NEWS ITEMS ON CAG/ AUDIT REPORTS

1. Bankruptcy: Lavasa Revival Needs Fresh Thinking and End to Delays Caused by Public Sector Banks *(moneylife.in)* Jan 4, 2024

Even as increasingly affluent Indians desperately hunt for holiday destinations, Lavasa City, India's first planned, private hill station lies in a shambles. Nestling in the majestic Western Ghats and styled on the lines of the Italian town of Portofino, the township is spread across 12,500 acres. It was set up by Lavasa Corporation (Lavasa), a subsidiary of Ajit Gulabchand's Hindustan Construction Company (HCC) around the year 2000 with a 68.7% stake.

Lavasa proposed centralised infrastructure and maintenance and spawned a bunch of subsidiaries to construct roads, run sanitation and hospitality services, construct dams over the Warasgaon River and build thousands of homes of different kinds.

When it was dragged to the bankruptcy court in 2018, the project was mired in controversy for its land acquisition methods, allegedly breaches of environment norms and attracted strictures by the comptroller & auditor general (CAG). Construction was halted in 2010 by an environment ministry order. At that point, two out of five planned towns were completed and occupied, along with hotels, resorts, a city centre, educational institutions, and retirement homes. The project also aimed to include a golf course and international sports facilities. Despite the group's political influence and connections to the Sharad Pawar family, Lavasa's issues and debts escalated to unmanageable levels before the project reached its halfway point.

Large bankruptcies in India usually involve public sector banks (PSBs) as the biggest creditors. In this case they were owed over Rs8,000 crore. However, bankruptcy proceedings were initiated in 2018 by private creditor Raj Infrastructure Development India. Following admission to the resolution process, Lavasa's centrally-managed systems started crumbling due to insufficient funds. The bankruptcy process itself has been mired in litigation and delayed for five years.

Legal challenges from banks and creditors initially focused on consolidating the resolution of Lavasa's subsidiaries such as Dasve Retail Limited and Warasgaon Power Supply Limited. Although this was resolved Lavasa struggled to attract serious bids, possibly due to concerns over the political involvement of the Sharad Pawar family.

In 2021, the committee of creditors (CoC) approved a Rs1,814 crore bid by Darwin group, after early interest from Haldiram consortium and Aniruddha Deshpande faded. The bidder, Darwin Platform Infrastructure Limited, promoted by Ajay Harinath Singh, specialises in construction and hospitality. The proposal aimed to inject working capital funds, complete the township, redeem non-convertible debentures (NCDs) issued by Lavasa, and provide an exit for around 1,100 home-buyers with investments stuck for over 12 years.

On 27 July 2023, the National Company Law Tribunal (NCLT) approved Darwin's bid (Read: https://ibbi.gov.in/uploads/order/ 2cc7f8da97d4c89b594ecad993bba4a1.pdf). The order says that this was done only after multiple rounds of discussions by the

resolution professional (RP), bid revisions, feasibility and viability checks and addressing queries/clarifications raised by the CoC.

And yet, legal challenges against the resolution persist. Home-buyers, with an average investment of Rs40 lakh-Rs50 lakh each (made between 2008 and 2014) are dissatisfied with a resolution mandating a 60% haircut on their investment, or self-completion of construction. They have reportedly approached the national company law appellate tribunal (NCLAT) accusing Darwin of fudging financial statements.

Union Bank of India (Union Bank), a key creditor, unexpectedly opposed the resolution plan, calling for a recall of the NCLT approval. It argued that the plan was based on a 2018 valuation of the Corporate Debtor's assets, which failed to consider improved real estate market dynamics from 2018 to 2023. NCLT dismissed Union Bank's request for an interlocutory order, stating concerns should have been raised before the plan's approval in July 2023. (Read https://nclt.gov.in/gen_pdf.php?filepath=/Efile_Document/ncltdoc/casedoc/ 2709138145172023/04/Order-Challenge/04_order-Challange_ 004_16996078371892644988654df51d30505.pdf).

As in most resolution proposals, the winning bidder makes only a small down payment. Darwin was to infuse Rs92.50 crore for working capital, repairs and refurbishment that is crucial for maintenance of the crumbling township. It also committed to provide funds for the redemption of NCDs, which remain secured by 50 acres of land in the township. The bulk of Rs1,371 crore was be invested over a nine-year period.

If this weren't enough, State Bank of India (SBI), which was also a part of the committee of creditors, has now woken up to challenge the resolution before the NCLAT over the treatment of statutory dues in the NCLT approval order. The matter will be heard on 10 January 2024.

Due to he continued legal wrangling, Darwin has not invested funds in line with the NCLT order, citing time lost to litigation. In the circumstances, he actions of SBI and Union Bank seem rather suspect since they are clearly sabotaging the survival of Lavasa City.

An private city is vastly different from factories or businesses that simply shut down and stop production when they go bankrupt. "This is a city, a living organism with thousands of people residing there including many ex-servicemen who sold their homes elsewhere to settle here. There are 2,000 students studying at a University and they have nowhere to go", says an anguished resident, who has watched the Lavasa deteriorate over the years

As things stand, Lavasa's infrastructure is in a state of severe disrepair. Street lights have been switched off; water supply and garbage collection is irregular; and the staff has to resort to strikes in order to get paid.

A source reveals that a monitoring committee comprising a Union Bank representative, the Darwin group, and a resolution professional (RP), was established under NCLT orders. The RP's role was to implement decisions made by the other members, ensuring funds were available for basic services and workers' salaries. However, banks displayed

little interest in organising meetings or ensuring that the committee functioned effectively.

The monitoring committee was recently reconstituted on government prodding. Yet, the finance ministry has remained silent on PSBs delaying resolution with late legal challenges. This column has consistently highlighted that bankers have not faced consequences for reckless lending leading to large corporate defaults, perhaps because outstanding loans increase gradually. But far greater accountability and responsibility are expected when challenging resolution plans immediately after approval.

Banks have written off Rs10.5 lakh crore as bad loans in the past five years alone. The exchequer regularly infuses public money into PSBs to paper over the hole in capital due to these write offs. Shouldn't the finance ministry also ensure that PSBs act in a responsible manner, especially, when their actions also affect unsecured creditors, home-owners and debenture-holders.

If indeed there are serious concerns about the Darwin group, it may necessitate a new approach to save a 'smart city' in a country that badly needs new business, tourist, and leisure destinations. The Infrastructure Leasing & Financial Services (IL&FS) a giant conglomerate, with Rs one lakh crore debts and over 348 group entities had defaulted around the same time as the smaller Lavasa Corporation entered bankruptcy. Since IL&FS's resolution process has led to substantial recoveries in the past five years, why not consider out-of-the-box solutions for a semi-ready smart city like Lavasa as well?

Perhaps it is time to cancel the resolution plan, take over the Lavasa project, and appoint a committee to suggest and implement a commercially viable revival strategy. Lavasa's proximity to Mulshi dam and Pune city, known for rapid expansion in education and technology businesses, offers potential as a knowledge city and thriving tourist destination. Someone with the background and drive of Amitabh Kant (Sherpa to the G20) could pull this off with ease. As the 'game changer' bankruptcy law is proving to be a stumbling block to resolution, proactive government action could transform a failed project into a success and establish a positive new template for resolution. https://www.moneylife.in/article/bankruptcy-lavasa-revival-needs-fresh-thinking-and-end-to-delays-caused-by-public-sector-banks/73034.html

STATES NEWS ITEMS

2. Gujarat: Thieves Stole Rs 28 Cr Government Goods In Five Years! *(theblunttimes.in)* Jan 3, 2024

The investigation paints a worrying picture. While materials worth Rs. 50 lakh were confirmed stolen, another Rs. 1.91 crore worth of property went up in flames. The fate of the remaining goods, amounting to a significant chunk, remains shrouded in mystery.

Ahmedabad: Not just your everyday valuables, even the Gujarat government has fallen prey to large-scale theft and property loss over the past five years, according to a recent report by the Comptroller and Auditor General of India (CAG). The staggering figures

reveal 178 FIRs filed under various theft and burglary sections, involving a staggering Rs. 28.20 crore worth of government materials.

The investigation paints a worrying picture. While materials worth Rs. 50 lakh were confirmed stolen, another Rs. 1.91 crore worth of property went up in flames. The fate of the remaining goods, amounting to a significant chunk, remains shrouded in mystery.

Adding to the concern, government officials admitted to the CAG that the majority of these missing properties were reported in the past five years alone, accumulating to a hefty sum of Rs. 12.75 crore. A total of 31 cases have been registered for these vanished assets.

The report further highlights the departments most affected by this pilferage. The Forest Department takes the dubious lead with 42 missing property cases, followed by the Narmada and Kalpsar departments with 28 cases each. The Revenue Department also finds itself on the list with 25 cases of lost property.

These startling revelations raise serious questions about the security and accountability measures in place for safeguarding government assets.

The CAG report recommends a thorough internal audit and stringent action against those responsible for these losses. It also emphasizes the need for robust inventory management systems and improved physical security measures to prevent such incidents from happening in the future. https://theblunttimes.in/gujarat-thieves-stole-rs-28-cr-government-goods-in-five-years/39075/

3. MIDC takes back 223.23 Ha unused land in one year *(thehitavada.com)* 04 Jan 2024

In last one year, Maharashtra Industrial Development Corporation (MIDC) has taken back 223.23 hectare (22,32,265 sq mt) unused land across State. In the year 2015, during the tenure of Chief Minister Devendra Fadnavis, the State Cabinet had decided to take back the land acquired by entrepreneurs failing to use it for the purpose within 10 years. Last year, from July 1, 2022 to December 19, 2023, MIDC has taken back 451 unused plots all over Maharashtra. However, according to the sources, there are more plots than 451. Does it mean that MIDC is a bit soft? An official in the office of Uday Samant, Maharashtra Minister of Industry said, “We are not soft, but there are certain rules which we have to follow. After following those, we could take 451 plots, the area of which comes to 223.23 hectare or 22,32,265.63 square meters land.” Earlier, Government had thought of taking the land back from entrepreneurs and give back to the farmers from whom it was acquired. But the whole process was not done in a scrupulous manner. If one takes a look at the statistics, one would realise, Nagpur Regional Office has taken highest number of plots and more land back after Pune Regional Office.

Nagpur Regional Office comprising Wardha, Chandrapur, Gondia, Bhandara, Gadchiroli and Nagpur has taken back 123 plots of the area 5,93,241.63 square meters. Amravati regional office has taken 31 plots of the area 2,83,288 sq meter back. In Pune, the MIDC has taken back 165 plots having the area of 7,60,961.43 sq meters. If total

area that was taken back by MIDC is taken into account then more area of industry land in Vidarbha was taken back by the authority than the land it has taken back in Pune. Mahendra Patel, Regional Officer, MIDC, Nagpur told 'The Hitavada', "It is not more or less land or about swift action. MIDC has acted with planning everywhere. We identified the people sitting on the land without doing anything and took action whatever Cabinet had proposed." The Comptroller and Auditor General of India (CAG) in its recent report that was tabled in State Assembly during winter session of State Legislature at Nagpur, has criticised MIDC, for its procrastinating approach in taking action against the owners having unutilised lands. It has also lambasted MIDC for the delays in implementation of land rates, unnecessary concessions given to the owners etc.

In the past the provision of giving the land back to the farmers was not there. But the rule has not been implemented. In many cases, people purchased the non-agriculture land but instead of starting production they changed their purpose from industrial to residential. Ideally, the purchases should start an industry within 15 years of the purchase. CAG has also observed that MIDC had not devised any methodology or weightage formula for the revision of land rates. Secondly, the MIDC is poor in maintaining record of lands taken back. During Fadnavis Government, MIDC had floated the scheme wherein it had offered several discounts to the owners if they come up with concrete proposals for their lands. CAG observed that the response to the scheme was poor. Surprisingly, MIDC failed to take any action against the owners in terms of acquisition of unutilised part of plot. https://www.thehitavada.com/Encyc/2024/1/4/MIDC-takes-back-223-23-Ha-unused-land-in-one-year.html

SELECTED NEWS ITEMS/ARTICLES FOR READING

4. Amid India's Silent Fiscal Crisis and Fragile Federalism, 16th Finance Commission Has an Uphill Task *(thewire.in)* 04 Jan 2024

At a time when the federal faith in Centre-state relations is at its weakest link and remains deeply politicised, it would be interesting to see how Aravind Panagariya and his team go ahead with the difficult work cut out for them.

