NEWS ITEMS ON CAG/ AUDIT REPORTS

1. Road Ministry demands 25% hike in budget allocation to keep NHAI borrowings at minimum in next financial year: Report

(livemint.com) Updated: 04 Dec 2023

The Ministry of Road Transport and Highways in India has requested a budgetary allocation of ₹3.25 lakh crore for the fiscal year 2024-25 from the Ministry of Finance, which is a 25 percent increase compared to the previous year.

The Ministry of Road Transport and Highways in India has requested a budgetary allocation of ₹3.25 lakh crore for the fiscal year 2024-25 from the Ministry of Finance, which is a 25 percent increase compared to the previous year, according to a report by Moneycontrol.

The government aims to maintain minimal market borrowings for the National Highways Authority of India in the upcoming financial year, government officials said.

"As part of the government's strategy to recapitalise its (NHAI) balance sheet with higher budgetary support and zero market borrowings, we have asked for a 20-25 percent jump in Budget allocation needed in 2024-25," a senior government official said.

The Official further mentioned that following a comparatively subdued year marked by limited project awards due to state elections and the impending Lok Sabha elections, the government intends to substantially escalate project awards in the fiscal year 2024-25. This, in turn, is expected to enhance the capital expenditure outlay for the upcoming year.

"NHAI is likely to complete 2023-24 will market borrowing of less than ₹1,000 crore for the second straight year and going forward its market borrowing is expected to remain less than ₹1,000 crore for 2024-25 as well, after which its total debt will be in a comfortable spot," a second government official said.

The government has designated the National Highways Authority of India's (NHAI) internal and extra-budgetary resources (IEBR) as minimal for the fiscal year 2023-24. This implies that the NHAI does not intend to seek external borrowing to finance its capital expenditure.

For the second consecutive fiscal year, the Union Budget has allocated minimal market borrowing for the National Highways Authority of India (NHAI). Officials anticipate that NHAI's reliance on market borrowing will continue to be kept to a minimum in the fiscal year 2024-25.

As of January 2022, NHAI's debt had reached ₹3.44 lakh crore, a substantial increase from ₹24,188 crore in 2014-15, marking a 14-fold rise in less than seven years. The government now aims to curtail NHAI's debt to ₹1 lakh crore by the fiscal year 2024-25.

Furthermore, officials anticipate that approvals for the revised Bharatmata Phase-I program will likely be granted by 2024-25. This development is expected to catalyze the pace of project awards and construction activities in the upcoming fiscal year.

The pace of awarding projects under the Bharatmala Pariyojana scheme has decelerated in recent months following the identification of irregularities by the Comptroller and Auditor General (CAG) of India in the project awarding process in August.

The auditor's report on the implementation of Phase-I of Bharatmala Pariyojana highlighted deficiencies in the appraisal and approval mechanism presented to the Cabinet Committee on Economic Affairs (CCEA). Additionally, significant cost overruns were flagged in several high-cost Engineering Procurement and Construction (EPC) projects, including notable examples such as the construction of the Dwarka Expressway project and Delhi-Vadodara Expressway.

"Investors looking at the (roads) sector will eye 2024-25 as the year to set the pace of growth for the next five years, and after a slower-than-expected performance in the current financial year, the ministry is looking to boost both its construction and awarding target next years," the second government official said.

The ministry had initially intended to utilize over 90 percent of its ₹2.59 lakh crore capital expenditure (capex) allocation for the fiscal year 2023-24 by December 2023. However, officials note a significant deceleration in project awards since July, attributed to factors such as heavy rains, delays in land allocation, and ongoing elections in five states.

As of October 31, 2023, the Ministry of Road Transport and Highways (MoRTH) has expended approximately ₹1,66,157 crore in capex, resulting in the construction of around 4,450 km of national highways. However, project awards have been limited to only 2,595 km during the same period.

In comparison, during the corresponding period last year, the government successfully constructed approximately 4,060 km of national highways and awarded projects for 5,007 km.

Officials highlight that the impediments in land allocation, exacerbated by election-related delays and prolonged monsoons in certain regions, have disrupted the ministry's execution timeline.

"Despite a shorter time frame for awarding projects in 2023-24, we expect to surpass the road construction target of 12,500 km set last year," another government official said. https://www.livemint.com/budget/expectations/road-ministry-demands-25-hike-in-budget-allocation-to-keep-nhai-borrowings-at-minimum-in-next-financial-year-report-11701692944719.html

STATES NEWS ITEMS

2. Rhetoric and Reality II: Construction workers' plight in UP no different *(bizzbuzz.news)* 05 Dec 2023

New Delhi: Politicians claim that they strive to make the lives of the poor, including construction workers, better. In Uttar Pradesh, however, that doesn't seem to be happening, as evident by a report prepared by the Comptroller & Auditor General (CAG).

The expenditure incurred by the State's Building & Other Construction Workers (BOCW) Welfare Board on the welfare of workers against available funds ranged from 4.45 per cent to 26.63 per cent in the period between 2017-18 and 2021-22 financial years. In the same period, the expenditure covered anywhere between 5.55 per cent and 31.26 per cent of registered workers over the period.

FY2019 was the worst year from workers' perspective, for the lowest percentages, 4.45 per cent and 5.55 per cent, happened in this financial year. In absolute numbers, total funds available for construction workers this fiscal Rs5,079.05 crore, of which only 193.85 crore was spent on them.

The CAG report further observed that the increase of expenditure in 2021-22 over 2020-21 was mainly due to expenditure of Rs958.87 crore under the Disaster Relief Assistance Scheme, Rs313.43 crore under the Girl Marriage Assistance Scheme, Rs193.19 crore under the Maternity, Infant & Girl Assistance Scheme, and Rs67.15 crore under the Nirman Kamgar Gambhir Bimari Sahayata Yojana.

