grains and it should focus on marketing the surplus produce in the rest of the world.

Stating that 20 per cent of millet is exported, she felt that there is a demand for quality food products. "Farmer-producer groups should join hands to provide quality products which will have a greater scope in the international market," she added.

FUND WILL BE GENERATED TO BUY MACHINERY

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21. The Fundamental Problem with Defence? The Continuing Paucity of Funds *(thewire.in)* 23 Jan 2023

One enduring expectation the armed forces perennially harbour ahead of the Union Budget each year is a substantial hike in their annual outlay. Unfortunately for them, no finance minister in over a decade has ever met their expectations – but that has not prevented them from making financially unviable demands on the exchequer.

The situation is unlikely to be any different this year, when finance minister Nirmala Sitharaman presents the Union Budget for the financial year (FY) 2023-24. Going by the past trend, the allocation for defence expenditure could increase by 10-12% over the current financial year's budget estimates (BE), but there is little doubt that it will be far below the armed forces' expectations.

Ironically, the services are ever aware of this grim paradox. In keeping with the projections conveyed by them sometime in 2019-20 to the 15th Finance Committee (FC) for the period 2021-26, they would be expecting an allocation of Rs 4,31,920 crore for FY 2023-24, or an increase of about 12% over the current year's BE.

This expectation may well materialise, but the allocation will be as much as Rs 3,02,119 crore less than the estimated requirement reported by them to the FC. The estimated requirement put forth by the armed forces will require the finance minister to nearly double the defence outlay, which is not only unprecedented but also unviable.

For sure, the data for the current and previous financial years indicate that the financial requirement conveyed to the FC was subsequently pared down by the services, but even then, the eventual budgetary allocation fell short of this much-reduced demand.

Defence analysts have expended a lot of sweat and energy over the past two decades in arguing that the services' enduring financial deprivation was a direct fallout of the civilian bureaucracy's inability to grasp the strategic imperative of building up India's military and force capabilities. And though this narrative gained credence in the defence discourse and social media circles, ironically it was not the root cause of the financial problem.

The stark reality is that budgeting remains a zero-sum game. The budget outlay for defence and other sectors is circumscribed by the total revenue the government generates via taxes and other miscellaneous means like disinvestment in the public sector, and non-tax revenue which consists of interest receipts on loans given by the Centre, dividends and profits, external grants, and receipts from general, economic, and social services, among others.

Since the expenditure always trumps this income, governments routinely borrow money to manage budgets. But the difficulty every finance minister faces is that all these sources of revenue – taxes, non-tax receipts, miscellaneous income, and borrowing – have inherent limitations.

Increasing taxes or widening the tax net is, without doubt, an unpopular gambit. No federal government can risk the political and social cost of taking such a step, unless unavoidable. With nine state assembly elections due later this year, followed by parliamentary polls in early 2024, the possibility of any substantial increase in taxes can safely be ruled out in FY 2023-24.

As the experience of India's two neighbours – Pakistan and Sri Lanka – demonstrates, unfettered borrowing, measured in terms of debt-to-GDP ratio, can be ruinous, as it entails a high risk of default in loan repayment and discharging other sovereign financial obligations.

According to a World Bank study, such a ratio that exceeds 77% over an extended period can have an adverse impact on economic growth. India's debt-to-GDP ratio has been hovering over 83% since 2020. It currently stands at 83.4% and is estimated by financial analysts to remain at these levels till at least 2027.

The non-tax revenue and recovery of loans do not amount to much in the overall context, accounting for just Rs 2,69,651 crore and Rs 14,291 respectively in the current year's budget which envisages expenditure of Rs 39,44,909 crore.

The miscellaneous income, referred to as 'other receipts' in the budget documents, mainly comprises income from disinvestment in the public sector. This income is uncertain and quite insignificant. The total revenue generated from this source in the FY 2020-21 was Rs 37,897 crore. The following year, the estimated income of Rs 1,75,000 crore from this source was downgraded to Rs 78,000 crore while in the current FY, the target was reduced further to merely Rs 65,000 crore.

A futile argument

In the face of such economic constraints, it is futile to argue that defence expenditure must receive priority, irrespective of the revenues generated, and to the exclusion of other critical sectors like health, education, agriculture, infrastructure development, internal security, environment, and poverty alleviation, amongst others.

The present trend of making election promises, in total disregard to their financial implications, is the new elephant in the room. Five states – Chhattisgarh, Himachal Pradesh, Jharkhand, Punjab, and Rajasthan – have restored to the 'Old Pension Scheme' or OPS, under which a defined, but gradually increasing, pension is paid to the employees after retirement.

The OPS was discontinued by the Congress-led United Progressive Alliance in 2004 on fiscal considerations. It was replaced by the National Pension Scheme for later entrants to the government service, linking pension payouts to prevailing market conditions. Political expediency has now forced a volte-face.

Senior economists have warned against implementing such 'beggaring' policies as they only added hugely to the burden of obligatory expenditure of the states, and ultimately that of the federal government. The demand for OPS's restoration in the election-bound states and for the Union government employees will inevitably gather momentum in the run-up to this year's assembly, and next year's general, elections.

The National Joint Council of Action (NJCA), comprising 50 Central and state government employees' unions, including two major railway workers' associations, has already warned the government of a series of protests to press its demand for restoration of the OPS. It is anybody's guess whether the demand will, indeed, prevail, but the finance minister cannot wish it away.

Economic realities are generally ignored in India's strategic discourse and rarely, if at all, factored into defence planning. Consequently, the armed forces continue to make financially unviable plans. The 10th, 11th and 12th defence five-year plans, spanning 15 years from 2002-

03 to 2016-17, and the one prepared in 2017 with an estimated outlay of Rs 26,83,294 simply ran aground due to the financial unviability of each of them.

In 2018, a high-level Defence Planning Committee was set up by the government, headed by National Security Advisor Ajit Doval, but nearly five years after it was constituted, the National Security Strategy and the concomitant Defence Plan which the committee was expected to formulate are nowhere in sight.

Meanwhile, egged on by a section of influential opinion makers, the government has taken several curious steps like proscribing the import of 410 defence items in a phased manner, allocation of a high percentage of the capital budget for materiel procurement from indigenous sources and locally manufacturing military equipment via a transfer of technology from overseas original equipment manufacturers under the rubric of 'Make in India'.

Some other policy initiatives, such as earmarking 25% of the research and development budget for the private sector, establishing a 'non-lapsable' pool of funds to modernise the armed forces, remain a work in progress. None of these vacuous steps can address the fundamental problem which is the continuing paucity of funds.

Be that as it may, bowing to the ubiquitous political considerations, the finance minister may refer to the 'successes' of some of the earlier 'initiatives' mentioned above or announce new ones in her budget speech to showcase the government's commitment to atmanirbharta, or self-reliance in defence, which has become the mantra for reinvigorating India's defence without any substantial hike in the defence outlay. https://thewire.in/security/defence-budget-2023-fund-shortage