Arvind Panagariya has been recently appointed as the head of the 16th Finance Commission, a constitutional body appointed by the President of India, to give suggestions on Centre-state financial relations.

At a time when the federal faith in Centre-state relations is at its weakest link and remains deeply politicised, it would be interesting to see how Panagariya and his team at the Finance Commission go ahead with the difficult work cut out for them.

The 15th Finance Commission under chariman N.K. Singh was required to submit two reports at the time. The first report, consisting of recommendations for the financial year 2020-21, was tabled in parliament in February 2020. The final report with recommendations for the 2021-26 period was tabled in parliament on February 1, 2021.

Some key recommendations from these reports may be worth reiterating:

Devolution and share of states

The share of states in the central taxes for the 2021-26 period was recommended to be 41%, the same as that for 2020- 21. This is less than the 42% share recommended by the 14th Finance Commission for the 2015-20 period.

Table 1 below shows the criteria used by the Commission to determine each state's share in central taxes, and the weight assigned to each criterion.

Table 1: Criteria for devolution

Criteria	14th FC 2015-20	15th FC 2020-21	15th FC 2021-26
Income Distance	50.0	45.0	45.0
Area	15.0	15.0	15.0
Population (1971)	17.5	-	-
Population (2011)#	10.0	15.0	15.0
Demographic Performance	-	12.5	12.5
Forest Cover	7.5	-	-
Forest and Ecology	-	10.0	10.0
Tax and fiscal efforts*	-	2.5	2.5
Total	**100**	**100**	**100**

Note: #14th FC used the term "demographic change" which was defined as Population in 2011. *The report for 2020-21 used the term "tax effort", the definition of the criterion is same.
Sources: Reports of the 14th and 15th Finance Commissions; PRS.

The criteria for the distribution of central taxes among states for the 2021-26 period is the same as that for 2020-21. However, the reference period for computing criteria like income distance and tax efforts are different (2015-18 for 2020-21 and 2016-19 for 2021-26), hence, the individual share of states may still change.

Table 2: Individual share of states in the taxes devolved by the centre (out of 100)

State	14th FC 2015-20	15th FC 2020-21	15th FC 2021-26
Andhra Pradesh	4.305	4.111	4.047
Arunachal Pradesh	1.370	1.760	1.757
Assam	3.311	3.131	3.128
Bihar	9.665	10.061	10.058
Chhattisgarh	3.080	3.418	3.407
Goa	0.378	0.386	0.386
Gujarat	3.084	3.398	3.478
Haryana	1.084	1.082	1.093
Himachal Pradesh	0.713	0.799	0.830
Jammu & Kashmir	1.854	-	-
Jharkhand	3.139	3.313	3.307
Karnataka	4.713	3.646	3.647
Kerala	2.500	1.943	1.925
Madhya Pradesh	7.548	7.886	7.850
Maharashtra	5.521	6.135	6.317
Manipur	0.617	0.718	0.716
Meghalaya	0.642	0.765	0.767
Mizoram	0.460	0.506	0.500
Nagaland	0.498	0.573	0.569
Odisha	4.642	4.629	4.528
Punjab	1.577	1.788	1.807
Rajasthan	5.495	5.979	6.026
Sikkim	0.367	0.388	0.388
Tamil Nadu	4.023	4.189	4.079
Telangana	2.437	2.133	2.102
Tripura	0.642	0.709	0.708
Uttar Pradesh	17.959	17.931	17.939
Uttarakhand	1.052	1.104	1.118
West Bengal	7.324	7.519	7.523

The use of 'income distance' reflects how a given state with a lower per capita income will have a larger share assigned in the devolution of funds to maintain equity with other states. On 'demographic performance', this criterion has been used to reward efforts made by states in controlling their population. States with a lower fertility ratio will be scored higher on this criterion. On 'Tax and fiscal efforts', this criterion has been used to reward states with higher tax collection efficiency. It is measured as the ratio of the average per capita own tax revenue and the average per capita state GDP during the three years between 2016-17 and 2018-19.

In principle, these are all good incentive markers in assigning devolution of funds for states while promoting developmental possibilities for internal state action and collective measures and enable their performance on different social indicators.

For example, on health alone, the Finance Commission reports suggested states increase spending on health to more than 8% of their budget by 2022. Primary healthcare expenditure should be two-thirds of the total health expenditure by 2022. Centrally sponsored schemes (CSS) in health should be flexible enough to allow states to adapt and innovate. The focus of CSS in health should be shifted from inputs to outcome.

Table 4: State-wise details of grants-in-aid for 2021-26 (in Rs crore)

States	Revenue deficit grants	Grants to local bodies			Disaster management	Certain sector-specific grants						State-specific grants
		Health grants	Rural local bodies	Urban local bodies		Health	PMGSY Roads	Statistics	Judiciary	Higher Education	Agriculture	
Andhra Pradesh	30,497	2,601	10,231	5,231	6,183	877	344	19	295	250	4,209	2,300
Arunachal Pradesh	0	259	900	459	1,382	133	1,508	49	20	48	107	400
Assam	14,184	1,484	6,253	3,197	4,268	2,161	3,103	57	610	171	748	1,375
Bihar	0	6,017	19,561	9,999	7,824	3,223	1,694	77	960	483	1,720	2,267
Chhattisgarh	0	1,799	5,669	2,900	2,387	588	911	54	200	146	917	1,660
Goa	0	167	293	149	63	56	0	5	15	50	63	700
Gujarat	0	3,341	12,455	6,367	7,316	1,070	330	51	310	298	2,818	2,860
Haryana	132	1,617	4,929	2,520	2,715	695	128	40	300	146	1,696	2,003
Himachal Pradesh	37,199	521	1,673	855	2,258	377	2,222	21	50	70	247	1,420
Jharkhand	0	2,370	6,585	3,367	3,138	1,014	966	48	275	179	677	1,300
Karnataka	1,631	2,929	12,539	6,409	4,369	1,233	398	45	295	299	2,290	6,000
Kerala	37,814	2,968	6,344	3,242	1,738	607	113	20	405	181	1,086	1,100
Madhya Pradesh	0	4,902	15,527	7,938	10,059	2,340	2,109	102	690	349	4,587	1,765
Maharashtra	0	7,067	22,713	11,611	17,803	2,710	613	63	1,240	520	3,285	2,750
Manipur	9,796	234	690	353	234	191	1,193	28	30	54	101	900
Meghalaya	3,137	311	711	363	363	187	544	23	30	54	86	800
Mizoram	6,544	166	362	185	259	115	546	14	15	48	86	700
Nagaland	21,249	303	486	249	228	153	372	23	10	51	124	525
Odisha	0	2,454	8,800	4,498	8,865	962	1,949	45	425	218	1,271	1,775
Punjab	25,968	2,131	5,410	2,764	2,736	902	230	43	145	156	1,966	1,545
Rajasthan	14,740	4,423	15,053	7,696	8,186	1,186	1,618	57	460	332	3,301	2,322
Sikkim	1,267	111	165	84	279	100	484	7	5	45	41	500
Tamil Nadu	2,204	4,280	14,059	7,187	5,637	1,002	506	47	250	347	2,632	2,200
Telangana	0	2,228	7,201	3,682	2,483	624	255	46	245	189	1,665	2,362
Tripura	19,890	453	746	381	378	265	502	17	85	55	228	875
Uttar Pradesh	0	9,716	38,012	19,432	10,685	6,150	1,465	114	1,825	893	5,334	3,495
Uttarakhand	28,147	797	2,239	1,145	5,178	728	2,322	25	70	83	277	1,600
West Bengal	40,115	4,402	17,199	8,792	5,587	2,106	1,114	35	1,165	428	3,438	2,100
Total	**2,94,514**	**70,051**	**2,36,805**	**1,21,055**	**1,22,601**	**31,755**	**27,539**	**1,175**	**10,425**	**6,143**	**45,000**	**49,599**

Note: Break-up of following grants is not available in the above table: (i) Sector-specific grants for school Education (Rs 4,800 crore) and aspirational districts and blocks (Rs 3,150 crore), and (ii) grants to local bodies for incubation of new cities (Rs 8,000 crore), and National Data Centre (Rs 450 crore).
Sources: Report of the 15th Finance Commission for 2021-26; PRS.

On creating a fiscal consolidation roadmap for states to follow

The earlier Finance Commissions had suggested that the Centre bring down the fiscal deficit to 4% of GDP by 2025-26. For states, it recommended the fiscal deficit limit (as % of GSDP) of: (i) 4% in 2021-22, (ii) 3.5% in 2022-23, and (iii) 3% during 2023-26.

"If a state is unable to fully utilise the sanctioned borrowing limit as specified above during the first four years (2021- 25), it can avail the unutilised borrowing amount (calculated in rupees) in subsequent years (within the 2021-26 period). Extra annual borrowing worth 0.5% of GSDP will be allowed to states during the first four years (2021-25) upon undertaking power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue."

The Commission also observed that the recommended path for fiscal deficit for the Centre and states will result in a reduction of total liabilities of: (i) the Centre from 62.9% of GDP in 2020-21 to 56.6% in 2025-26, and (ii) the states on aggregate from 33.1% of GDP in 2020-21 to 32.5% by 2025-26. It recommended forming a high-powered inter-governmental group to: (i) review the Fiscal Responsibility and Budget Management Act (FRBM), (ii) recommend a new FRBM framework for centre as well as states, and oversee its implementation.

The 'real' context

But there are recommendations made by a constitutionally safeguarded Commission then there are realities that have a different social, political, and economic context layered to it.

The political economy of actual fiscal devolution observed over the last few years has been that of extensive 'politicisation' by the Modi Government. Economic or social criteria are hardly shaping the way the Union transfers funds to states.

As argued recently, this has been observed in the way the Modi government has squeezed some states' fiscal freedom to borrow. In the backdrop of the grave financial crisis that state governments are facing currently, Kerala finance minister K.N. Balagopal said his state's net borrowing limits have been reduced by Rs 4,000 crore.

The Union government's coercive attitude remains consistent in its treatment – and interpretation of clauses – with most non-BJP ruled states too. Recently, the Telangana and Tamil Nadu governments too made similar observations about the need to preserve constitutionally safeguarded state autonomy in being able to manage its fiscal priorities (including for borrowings made).

This results in a trust deficit between the Centre and states and makes the task of any Finance Commission recommendations to be followed extremely difficult. Irrespective of what the FC says, the Union government can hardly be trusted at this point to see the recommendations being realised when it becomes to processing (and following) actual transfers.

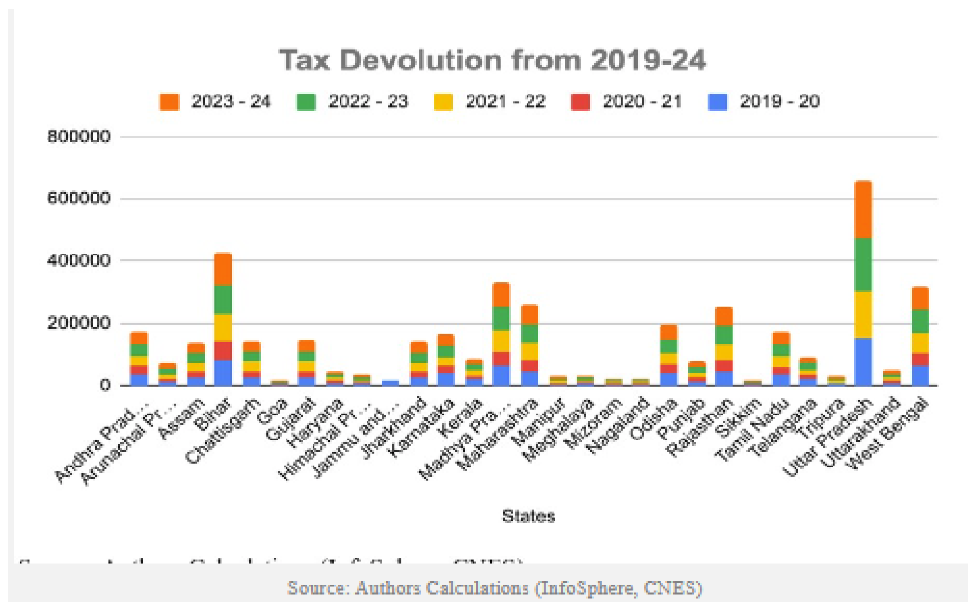
The numbers below also reflect the contemporary realities of Centre-state finances.

On the actual devolution of funds in Centre-state financial relations

Our research team at InfoSphere, Centre for New Economics Studies (CNES), O.P. Jindal Global University, recently completed a study observing the Centre-state fiscal relationship more closely. A detailed version of our findings was earlier discussed here.

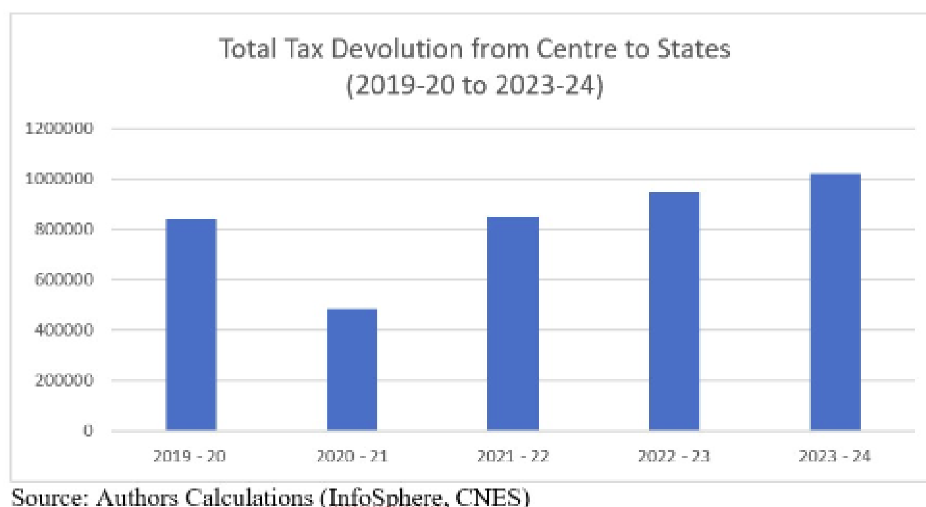
The factsheet shared by the ministry of finance triggered a further investigation by our team studying the available data (from 2019 onwards) on tax devolution – the share from Centre to state governments, drawn from government sources.

Some observations follow:



Source: Authors Calculations (InfoSphere, CNES)

The figure above presents the overall net tax devolution proceeds (in Rs. crores) from the year 2019 onwards transferred by the Union government to all state governments. These exclude Union territories (UTs) from our list.

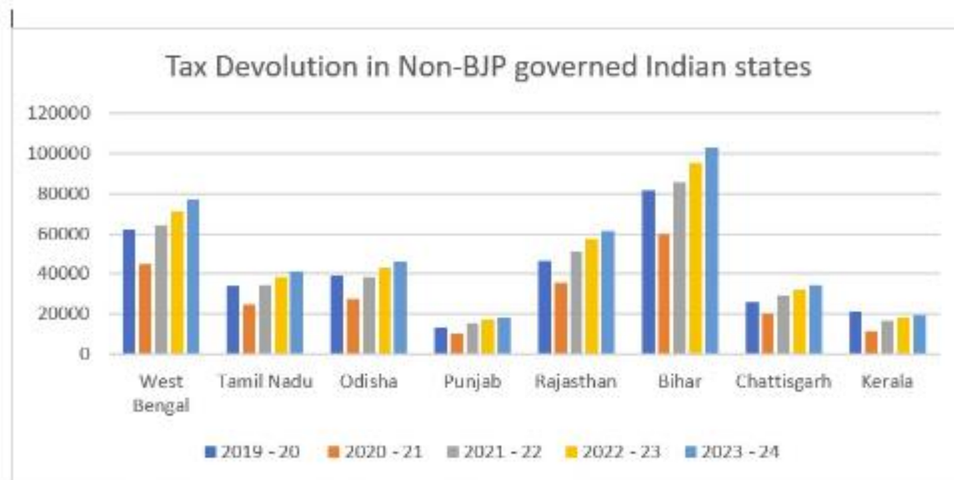


Source: Authors Calculations (InfoSphere, CNES)

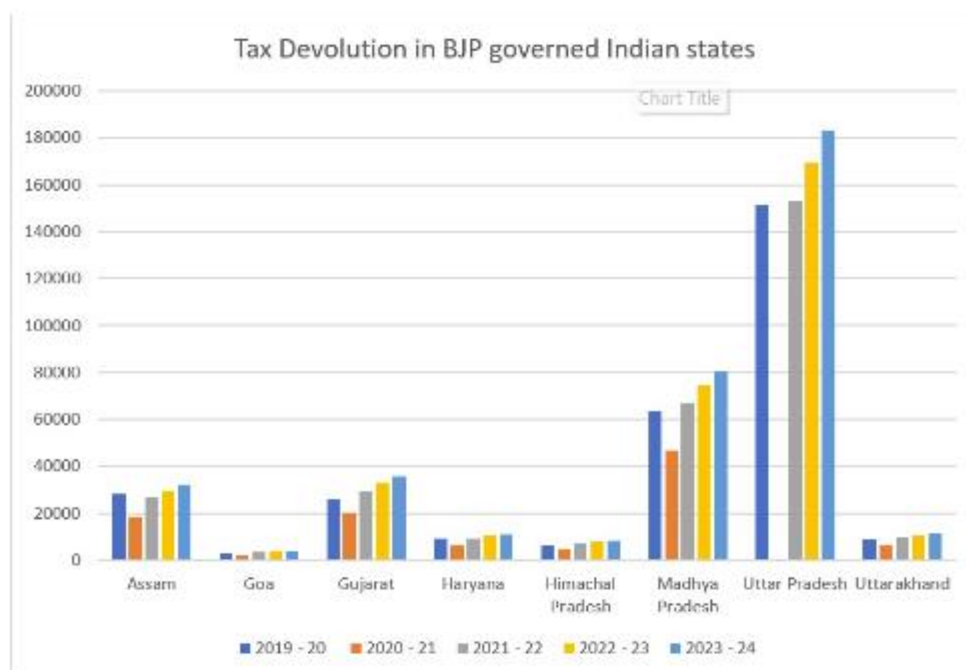
The figure (above) gives a macro-trend of the tax devolution from the Centre on a year-to-year basis. This is a function of the accrued fiscal revenue capacity of the Central government over the last few years. The pandemic year (2020-21) was tough for the fiscal purse of the government as a whole and as a result, saw the lowest tax devolution level from the Centre to states.

This, in fact, made more states to borrow extensively to cover healthcare – and other pandemic-induced costs from these 'borrowed resources', thereby, as a result, seeing their fiscal deficit-debt levels rise. As argued earlier, there has been increasing evidence of the Union government arbitrarily squeezing the borrowing power of certain states, currently governed by opposition parties. Most state finance ministers have put this on the record.

The figures below provide a 'select' look at the Centre to state tax devolution levels for a few opposition-governed versus BJP-governed states (refer here for source on this).



Source: Authors Calculations (InfoSphere, CNES)



Source: Authors Calculations (InfoSphere, CNES)

States like Bihar and Uttar Pradesh get most of the tax-devolution share from the Centre- largely because of their spatial, demographic, and socio-economic needs. States like Haryana, Punjab, and Kerala haven't seen any critical growth in their tax-devolution share over the last five years.

It is pertinent to note, how each of these states, has also seen its worst fiscal position scenario – accompanied by a decline in GSDP levels over these years too (worsening since the pandemic), which warranted a more interventionist, counter-cyclical fiscal support from the Centre.

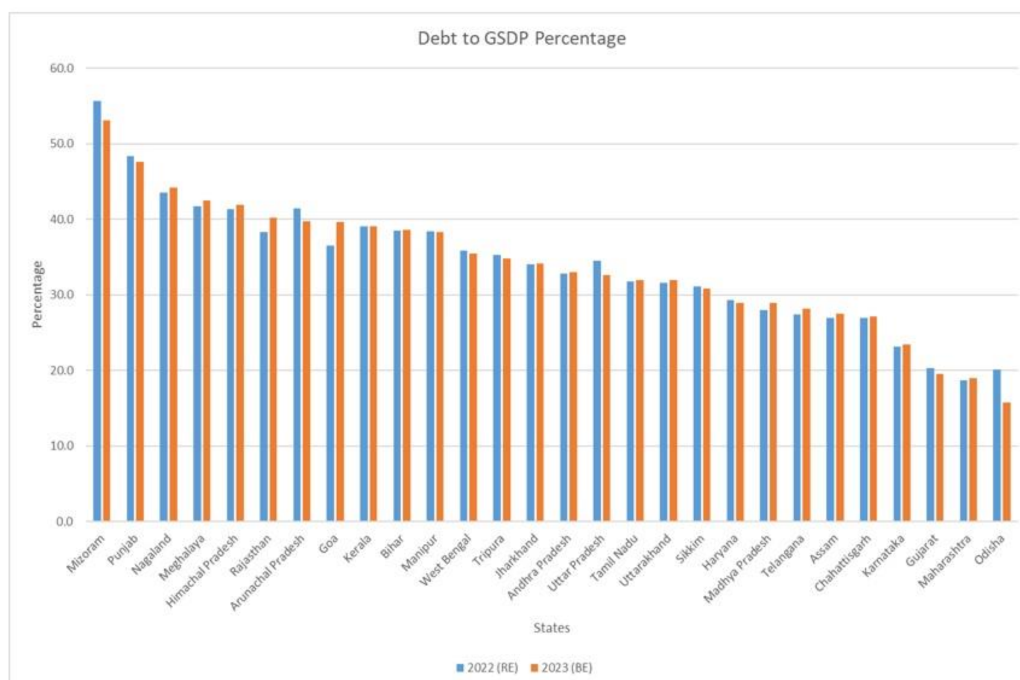
Further, states like Tamil Nadu, Chhattisgarh, Himachal Pradesh, and Uttarakhand, haven't seen any drastic shift in their net-devolution share too, even though states like Tamil Nadu- given their strong GSDP position contribute a lot more to Central Government's tax-revenue share.

On the states' fiscal position and debt landscape

One of the key areas for the 16th Finance Commission (headed by Panagriya) would be to also provide a suitable fiscal consolidation strategy for high-debt affected states to reduce their indebtedness while balancing their spending priorities and welfare needs.

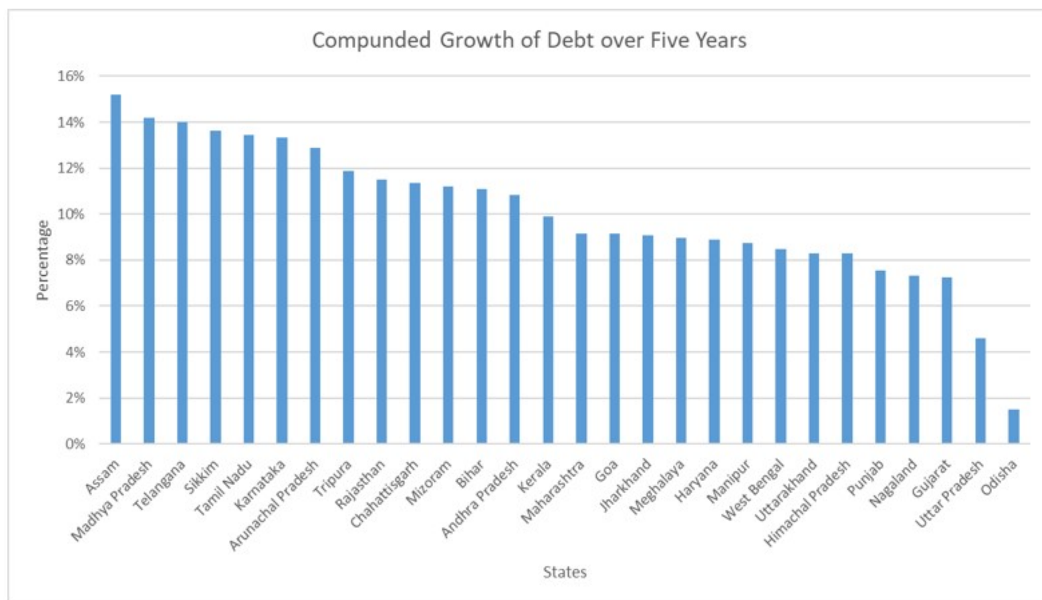
A few debt numbers below provide an illustrative account of Indian states' fiscal position. The debt-to-GDP ratio at the state level is crucial for assessing specific financial conditions and policies. This localised ratio significantly influences credit ratings, budget decisions, and fiscal strategies, allowing states to uphold long-term financial stability and responsible fiscal management. Calculated by dividing a state's total outstanding debt by its GDP and multiplied by 100 to express it as a percentage, monitoring and managing this ratio empowers states to make informed economic policy choices.

Outstanding debt to GDP percentage for Indian states



Source: CNES-Infosphere Calculations

Mizoram currently grapples with the highest debt-to-GDP ratio among Indian states, standing at 53%, according to recent budget estimates. Following closely are the states of Punjab and Nagaland with ratios of 44% and 47%, respectively. Several factors contribute to the escalation of the debt-to-GDP ratio in Indian states. Notably, investments in infrastructure development, social welfare programmes, and public services can strain state finances.



Source: CNES-Infosphere Calculations

The state of Odisha maintains a low level of accrued debt by adhering to a stricter fiscal discipline. The state abides by annual budget deficit targets, averting elevated interest rates and decreasing borrowing expenses. Odisha's performance is primarily ascribed to its savvy control of expenditures rather than its ability to generate money, considering the limited opportunities for the latter.

Although the state is a key producer of paddy, it manages to avoid incurring a substantial subsidy cost, unlike Punjab, which has unpredictable rainfall patterns while producing a substantial amount of India's wheat. Odisha's capacity to uphold budgeted spending without making compromises, especially in the face of economic constraints, enhances the maintenance of fiscal discipline. Conversely, Punjab is experiencing strain on various fiscal fronts, which underscores the contrasting financial approaches among different states in India.

As observed for Assam, increasing debt has been driven by loans for development projects, sourced from financial institutions and the Central government.

Critics from the opposition argue that chief minister Himanta Biswa Sarma's populist measures are exacerbating the financial pressure. Concerns have arisen due to outstanding payments to contractors and a legislative decision to elevate the debt-to-GSDP ratio.

The Comptroller and Auditor General's criticism emphasises the need for enhanced fiscal management, urging the state to address challenges in meeting repayment commitments and curbing the expansion of public debt.

State-market borrowings

Source: CNES-Infosphere Calculations

As seen above there has been a 250% increase in market borrowings for the state of Himachal Pradesh – the surge in market borrowing in Himachal Pradesh is associated with fiscal mismanagement under the previous BJP administration, favouring extensive borrowings over resource mobilisation.

Deputy chief minister Mukesh Agnihotri ascribes the state's precarious financial condition to the Union government's lack of supportive measures, denying additional resources. The current government inherited significant direct liabilities, primarily debt, leading Himachal Pradesh to be ranked as the fifth highest debt-stressed state by the Reserve Bank of India. The White Paper underscores the difficulties posed by amassed liabilities, indicating a challenging fiscal landscape.

Madhya Pradesh and Punjab, as noted earlier, are also grappling with elevated market borrowing to address their respective state expenditures. In Madhya Pradesh, the financial scenario suggests challenges akin to Himachal Pradesh.

The state's reliance on market borrowing may stem from a combination of factors, including fiscal policies, developmental initiatives, and economic considerations. Similarly, Punjab faces significant market borrowing, potentially influenced by factors such as infrastructure projects, social welfare programs, or economic exigencies. Both states need to carefully manage their borrowing strategies, considering long-term fiscal implications and economic

What do we learn?

A lack of vision in the medium to long-term fiscal policy approach, from the Union government's tax-based disbursements has therefore inadequately addressed this challenge/question: What role has the Union government, which, by law and constitutional power, is assigned more fiscal capacity and discretion to raise and spend tax-based revenue resources, played in supporting states through spending?

What one broadly sees in these trends are three broader, consequential categorical imperatives:

1. The Union government has merely maintained the status quo when it comes to giving states 'what they need', they haven't transferred more, or envisioned to transfer more tax revenue to enable a given state's own welfare or growth needs/revenue requirements.

The available data on transfers for both BJP-governed and non-BJP-governed states tell a tragic tale of a lopsided growth pattern evident across states, which is more of a continuum from the past, than seeing/realising change. This raises a more troubling question (for point b)

2. What this says is the Union government under the Modi administration (since the last few years, read 2019 onwards from our data) has increasingly seen a gradual erosion in its fiscal capacity and will support states, which need more revenue for growth and welfare requirements.

This fact subsequently has little to do with the political parties governing the states, but over time, the larger issue has become more aligned with the Union government's own poor revenue collection capacity (i.e. failing to collect the revenue what the Central Government projects in its own Union Budget estimate).

2. Poor quality government data makes it extremely difficult for anyone to effectively analyse the potential gains/losses being made from the allocated tax-devolution proceeds shared by the Central Government for States over the last few years.

See the RBI Handbook of Statistics here, for data on GSDP (2008-09 is the last year mentioned), or for Poverty (the last year mentioned because the last Census remains 2000-2002). The current administration, it seems, has done everything in its power to not even collect 'good' data which can help recognise fiscal challenges/potentials, to strengthen policy for a long term good.

This is a marked sign of a 'fiscally weak' and 'insecure' government, which is content to project empty riddles of economic 'optimism' built merely around rhetorical hope, pasting 'India Shining data' on relative comparisons of 'good growth performance' (made with countries industrially far more advanced and at a higher order of development), but underneath its own core, India suffers from a 'silent fiscal crisis' and under 'poor macroeconomic fundamentals'.

These indicate an economy moving towards a state of permanent decline, sourced from structural weakness, in which any Union government will be able to do (fiscally) very little for states even if they want to do more (assuming there is a willingness to do so).
https://thewire.in/economy/amid-indias-silent-fiscal-crisis-and-fragile-federalism-16th-finance-commission-has-an-uphill-task

5. Transforming taxation: An overhaul of existing system is essential to become a developed nation by 2047 *(financialexpress.com)* Jan 4, 2024

It is recognised that the increasing digitisation of the economy and of tax administration has already laid a great foundation for the tax system to keep up with the potential growth of India's economy.

As a true visionary leader, Prime Minister Narendra Modi has charted out a clear pathway for India to become a $30-trillion economy and a developed nation by 2047. This vision has spawned various salutary ideas on key enablers across the spectrum to reach this ambition. As PM Modi himself has confidently predicted his third term in office, this article focuses on one of the critical enablers to achieve this vision—India's tax system, which the Modi 3.0 regime could consider implementing.

It is recognised that the increasing digitisation of the economy and of tax administration has already laid a great foundation for the tax system to keep up with the potential growth of India's economy. It is, therefore, the right juncture to turn to some critical design changes in the laws governing direct and indirect taxation.

There is now a quiet recognition of the need to streamline the proliferation of GST rates across the various categories of goods into no more than three rates—merit, standard, and demerit. With the recent buoyancy in GST collections, it is hoped that the Centre and states can display the maturity and sagacity required to agree on this much-desired simplification along with the long pending necessity to bring in the few remaining items like electricity and petroleum products into the GST system.

Simultaneously, a number of useful suggestions have been made by the industry to simplify and facilitate input tax credits in certain sectors and also across certain items of goods and services. A revamped GST law should have minimal friction in achieving pass through of all input tax credits in the entire chain of value addition till final charge at the point of consumption. Finally, whilst increasing use of data analytics has rightfully resulted in chasing down fraudsters and wrongdoers, there have been far too many instances of overzealous investigations eating up precious time and resources of both the revenue department as well as taxpayers without any resultant impact on GST revenues. This reveals the need to institute a more robust internal process to enforce greater accountability in such investigations.

TDS provisions in direct tax

The exhaustive coverage of TDS provisions for a variety of transactions has certainly helped in reducing tax evasion and enhancing tax collections. However, with increasing adoption of technology and data analytics, even nominal TDS rates can successfully track various taxable transactions and achieve the same objective. Similarly, the current spread of rates from 1-30% can surely be crunched into a narrower range and avoid unnecessary 'classification' controversies. India is perhaps the only significant economy with such a complex TDS system for purely domestic transactions which is counter-intuitive to the strides achieved in digitisation of various facets of the economy.

Capital gains taxation

Ever since its introduction in 1947, India's capital gains tax system has had a tumultuous journey of dramatic shifts between very high rates (with attendant complexities and exemptions) and low rates (with various conditions on the holding period etc). All popular financial jurisdictions in developed economies have ensured a fairly simple and predictable capital gains tax regime to attract large pools of institutional capital which, in turn, has fuelled continuous growth of their main economies over the decades. India's current capital gains tax provisions have a mind-boggling range of holding periods (for long term capital gains tax consideration) as well as rates (though the last budget has somewhat addressed the anomalies relating to debt products).

It is high time for India to have no more than two kinds of holding periods, namely for all financial instruments and other 'real' assets (including properties and gold) and corresponding tax rates for long term capital gains. Moreover, as the recent episode of valuation-related capital gains provisions for start-ups and other early-stage companies has shown, an overzealous attempt to catch a few 'round trippers of taxable income' has the danger of adversely impacting the entire ecosystem of clean capital finding its way to India's promising economy. As India looks to stand tall with other developed economies, it is time to steer the mindset of lawmakers and administrators towards the principle of 'capital is good' and not an 'evil' to be shunned.

Smarter alternative tax dispute mechanisms

While many attempts have been made to provide for alternative tax dispute forums to reduce the burden on traditional tax tribunals and courts over the years, a cursory glance at the relevant statistics will reveal that a much more concerted effort on capacity-building and consistent messaging from tax administration leadership is required. Simultaneously, a pragmatic approach to aspects like providing certainty in transfer pricing on simpler transactions like those between Global Competency Centres (GCCs) in India with their principals abroad will ensure that the GCC sector will continue to exponentially grow by adding more value accretive functions, leading to a much-needed increase in relatively high-skilled jobs in the country.

Interventions in income tax law

Over the years, various interventions have been made in income tax law to either promote a particular behaviour or economic activity or to prevent some misuse either real or perceived.

At this critical juncture, it is time to undertake a complete and objective analysis of these various interventions over the years to determine their effectiveness and desirability so as to remove unnecessary cluttering of the law as also not to invariably scuttle much needed entrepreneurial zeal and decision making. Some examples of 'incentive' provisions pertaining to favourable tax on patents developed in India, weighted deduction on Indian R&D, deduction pertaining to job creation etc. show minimal impact on the desired outcomes. Similarly, over the decades, taxation of the not-for-profit (NFP) sector has been conflated with tax exemption and consequential misuse in many cases. However, this historical approach is currently impeding, for example, the increasing willingness of first-generation entrepreneurs to contribute their own shareholding in their businesses to a public charity. (Such contributions need to

liquidated promptly into the prescribed investment categories). This is a classic case of the legislature dictating the choice of the financial instrument for charity based on historical notions of 'riskiness' of various financial instruments. This approach is impeding the growth of this much-needed sector to enable supporting the government in its ambitious social welfare programs to ensure not just aggregate GDP growth but also access to better quality of living for the larger population.

A true transformation in design, implementation, and mindset is required for India's tax system to be geared up for the laudable ambition to be a developed nation by 2047. https://www.financialexpress.com/opinion/transforming-taxation-an-overhaul-of-existing-system-is-essential-to-become-a-developed-nation-by-2047/3354686/

6. Budget 2024: GDP growth-tax collections relationship is now complicated *(moneycontrol.com)* Jan 4, 2023

The finance ministry makes its projections for next year's tax collections based on how fast it thinks the Indian economy will grow in nominal terms. But if the experience of 2023-24 is anything to go by, the relationship that existed between the two seems to have become more complicated and could present a challenge in crunching the numbers for the 2024-25 interim Budget

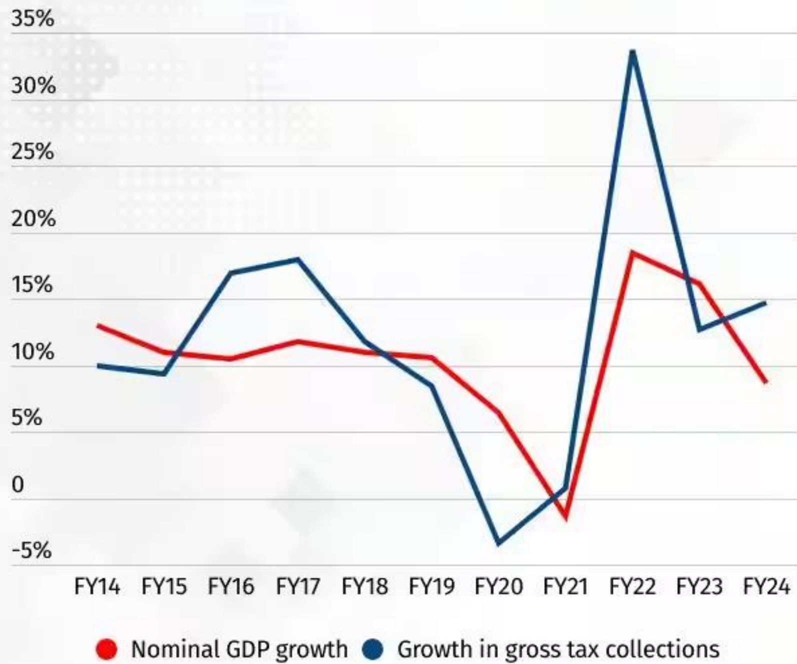
The finance ministry's weeks-long labour will bear fruit when Nirmala Sitharaman presents the 2024-25 interim Budget in Parliament on February 1. And while it may only be an interim Budget, the underlying numbers may not change much when the full Budget is presented in July 2024 by the victor of the Lok Sabha elections.

Key to making projections about these underlying numbers is the finance ministry's assessment of the Indian economy and how fast it thinks it will grow in 2024-25. The problem is that this mental exercise has become more complicated than ever before.

For making the Budget, the government assumes a number for next year's nominal GDP growth – that is, GDP growth without adjusting for the rate of inflation – and uses it to predict how much its tax collections will grow. Take, for instance, the Budget for 2023-24, which assumed nominal GDP growth of 10.5 percent, with growth in gross tax revenues pegged at 10.4 percent from the revised estimate for 2022-23. The problem is that the year has not panned out as the finance ministry thought it would.

In the first half of 2023-24, India's nominal GDP has grown by just 8.6 percent, down from 22.2 percent growth in April-September 2022, leading many economists to think it will be less than 10.5 percent for the current year. Despite this lower-than-anticipated nominal growth, gross tax collections have grown by 14.7 percent so far, according to latest data for April-November.

In 2022-23, gross tax collections had risen by 12.7 percent.



Note: Data for FY24 as of latest available data

Source: Budget documents, Controller General of Accounts

While the government's tax revenue does not necessarily grow at the same rate as nominal GDP, they generally move in the same direction. But as can be seen in the above chart, 2023-24 has seen nominal GDP growth take a sharp dive while tax growth has actually edged up.

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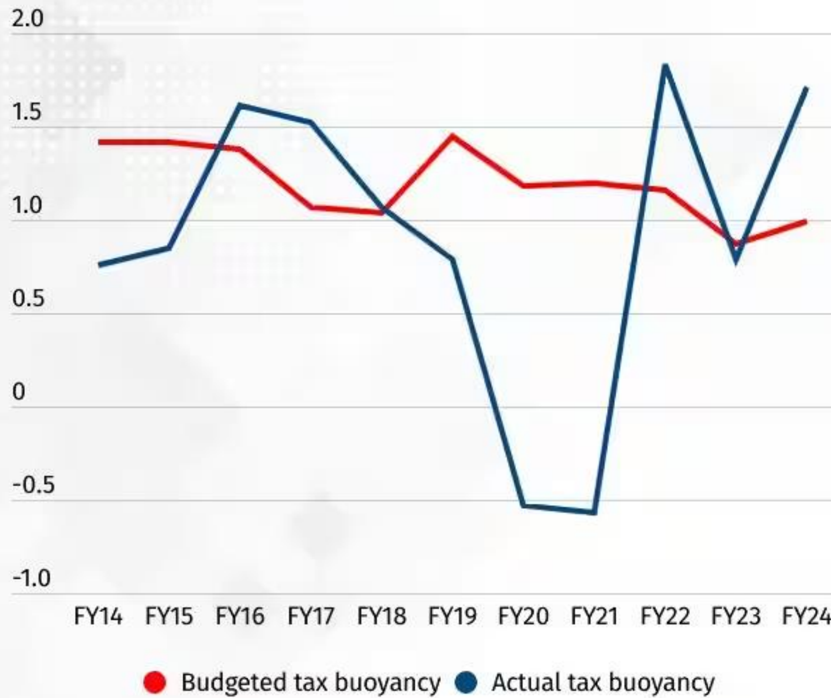
"If nominal GDP growth is lower than 10.5 percent but tax collections meet Budget estimates, then we can clearly see buoyancy is high," a senior finance ministry official said on the condition of anonymity.

Tax buoyancy is the ratio of growth in tax collections to nominal GDP. As such, the buoyancy is said to be greater than 1 when tax collections grow faster than nominal GDP.

Rise in tax buoyancy

Tax collections this year have indeed been impressive, with the available numbers, so far, suggesting a tax buoyancy of 1.7 – far higher than the average of 1.2 across the five pre-pandemic years from 2014-15 to 2018-19.



But why is the tax buoyancy so high this year? According to economists and tax experts, compliance is playing a big role in garnering direct taxes. Within this segment, corporate tax collections – which are up 20 percent year-on-year in April-November – require a deeper explanation.

A fall in input costs has boosted corporate earnings. According to a Reserve Bank of India (RBI) analysis of the performance of listed non-financial companies from the private sector, the growth in their operating profits jumped nearly five times to 26.2 percent in July-September 2023 from 5.3 percent the previous quarter. This is leading to stronger growth in corporate tax collections than nominal GDP growth and also somewhat explains the far higher real GDP growth rate of 7.6 percent in the second quarter of 2023-24 than what most economists and even the RBI expected.

According to Aditi Nayar, chief economist at ICRA, the Centre's direct tax collections in 2023-24 may exceed the Budget estimate by around Rs 85,000 crore.

The growth conundrum

A fall in input costs for companies this year is also reflected in the wholesale inflation numbers. In the first eight months of 2023-24, Wholesale Price Index (WPI) inflation has averaged -1.3 percent. And while it finally exited the deflationary zone in

November, rising to 0.26 percent and is seen increasing further in December and beyond, economists see it averaging under 1 percent for the financial year as a whole.

But why does WPI inflation matter here? Because its progression is a key input in forecasting nominal GDP growth for the year as WPI inflation forms the majority of the GDP deflator – used to adjust nominal GDP to arrive at real growth. Of course, the issues with India's current GDP deflator are well known, with the government currently working on a Producer Price Index.

But there are issues too with how India measures its nominal GDP. Following the release of the excellent July-September 2023 GDP data, Chief Economic Adviser V Anantha Nageswaran had said that when the tax buoyancy is as high as it currently is "then it is quite possible that we are not measuring the economy's underlying momentum and activity and dynamism as we should be".

"These are real numbers. These are cash flow statements put out by companies... It behooves us to consider the possibility that the economy could be actually growing far better than what we are actually measuring," the government's top economist had said.

Where does that leave the government's Budget math? Well, no one will really complain as long as tax collections grow more than estimated.

"If the Budget is being balanced within the estimates, then we are good," the aforementioned finance ministry source said.

However, the disconnect between growth in nominal GDP and tax collections does raise issues about the sanctity of the Budget numbers. https://www.moneycontrol.com/news/business/budget/budget-2024-gdp-growth-tax-collections-relationship-is-now-complicated-11995461.html

7. Finance Ministry aims to cut urea import bill by one-third in FY25 *(moneycontrol.com)* January 4, 2024

The Finance Ministry expects the urea import bill to substantially reduce by one-third to Rs 21,000 crore in 2024-25 owing to the Centre’s push for the use of nano urea, urea gold, etc., which will help contain the total fertiliser subsidy next year, a government official said.

In the current fiscal year, the urea import bill is likely to touch Rs 31,000 crore.

“Next year import of urea will be less. In the current year, the government spent Rs 31,000 crore on urea imports. Market Development Assistance (MDA) and nano urea are being promoted. In the case of urea, alternatives like nano urea and organic fertilisers and manures are there. So the Finance Ministry is likely to allocate Rs 20,000-21,000 crore for urea imports in FY25,” the official told Moneycontrol.

Urea contributes 55-60 percent of the total fertiliser consumption, which is met via imports and indigenous production.

The urea subsidy scheme ensures constant availability of urea to the farmers at the same price of Rs 242 per 45 kg bag excluding taxes and neem coating charges. The actual cost of the bag is around Rs 2,200.

Alternatives to urea

The Union Cabinet on June 28, 2023, approved a bouquet of schemes to boost the well-being of farmers, rejuvenate soil productivity, and ensure food security and environmental sustainability. Under the liberalised Market Development Assistance scheme which promotes composting in cities, the total outlay is Rs 1,451 crore over three years, including FY24.

The scheme promotes the use of alternative fertilisers by exemplifying a model of wealth from waste and organic manure from Gobardhan plants to be used to enrich the soil and keep the environment safe and clean.

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Nano urea eco-system strengthened

Liquid nano urea, a nitrogen fertiliser, is cheaper and more efficient and is likely to lower imports of granular urea substantially. Liquid nano urea, developed using nanotechnology, can improve the efficiency of crop nutrients. By 2025-26, eight Nano urea plants with a production capacity of 44 crore bottles equalling 195 lakh metric tonnes (lmt) of conventional urea will be commissioned.

Urea gold

Another initiative is sulphur-coated urea (Urea Gold), which is more economical and efficient. It will save input costs for the farmers and also raise incomes for farmers along with enhanced production and productivity.

Urea manufacturing

Setting up and revival of six urea production units at Chambal Fertiliser in Rajasthan, West Bengal, Telangana, Uttar Pradesh, Jharkhand and Bihar is helping to increase the capacity of urea production and availability in the country. Indigenous production of urea has increased from the level of 225 lmt during 2014-15 to 250 lmt during 2021-22. In 2022-23, production capacity has increased to 284 lmt. These initiatives are likely to reduce import dependency on urea in FY25. https://www.moneycontrol.com/news/business/budget/budget-2024-finance-ministry-aims-to-cut-urea-import-bill-by-one-third-in-fy25-11993351.html

8. Explicit budget subsidies to drop 28% to Rs 4 trillion in FY24

(financialexpress.com) January 4, 2024

The Union government's total expenditure on explicit subsidies – food, fertiliser and LPG – is likely to drop 28% to Rs 3.98 trillion in the current fiscal year, from Rs 5.49 trillion in FY23. This is due to the softening of global prices of soil nutrients and the

termination of the extra grains supplies under the National Food Securities Act effective December 2022, according to information gathered from various government sources.

This means subsidy expenditure this year will be the lowest since FY19 (Rs 2.36 trillion). In FY21, the government incurred an all-time high subsidy spend of Rs 7.14 trillion partly because of provisioning of Rs 3.8 trillion towards repayment of loans taken from the National Small Savings Funds to finance food subsidies.

The Budget Estimate of the total spending on the three subsidies in the current fiscal is Rs 3.74 trillion, with Rs 1.97 trillion for food, and Rs Rs 1.75 trillion for fertilisers.

The rise in total subsidy over the BE this year is still lower than in recent years. “Unless there is a sharp spike in the global price of fertilisers in the last quarter of the current fiscal, overall expenditure on account of subsidies should be substantially lower than last fiscal,” an official said.

According to ballpark calculations, subsidies in FY25 could cross Rs 4.15 trillion if the annual rise in the minimum support prices (MSP) of rice and wheat in the next year crop year is at the same level as in the current year, and global prices of fertilisers broadly remain at the current year’s levels.

To cover the additional expenses due to the rise in global prices in recent months, the government last month had provided an additional Rs 13,351 crore under the fertiliser subsidy against the budget estimates (BE) of Rs 1.75 trillion for the current fiscal.

Sources said after a recent increase in global price diammonium phosphate (DAP) prices from lower levels prevailed in the first four months of current fiscal, overall fertiliser subsidy for FY24 would also depend on the future price trajectory of the soil nutrients, which the country imports to meet two-thirds of its domestic consumption.

Global prices of DAP fell by 110% to $ 454/tonne in June, 2023 from a record high of $ 954/tonne in April, 2022. However, the price of critical soil nutrients has risen to $ 535/tonne last month.

However, fertiliser subsidy in FY24 is likely to be less than the record outgo of Rs 2.53 trillion last fiscal owing to the spike in global commodity prices. It would still be for the fourth year in a row that subsidies on soil nutrients would cross Rs 1 trillion.

In terms of volume, imports account for a third of domestic soil nutrients consumption of around 65 million tonne (MT) annually

Last month, the government has made an additional provision of Rs 5,589 crore towards food subsidy largely to cover extra spending on the free grains scheme also referred as Pradhan Mantri Garib Kalyana Anna Yojana (PMGKAY) against the budget estimate of Rs 1.97 trillion in the current fiscal.

The government had spent Rs 2.87 trillion on account of food subsidy because of additional foodgrains provided under PMGKAY in addition to highly subsidised food grains supplied under National Food Security Act during first three quarters of FY23.

PMGKAY or free ration scheme which was subsumed with NFSA from January 2023 for one year. Under the scheme around 48 MT of foodgrains are supplied to 800 million beneficiaries annually.

The government has extended the free ration scheme for five years till end of 2028 which would cost the exchequer around Rs 11.8 trillion due to a projected increase of 7%-8% in the minimum support price (MSP) of the relevant crops – rice and wheat and coarse grains– annually, and other costs such as transportation, storage and incidentals.

Sources said because of the Food Corporation of India's sale of more than 5 million tonne (MT) of wheat in the open market so far this fiscal, the subsidy burden could decline by around Rs 15,000 to Rs 16,000 crore by end of FY24.

"We have realised about Rs 10,000 crore by selling wheat in the open market this fiscal so far," a food ministry official told FE. The government is aiming to sell 10 MT of wheat in the open market from FCI stock to curb price rise by the end of FY24.

Meanwhile, with the expansion of 7.5 million additional LPG connections to be released the Pradhan Mantri Ujjwala Yojana (PMUY) in 3 years under the scheme, the total subsidy outgo for LPG this fiscal is estimated at Rs 9,800 crore. The subsidy under the PMUY has been increased to Rs 6,110 crore in FY23 from Rs 1,569 crore in FY22. https://www.financialexpress.com/policy/economy-explicit-budget-subsidies-to-drop-28-on-year-to-4-trillon-in-fy24-3354657/

9. What Do We Really Know About India's GDP? *(thewire.in)*

January 4, 2024

There are two inter-related problems with the GDP data. The infirmity in the data and the invalidity of the method to calculate the GDP.

Controversy refuses to die down about the size of India's GDP and its growth rate. It all started when the new GDP series with base 2011-12 was released in 2015. Not only did analysts point to problems, the government itself was unhappy that it showed a higher growth during the UPA's ten years compared to the post-2014 NDA period.

The pandemic in 2020 severely dented the economy and the economy witnessed its steepest decline since Independence. The recovery from this low base was also steep. This has led to the official claim that India has done well in spite of the pandemic and the war in Ukraine to become the fastest growing major economy in the world. Is this the correct picture of the economy? That depends on the accuracy of the numbers and the policies formulated on that basis.

Pre-pandemic controversies

Doubts about the accuracy of data in the new series from 2011-12 have risen on several counts. To begin with, when the new series was announced in 2015, there was no back series to compare it with. It was said that the new series was based on the MCA21 data base of the industrial sector, which was more complete than what was used till then, the IIP data. It was stated that the back series could not be generated both because the

MCA21 data base had not stabilised earlier and the relevant data on employment became available from 2011-12.

But neither of these should have mattered since the MCA21 data base goes back a long time and earlier employment figures could have been used as has been often done. The real reason appeared to be political. Namely, to show higher GDP growth during the NDA period compared to the UPA period.

The next controversy was the government's claim that the Indian economy grew at an average of about 7% during 2015-2020, which made it the fastest growing large economy in the world. This was undermined by A. Subramanian (2019). He showed that the growth rate was over estimated by up to 2.5% after 2014.

The next blow came when NSSO reported in 2019 that out of a sample of 35,456 companies taken from MCA21 data base, 38.7% were 'out of survey' units. These units are either not traceable or misclassified. So, data is either missing or mis-specified. Thus, the use of MCA21 for GDP calculation could be leading to errors in estimation.

The government argued that the inclusion of the 'out of survey' companies brings the output closer to the true production and there is no over-estimation of GDP.

A committee was set up to work out the missing back series. Its report showed that the rate of growth was higher during the UPA period compared to the NDA years. The government rejected it and in an unprecedented move, asked the NITI Ayog to rework the series. The NITI Ayog obliged and presented a back series showing that the rate of growth was higher during the NDA period compared to the UPA years.

Upward bias in GDP

The problem with the GDP data becomes clear when the official data shows that the highest rate of growth during the decade of the 2010-20 was in the year of demonetisation, 2016-17. From all accounts, starting November 2016, output was severely impacted in that year. Even if it is assumed that the output was growing up to October 2016, and declined after that, the average GDP growth became negative. This points to the flawed methodology used to measure GDP which gave an 8% upward bias to GDP in 2016-17. Even this flawed methodology showed the official growth rate declining from 8% in Q4 of 2017-18 to 3.1% in Q4 of 2019-20. So, the real actual rate of growth would have become negative even before the pandemic

Pandemic and the lockdown severely impacted the economy in 2020 and more particularly the unorganised sector. Subsequent recovery has been K-shaped – namely, some sectors growing while others (unorganised sector) declined. This decline has not been captured in data leading to over-estimation of the GDP. This becomes clear when one looks at the method of estimation of GDP, especially the quarterly GDP, which is what is usually discussed in public discourse.

Official methodology

I have previously analysed the official document which presents the `Methodology of Compiling Quarterly GDP Estimates'. It mentions three factors that need to be noted regarding the calculation of GDP from the supposedly more accurate production side:

"The production approach used for compiling the QGVA estimates is broadly based on the benchmark-indicator method."

"In this method, for each of the industry-groups, estimates of GVA are compiled…"
"In general terms, quarterly estimates of Gross Value Added (GVA) are extrapolations of annual series of GVA."

These three points clarify that for the quarterly estimates of GDP based on the production approach, most current data are not available so, benchmark indicators from an earlier reference year have to be used. The last survey of unincorporated enterprises was carried out in 2015-16 so that the reference year is now dated and does not capture the current reality.

Further, the methodology states that current figures are obtained by extrapolations of the annual series of GVA of previous years. But if the previous year figures are incorrect, how can their extrapolation be correct? This has been the case post the demonetisation, introduction of the Goods and Services Tax and the lockdown. Each of these three occurrences administered a shock to the economy and caused disruption.

Finally, in some cases, the procedure adopted is to make annual projections and then to divide them by four to give the quarterly figures. Two problems arise. First, there are varying levels of activity in the different quarters. For instance, there is heightened activity during the festive season, while it is low at the start of the financial year. So, division by four cannot be correct. Second, errors in the figures of the previous year get projected to the next year.

Shocks undermine the method

The methodology outlined above relies on a smoothly functioning economy. But it will not apply when there are big unexpected changes, called a shock, like due to demonetisation or the sudden lockdown. The shocks impact the basic parameters of the economy. Like the ratio of the unorganised to the organised sector or the real output in the agriculture sector. So, with a shock, neither the 'benchmark-indicators' will be valid nor will it be correct to extrapolate from a normal year to the next one that has experienced a shock.

The Indian economy has suffered several shocks since 2016. Demonetisation in 2016 followed by the introduction of the structurally faulty GST in 2017, the NBFC (non-bank financial company) crisis in 2018 and finally the sudden lockdown in 2020. Each of them impacted the unorganised and the organised sectors differentially, thereby changing the ratio between the two and invalidating the old benchmark indicators.

Further issues with quarterly data

The problems related to methodological issues were compounded by the data deficiencies. Even for the organised sector, only limited data is available. For instance,

the corporate sector data representing industry is available only for a few hundred firms. In the case of agriculture, it is assumed that targets set by the ministry are achieved. But that has not been the case in the last few years due to heat or late rains or inability of perishable crops to come to the market during the lockdown and demonetisation, so that it rotted in the fields and agricultural output declined while it was taken to have increased. The method for estimating the unorganised sector in the GDP needed to be modified, but this has not been done.

In brief, there are two inter-related problems with the GDP data. The infirmity in the data and the invalidity of the method to calculate the GDP.

The problem was further compounded by the government's lack of faith in its own employment data which it rejected in 2019 because it showed that unemployment had reached a high of 45 years. Since employment data is used in the calculation of the GDP, if it is rejected, the GDP calculation also becomes unreliable.

To persist with the methodology in the 2017 official document, new indicators are required based on fresh surveys. But no new survey of the unorganised sector has been conducted since 2015. Even the Census has not been conducted in 2021 and that compounds the problem.

Further, each of the shocks listed above impacted the economy differently. So, without a change in the method and resolving the data issues, errors get compounded and reliable GDP numbers cannot be generated.

Stance of international agencies

The government claims that international agencies, like the IMF and the UN, have supported its claims on GDP. Their figures for GDP growth differ from the official figures by a small percent. But that is not surprising since these agencies are not data collecting agencies and use the official data. Even the RBI uses the official data on a host of macro variables.

Effectively, all of them reproduce the errors in the official data and none of them have more accurate data. The surprise is that all these agencies ignore the data-related issues when the errors are glaring. Worse, if Indian data has such huge errors, other developing countries are likely to have similar or even greater errors, making international comparisons meaningless.

Impact on other macro aggregates

GDP data is the base used to estimate other macro aggregates, like consumption and savings. These affect the measurement of poverty and growing inequality. If growth is strong then it would imply strong growth in employment. But this link is broken since growth is in the organised sector while the unorganised sector is declining. The former hardly creates employment while the latter which provides a bulk of the employment is losing employment. So, this lopsided growth has broken the link between growth and employment.

Further, if the unorganised sector declines then the overall demand becomes short, leading to low capacity utilisation and decline in the investment rate and even the organised sector rate of growth will fall. This was visible in the period 2017-18 and 2019-20 (before the pandemic).

The incorrect GDP numbers should impact the fiscal situation. This is reflected in the revenue and expenditures often missing the targets set in the budget. The final figures differ considerably from the budget and revised estimates. But these revisions are not as stark as the errors in the GDP data should lead to.

The reason for this smaller error is that the budget is largely for the organised sectors and of the organised sector. The revenue collection is largely from the organised sector. Most expenditures are also for the organised sector. Where the expenditures pertain to the unorganised sectors like on food, rural development, education and health, revisions are made when the deficit in the budget increases. Thus, the budgetary calculus is not as seriously impacted as the large errors in GDP data ought to lead to.

Conclusion

To conclude, India's GDP numbers are vitiated due to methodological and data-related deficiencies. This suits the ruling party's political narrative of a well-functioning economy. By continuing to harp on these incorrect numbers and hiding the true facts, it adds to the non-transparency in the government's functioning. https://thewire.in/economy/what-do-we-really-know-about-indias-gdp

10. Don't neglect the central armed police forces *(indianexpress.com)* Updated: January 4, 2024

Adhocism in selection of heads of central armed police forces takes a high toll

All is not well with the central armed police forces. The Government of India has been increasing their manpower (women power also now), giving them better equipment and resources and augmenting their annual budgets, but certain vital aspects of their functioning have not received the government's adequate attention, and this is harming their discipline, morale and combat potential.

It would be difficult to cover all the points in this article. Here, I would specifically deal with the issue of selecting leaders for the top level. There appears a lot of adhocism in the process. The CRPF has today 246 battalions, BSF has 193 battalions, ITBP has 56 battalions, and the SSB has 73 battalions. The NSG is a small formation but it is a very specialised, elite unit. These are mega forces and require absolutely first class leaders who would lead from the front, inspire and motivate the personnel and look after their welfare. The government should frame guidelines for posting officers to the rank of Director General of these CAPFs. Thus, it could be laid down that unless an officer has served as DIG/ IG in the field for at least two years in any of the CAPFs or held charge of the armed police formation in the state for at least two years, he should not be considered for elevation to the Director General in any CAPF. There is a lot of resentment in the forces when officers with no experience in the CAPF are just para-

dropped as head of that force. This has happened in the past and, unfortunately, is continuing even today.

Senior IB officers, who are not able to reach the top level in the organisation they have served for decades, are accommodated as directors general in one of the CAPFs. It is very unfair to the CAPFs to be saddled with an officer who has not worn the uniform for nearly three decades. The officer is at sea with the problems he faces and he does not command the loyalty or respect of the men he is expected to lead. The government's concern for the rehabilitation of such officers is understandable. It would be better if they were accommodated in some ministry where they have to do desk jobs. CAPFs should not become a dumping ground for officers who could not reach the top in the organisation they worked in.

Another matter which has been causing heartburn among the senior officers is the delay in posting a successor to the top post after the retirement of an incumbent. There are numerous instances — a few examples should suffice. The post of DG BSF remained vacant after the retirement of VK Johri in 2020 and there was no regular incumbent for five months until Rakesh Asthana was posted. The SSB had no regular DG for five months after the transfer of SL Thaosen in 2022 until Rashmi Shukla was posted.

The Home Ministry seems to be under the impression that these top posts can be filled up in due course, that there is no harm if they remained unfilled for a couple of weeks or even months, that officers could be asked to hold additional charges and that the CAPF machine would work smoothly even then. Have you ever heard of the country being without its Army, Navy or Air Chief? These are fighting formations and are therefore always in a state of preparedness to deal with any emergency. The CAPFs are dealing with internal security problems and securing the international borders every day of the year. They should not be headless even for one day. The dates of retirement of all the officers are known. It only requires planning and timely decisions at the highest level.

Yet another factor affecting the performance of the CAPFs is their almost complete deployment around the year with the result that training is being neglected. One company in every battalion used to be earmarked for training purposes and it was not utilised under normal circumstances. However, the abnormal has become normal these days, partly because the state police are either incapable of handling their law and order problems or the state government prefers to abdicate its responsibility and insists on reinforcements from the Centre. Sometime back, the Centre increased the strength of every battalion by one company in some CAPFs with the assurance that it would be utilised strictly for training purposes, but over time, succumbing to pressures (or blackmail) from the state governments, even these companies were sucked in internal security duties. It would be no exaggeration to say that the professional level of some of the CAPFs is today comparable to that of the state battalions about one or two decades back. The standards are steadily falling.

There are multiple other problems. The BSF is our first line of defence against Pakistan. The ITBP is in the same position vis-à-vis China except in areas where the Army has moved forward in the face of attempted transgressions by our northern neighbour. The CRPF is overwhelmed with multiple internal security challenges all over the country. The responsibilities of the CISF are increasing every year. The SSB is deployed along

the sensitive borders with Nepal and Bhutan. The NSG must retain its elitist character to be able to handle terrorist attacks in any part of the country. These forces must not be trifled with else we may have to pay a heavy price in the event of any grave threat to our security. The Centre would do well to appoint a Commission to go into the myriad problems of the CAPFs and suggest short-term and long-term measures to maintain their performance at a high level. https://indianexpress.com/article/opinion/columns/dont-neglect-the-force-9094151/

11. How India can regulate AI *(financialexpress.com)* Jan 4, 2023

The country is very likely to not adopt an omnibus law, or targeted regulation of high-risk use cases. Instead, the Digital India Act could codify responsible AI principles published by NITI Aayog in 2021

Last month, the EU successfully ended its long drawn out trilogue process and came to an in-principle agreement on the text of its prospective AI Act—the bloc's first step towards regulating artificial intelligence (AI). What started as being the seminal piece of AI legislation, has inevitably triggered a global AI regulatory race. We have seen an expansion of voluntary guidelines, more countries joining the ranks in developing national AI principles and strategies, and even efforts towards realising a global treaty in the future. These actions have been catalysed by the almost inexplicably accelerated rate of AI innovation, which has seemingly defied the expectations of even the most optimistic technocrats. Where does India stand in terms of AI governance?

Digital India Act

Anyone following the law and tech space in India must have heard the name of this proposed law. The Act has been touted as the Information Technology Act 2.0—a statute that will overhaul antiquated ideas around intermediaries and "safe harbour", e-governance, and cyber offences currently stipulated in Indian law. Additionally, it also intends to bring more contemporaneous issues within legal regulation. Particularly,MoS MeitY Rajeev Chandrashekhar has stated on many occasions that the DIA will regulate AI in India. However, in the absence of any draft of these provisions, it is anyone's guess what this could entail. My two cents are that India will steer clear from both the EU and US models, thus, ruling out any omnibus AI law, or targeted regulation of certain high-risk use cases of AI, respectively. Instead, the DIA will seek to codify responsible AI principles which were published by NITI Aayog in 2021, and transform them into specific legal obligations. It is also likely that with these overarching codification of obligations, there will be greater nuance through sectoral regulations, as well as industry guidelines and standards, especially on safety (like minimising bias, false positives and false negatives, and promoting transparency in design and development).

Sectoral regulators

Despite the hype and expectation around the DIA, there is conspicuous absence of an end date regarding its enactment. The persisting vacuum will ensure that sectoral regulators and governmental ministries also jump in the fray and draft more targeted regulations for responsible, human-centric AI adoption within their respective domains. The inclination to empower sectoral experts to determine and mitigate the actual risks

of AI systems within their ecosystems is finding credence in other jurisdictions too, particularly in the UK. There, the British government published a white paper in the summer of 2023, which flagged the importance of developing capabilities within existing sectoral regulators to establish guardrails for mitigating AI risks, and effectively overseeing the deployment of such technologies. India will likely follow suit. Particularly, I predict definitive action from the RBI regarding the use of AI systems in financial services and also from governmental departments on safety of AI users and consumers through adequate grievance redressal. Also, given the alacrity of the Indian judiciary on integrating AI systems in courts, coupled with emerging instances of problematic usage (like a judge relying on ChatGPT for legal research), the e-Committee(ies) will also need to address this in some form of guidelines.

Facial recognition and predictive policing

The recently passed new criminal laws in India, among other things, had one disconcerting commonality—despite the ubiquitous insertion of sophisticated technologies into different aspects of law enforcement and policing, these statutes fail to address critical legal issues entailing from this modernisation. Specifically, facial recognition technology (FRT)—presently used by over twenty states—is not legitimised or regulated. FRT has been documented as a high-risk technology which can dangerously imperil the fundamental rights of individuals (like freedom of speech, due process, right to privacy, to name a few). The fact that the use of FRT is presently not sanctioned under the new laws itself presents a real constitutional challenge to its legality. What seems clear though is the government's intent to leave these issues untouched and to address them, on a case by case basis, in any prospective litigation.

India's role in global efforts

Between the Delhi Declaration at G20 and the GPAI Ministerial Declaration, India has showcased itself to be a deft negotiator of contentious issues. However, this needs to go beyond posturing and jostling for titles. The EU is strongly favouring a return of the Brussels effect, where its AI Act will impact the global discourse on AI governance, as it did with data protection. Yet, it faces many opposers, even within its allies. India is in the unique position of being part of different multilateral affiliations and needs to take advantage of this to push for global, or at least regional consensus on core principles of AI governance and regulation. The declarations are the first step, it is imperative that they be translated into a more action-oriented approach. https://www.financialexpress.com/opinion/how-india-can-regulate-ai/3354685/

12. The politics and geopolitics of AI governance *(indianexpress.com)* Jan 4, 2024

An international organisation to deal with emerging, strategic technology is bound to come against domestic interests, superpower rivalries. Solution may lie in pre-existing sector-specific standard-setting bodies

India recently concluded the fourth edition of the Global Partnership on Artificial Intelligence (GPAI) summit with the unanimous endorsement of the New Delhi Declaration, which underscored the need to balance innovation and risks associated

with Artificial Intelligence (AI) systems. This is among several inter-governmental summits that have occurred in the past few months to promote a similar idea.

Meanwhile, experts have started arguing for a single international organisation to move beyond these general partnerships and promote inclusivity in the policies and legislation passed by countries. The debate becomes pertinent in the backdrop of a meteoric rise in the introduction and passing of AI-related legislation in recent years. As per the Artificial Intelligence Index Report 2022, AI-related legislation has jumped from one in 2016 to 18 in 2022, in 25 nations. However, as the application of AI has been proven to transcend national or supranational boundaries, there are questions about the efficacy of domestic legislation. Secondly, the lack of a centralised transboundary governance regime can potentially cause countries, especially underdeveloped ones, to lower their standards in order to remain competitive, causing a downward trend in regulatory standards.

Against this backdrop, Gary Marcus and Anka Reuel recently suggested the creation of the International Agency for AI (IAAI). The idea of IAAI is to find "governance and technical solutions to promote safe, secure and peaceful AI technologies". It will ensure domestic rules are based on certain fundamental principles accepted by all the nations. These include broad themes of safety and reliability, transparency, explainability, interpretability, privacy, accountability and fairness. Other organisations such as the International AI Organisation (IAIO), Emerging Technology Coalition and International Academy for AI Law and Regulation have also been proposed along similar lines.

However, the feasibility of such an organisation to implement principles on the ground is marred by geopolitical difficulties. Also, given that private industry is the major driver of AI innovation, they are still vying for self-regulation as the best way forward. This article will focus on the state-centric aspects where consensus-building institutions essentially face a dilemma — whether to focus on the inclusion of more members or on the mission/principle it seeks to accomplish.

Serious doubt is cast upon the effectiveness of any such organisation where nations have to get involved in a polarised world. Today, major superpowers have different agendas on AI, and every state seeks to gain a monopoly over it. For instance, it is quite unimaginable to bring Russia, China and the US to a single table along with other nations and build measures that are effective and implemented uniformly. Consequently, all major initiatives are bereft of China, which is a major player in the AI revolution. At the same time, others argue that the inclusion of China in such institutions will ultimately cause disruption in its functioning given that it has a history of violating international commitments given to organisations, including the World Trade Organisation (WTO) and International Telecommunication Union (ITU).

Highlights from a memorable Global Partnership on Artificial Intelligence Summit, which reaffirms the importance of AI for a better planet. pic.twitter.com/1jZBrpgaoW

— Narendra Modi (@narendramodi) December 13, 2023

The race for leadership in AI has led to divisions within existing blocs. While it is true that almost all the major initiatives are dominated by Western nations, there is an

imminent AI race within the bloc to change the powerplay of the future. For instance, President Joe Biden, while passing an AI Executive Order, said, “America will lead the way during this period of technological change”. Similarly, the EU is aggressively drafting AI regulations while the UK has revealed its own policy to shape AI’s trajectory.

This reflects a concerning trend that creating an organisation with nations of varied interests means slow consensus, and that too is a compromise based on lowest-denominator principles acceptable by all. And if the consensus is not binding, state compliance will be kept on the backburner and the focus will shift to domestic actions. Most of the current initiatives fall under this category. Moreover, as state-led guidelines/rules have not historically kept pace with changing technology, once they are created after a lengthy process, AI innovation might even outpace their effectiveness. A case in point could be arms-treaty regimes, such as the Treaty on Non-Proliferation of Nuclear Weapons and the Missile Technology Control Regime, where they have continuously struggled to maintain pace with technological changes.

It might be plausible that certain principles are recognised, but these are general and ever-transitioning. What is peace, transparency and equality might be read differently, and thus, building interoperability would not be actionable. It will, therefore, lead to the creation of multiple groups, causing conflict among the policies of states and disparity in integrating action plans globally. A case study in point could be the Council of Europe’s (CoE) Cybercrime Convention (Budapest Convention on Cybercrime). It is the only legally binding multilateral treaty coordinating cybercrime investigations between nation-states. It also criminalises certain cybercrimes. However, major countries, including India, China and Russia, declined to sign the convention because data sharing with foreign investigative agencies (Article 32b), particularly Western ones, will directly affect their sovereignty and domestic laws. Though it has proven beneficial to the EU member-states, which already have an established process, there is a substantial distrust among other states as it is not equitable and balanced in its approach.

So, what could be a solution that leapfrogs political dimensions and has a higher acceptance rate among varied interest groups? A plausible one is based on the assumption that AI is applicable to all cross-jurisdictional sectors. Thus, it would be efficient to encourage the existing sector-specific institutions, especially standard-setting, to develop the governing principles of AI in their respective industries.

Also known as the Standard Setting Organisations (SSO), these are established bodies that develop standards/rules that are interoperable, safe and uniform internationally. It includes organisations such as The Institute of Electrical and Electronics Engineers Standards Association (IEEE SA), the International Organisation for Standardisation (ISO), the International Electrotechnical Commission (International Electrotechnical Commission), and the International Telecommunications Union (ITU), among others. Their standards, though voluntary, have been historically adopted by most companies and countries, and they are also leading in the development of AI standards in their respective areas.

For instance, IEEE’s AI standardisation processes are part of its global initiative on the Ethics of Autonomous and Intelligent Systems. Meanwhile, the ITU has a Focus Group

on Machine Learning for Future Networks focusing on telecommunications. It even created a Focus Group on AI for Health after the 2018 AI for Good Global Summit, "which aims inter alia to create standardised benchmarks to evaluate Artificial Intelligence algorithms used in healthcare applications."

Although SSOs are based on a "soft-law" approach with a voluntary compliance mechanism, most of the standards gain legitimacy through support from diverse public and private groups. In the past, for instance, the ISO/IEC 27701 standards on data privacy, though voluntary, have had a global impact with states adopting principles and practices from the standard in their laws while still balancing them to local conditions and policy priorities. This indeed reflects that such standards have a higher chance of actually being incorporated into legislation and the functioning of private companies to maintain coherence across sectors and jurisdictions.

That's why the application of principles for global AI governance should stem from the existing bodies that have already set a precedent. Eventually, new organisations can incorporate these standards into their frameworks to ensure the harmonisation of AI principles without causing disruptions. It ultimately fulfils the requirement of political flexibility, cross-jurisdictional cohesion of action plans and immediate implementation mechanisms available at the initial stages of the AI spectrum.

The journey toward effective global AI governance is undoubtedly challenging. But the pathway of building upon existing foundations holds promise for a future where principles are not only recognised but also seamlessly integrated into the fabric of technological advancements. https://indianexpress.com/article/opinion/columns/the-politics-and-geopolitics-of-ai-governance-9094938/

13. Financial inclusion of farmers — the digital way *(thehindubusinessline.com)* Updated - January 03, 2024

Digital financial services can play a key role in meeting the credit needs of the unbanked in rural areas

Digital financial services appear to have impacted financial inclusion progress as reported by the Reserve Bank of India's Financial Inclusion (FI) Index. It is worth noting that digital financial inclusion in payments has contributed to the FI index score more compared to credit, insurance, and investment services.

Studies show that while India has made considerable progress in traditional financial inclusion due to the implementation of PMJDY, the improvement in fintech-driven financial inclusion is, however, lower than the average of Asia-Pacific.

Furthermore, RBI's "quality" financial inclusion subindex suggests that inequality and regional disparity in credit and deposit access are significantly high.

To improve and rationalise the FI Indexing, the contribution of (digital) agri-financial services in financial inclusion needs to be considered as there are about 14.5 crore farmers, among which PM Kisan beneficiaries are 8.56 crore as of July 31, 2023, and

Kisan Credit Card holders are 7.35 crore. Therefore, about five crore farmers need to be brought into the fold of financial inclusion.

From the supply side, there is regional disparity in agri-finance distribution, with a global finance gap of $170 billion as of 2021-22.

So does fintech make financial services accessible and affordable to the unbanked, and if yes, then at what costs? Do digital financial service providers use and complement the existing bank network to reach the unbanked? How can digital financial services democratise finance access to farmers?

Digital agri-finance

Digital financial services in agriculture can support and deepen financial inclusion of farmers in emerging markets and developing economies.

* Digitalisation of savings groups helps mainstream the informal sector into the formal one.

* Digitalised credit processes reduce costs and risks for financial service providers to serve agri-value chain actors and farmers. A few NBFCs offer customised loan products through their private or quasi-cooperative digital platform, onboarding farmers and ag-tech start-ups.

* Digitalising value chain activities leverages farmer-buyer relationships, and data collected through digital procurement solutions can estimate production and credit risks.

* Embedded finance utilising Application Programming Interfaces can integrate financial services within the platform with other digital agricultural services, such as crop and weather advisories.

* Pay-as-you-go (PAYG) uses mobile money for asset access, such as irrigation pumps or solar panels, through frequent micro-installment and remote-locking technologies that allow service providers to interrupt the service remotely in case of default or dues.

Policy suggestions

First, financing gap assessment by on-boarding multiple users such as Farmer Producer Companies and Cooperatives on the digital platform is crucial to deepening financial inclusion of farmers.

Second, digital financial services can deepen financial inclusion, reducing information asymmetry in financial markets and transaction costs.

Third, investment in digital and financial literacy and telecommunication network coverage can deepen the penetration of digital financial services and help fintech and regional rural, and cooperative banks to co-exist.

Fourth, the Centre's initiative in making data-driven agricultural financial services delivery including farmer data, loan disbursement specifics, interest subvention claims, and scheme utilisation progress is worth mentioning.

While per capita land availability is shrinking, and the new generation of farmers is losing interest in agriculture, digital financial solutions can engage tech-savvy farmers' children. https://www.thehindubusinessline.com/opinion/financial-inclusion-of-farmers-the-digital-way/article67703070.ece

14. Delay in implementing projects like Mumbai-Goa National Highway burdens State exchequer: Bombay High Court *(barandbench.com)* 04 Jan 2024

The Court observed that the road widening project, which had not been completed despite 12 years having passed, was causing difficulties to not just people but also the State exchequer.

The Bombay High Court on Wednesday remarked that delays in completing infrastructure projects not only caused difficulties to the citizens, but also burdened the State exchequer, while hearing a petition concerning the Mumbai-Goa National Highway [Owais Pechkar v. Union of India & Ors].

A division bench of Chief Justice Devendra Kumar Upadhyaya and Justice Arif Doctor noted that the repair and widening of the Mumbai-Goa National Highway (NH-66), which was started in 2011, was not yet completed and that this was creating difficulties for commuters.

"The road widening and other repair work is not yet complete despite 12 long years since it was undertaken. Delay in such infrastructure projects not only causes numerous difficulties to the population which uses roads but ultimately comes as a burden on the state exchequer. Any delay in such projects necessarily entails rising construction cost which is ultimately borne by the public at large," the bench noted in its order

The Court was hearing a public interest litigation filed by a lawyer, Owais Pechkar, who raised grievances over the difficulties faced by commuters. He sought directions to the National Highway Authority of India (NHAI) and the State government to expedite the repair of potholes on the road and to widen the road. Incomplete work was causing accidents, the Court was told.

Pechkar argued that the authorities had been extending the deadline to complete the project every year and that they should finish the work at the earliest for the ease of commuters.

In response, the NHAI assured the Court that the entire work on NH66 (Panvel to Sawantwadi) will be completed by December 31, 2024.

On this assurance, the bench disposed of the PIL.

"The entire stretch shall be complete in all aspects including road widening and repairs by 31 December 2024. This direction is based on the assurance of the State Public Works Department (PWD), NHAI. Any deviation in the form of any delay in the timeline may be viewed by the court seriously which may amount to contempt," the

Court warned in its order. https://www.barandbench.com/news/delay-in-infrastructure-projects-burdens-state-exchequer-bombay-high-court

15. After 2 years & 165cr, Amrut water project hits a roadblock *(timesofindia.indiatimes.com)* Jan 4, 2024

Kochi: The much-hyped project to give water connections to around 22,000 households in Kochi corporation has hit a roadblock. Only six out of 26 works under the water supply scheme as part of Atal Mission for Rejuvenation and Urban Transformation (Amrut) have begun even after more than two years since the launch of the project.

The main reason for the delay is that the contractors are not ready to undertake work due to the high cost of components like pipes.

"We got administrative sanctions and technical sanctions for all the 26 works under the project in 2022. But we could award only 12 works so far. Of this, six works have started and two have been completed," officials associated with the project said.

"Contractors are not ready to undertake the works due to various reasons. Heavy traffic on the roads like MG Road, Palarivattom-Kaloor stretch of Banerji Road and Chittoor Road makes it difficult for contractors to carry out works. Another issue is the hike in the price of pipes etc. Cost of ductile iron (DI) pipes used for the project has increased significantly. There are also difficulties pertaining to securing road cutting nod from various agencies which own roads," the official said.

Opposition councillors have raised protests against the attitude of the authorities in implementing the project. "Even while many places in the city reels under acute shortage of potable water, the authorities are unable to ensure timely implementation of the project. It is unfortunate that they could not rise to the occasion and take proper measures to expedite the work," said Antony Kureethra, opposition leader of Kochi corporation.

"We used to convene periodical meetings to review the progress of the work. The KWA which implements the project hadn't brought the issue to our notice," said Kochi Mayor Anil Kumar. "In divisions like Elamakkara, water connections were given to many households. Anyway, we will investigate the issue," he said.

Though the project intends to provide water connections to 22,000 households, the authorities could identify only around 5,000 beneficiaries. "We have requested the corporation councillors to give the number of water connections needed in their divisions. Around 20 councillors are yet to provide the information. Now, the total connections needed as per the report of councillors is around 5,000. As per our projection, there would be around 55,000 households in the city which require fresh connections by 2025," sources with the project said.

Another problem for implementation of the project is lack of adequate supply of water. "Kochi corporation won't be able to set up a water treatment plant and supply line on its own to cater to the needs of the city. The issue of water scarcity can be addressed only if the 190 million litre a day (MLD) water treatment plant proposed at Aluva

becomes a reality," KWA officials said. https://timesofindia.indiatimes.com/city/kochi/amrut-water-project-hits-roadblock-in-kochi-with-delay-in-works/articleshow/106530409.cms

16. Foundation stone laid 23 years ago, Odisha CM Patnaik inaugurates irrigation project *(indianexpress.com)* Updated: January 4, 2024

Considering the water scarcity farmers face in the region, the Odisha government had conceptualised the project by constructing a dam across river Suktel in Mahanadi basin in the water-scarce district.

Odisha Chief Minister Naveen Patnaik inaugurated the Lower Suktel irrigation project on Wednesday.

More than 23 years after he laid its foundation stone, Odisha Chief Minister Naveen Patnaik Wednesday inaugurated the Lower Suktel irrigation project, which would benefit one lakh acres of land in drought-prone Balangir district.

Delay in implementation of the project has led to cost escalation of over 12 times, with the Odisha government spending around Rs 2,723 crore. The initial cost was Rs 217 crore.

The erstwhile Planning Commission had approved the project in 1999, and Patnaik laid its foundation stone two years later. But it faced several hurdles, including steep opposition from locals for land acquisition.

The project was expedited only in 2019 after it was included under the flagship 5T (teamwork, technology, transparency, time leading to transformation) initiative of the state government. The CM's erstwhile secretary and trusted bureaucrat V K Pandian constantly reviewed it by making frequent visits to the sites.

The 31 metre high dam has a capacity to hold about 320 lakh cubic metres of water. It will benefit around 80,000 farmers in 203 villages, and also provide drinking water to 70,000 people in Balangir town.

"The Lower Suktel project would usher transformation in the irrigation and farm sectors of Balangir district. It would go a long way in resolving the plight of the farmers," said Patnaik while addressing a gathering there. "Farmers are the chariots of the state's economy and the state government is taking them towards development."

Considering the water scarcity farmers face in the region, the Odisha government had conceptualised the project by constructing a dam across river Suktel in Mahanadi basin in the water-scarce district.

The opposition, however, alleged the project was inaugurated without being fully completed, keeping in mind the upcoming elections. https://indianexpress.com/article/india/odisha-cm-naveen-patnaik-inaugurates-lower-suktel-irrigation-project-9094448/