Besides, Rs16.8 crore was used on administrative expenditure and Rs1,890 crore was transferred to a corpus fund for operation of Atal Awasiya Vidyalayas for children of workers registered with the board.

The mechanism adopted for accounting of the Labor Cess is not in conformity with the BOCW Cess Rules, 1998, which provide that the Cess collected shall be transferred to the board in the head of account of the board under the accounting procedures of the State, the CAG said. Accordingly, the collected Cess should be depicted in the public account and from there it may be transferred to the board's account. The orders to transfer Cess directly to the bank account of the board without bringing it into government accounts violate the provisions of Article 266 of the Constitution of India. In the absence of accounting of Cess through government accounts, it was also not ascertainable from the accounts of the State government as to how much money was collected on account of Cess, fee, etc., and how much money was transferred to the board by various Cess Collectors.

Sums collected against labor Cess by the UP BOCW Welfare Board should be part of the public account of the State and from there it may be transferred to the board account, the CAG recommended. The board "should fulfill its mandate of improving the working condition of building and other construction workers and providing adequate financial assistance to them. https://www.bizzbuzz.news/industry/rhetoric-and-reality-ii-construction-workers-plight-in-up-no-different-1270543

3. Central Pollution Control Board estimates ₹4.8-crore environment compensation for improper disposal of demolition waste at Maradu *(thehindu.com)* December 04, 2023

Steps to be taken to recover compensation from Maradu municipality under the provisions of Construction and Demolition Waste Management Rules, 2016

The Central Pollution Control Board (CPCB) has assessed an environment compensation of ₹4.8 crore for the improper management of construction and demolition waste following the controlled implosion of four high-rise buildings in Maradu on January 11, 2020.

The Southern Bench of the tribunal comprising Justice Pushpa Sathyanarayana and expert member Satyagopal Korlapati had asked the Kerala State Pollution Control Board (KSPCB) in February 2023 to recalculate the environment compensation after the regional office of the agency in Ernakulam submitted a report saying that the amount was zero as there were no lapses in the removal of the demolition waste.

In an updated report submitted on December 2, the KSPCB Chief Environmental Engineer, Ernakulam, informed the tribunal that steps would be taken to recover the compensation from the Maradu municipality under the provisions of Construction and Demolition Waste Management Rules, 2016.

The CPCB, which had recalculated the environment compensation, found that the civic body had not complied with the entrusted responsibilities. The waste was sold to a private agency and the weekly log of conveyance prepared by the agency was the only document provided in support of the disposal claims. The municipality ignored its responsibility to transport the waste to sites or facilities for safe disposal or reprocessing as per the rules, it said.

The Central board stated that there were no records available with the municipality on the safe disposal or proper reprocessing of the waste as per the provisions of the rules. The entire quantity of waste (69,606 metric tonnes) may be considered as illegally disposed in violations of the provisions stipulated under Section (6) (duties of local authority) under the Construction and Demolition Waste Management Rules, 2016.

The CPCB also quoted the report by the Comptroller and Auditor General of India mentioning the lapses in the disposal of demolition waste. The ultimate disposal was not in tune with the norms, it said.
https://www.thehindu.com/news/cities/Kochi/central-pollution-control-board-estimates-48-crore-environment-compensation-for-improper-disposal-of-demolition-waste-at-maradu/article67604250.ece

4. जमीन हड़पने व हस्तांतरण का होगा आकलन:सीएजी ने झारखंड में शुरू कराया ट्राइबल लैंड मैनेजमेंट का परफॉर्मेंस ऑडिट *(bhaskar.com)* 05 Dec 2023

रांची: आदिवासियों का जमीन हस्तांतरण और उनकी जमीन हड़पने को लेकर झारखंड में परफॉर्मेंस ऑडिट शुरू हो गया है। देश के नियंत्रक एवं महालेखा परीक्षक (सीएजी) के निर्देश पर राज्य भर में ट्राइबल लैंड मैनेजमेंट का परफॉर्मेंस ऑडिट कराया जा रहा है। झारखंड महालेखाकार (एजी) की ओर से राज्य के सभी जिलों में गाइडलाइन जारी कर दी गई है।

पांच जिलों में ऑडिट टीम ने काम भी शुरू कर दिया है। https://www.bhaskar.com/local/jharkhand/ranchi/news/land-grabbing-and-transfer-will-be-assessed-132239945.html

5. हरमू नदी की दुर्दशा: बार-बार संशोधन से ग्रामीण क्षेत्र का डीपीआर फाइनल नहीं हुआ सलाहकार को 1.60 करोड़ का करना पड़ा भुगतान *(newswing.com)* 04 Dec 2023

Ranchi: हरमू नदी जीर्णोद्धार-संरक्षण कार्य दो चरणों में होना था. पहले चरण में शहरी क्षेत्र में काम तो प्रारंभ कराया गया, लेकिन ग्रामीण क्षेत्रों में इस पर काम प्रारँभ नहीं हो सका. हरमू नदी के उद्गम स्थल पर कोई खास काम नहीं हो पाया. जुडको ने हालांकि, पहले चरण के सुधार कार्यो सहित परियोजना दो ग्रामीण क्षेत्र के लिए डीपीआर तैयार कराने की भी प्रकिया प्रारंभ की थी.

मेसर्स आइके वर्ल्डवाइड को फरवरी 2016 में नियुक्त भी किया. कंसलटेंट ने सर्वे इत्यादि कार्य करने के बाद इसका डीपीआर भी तैयार कराया था. लेकिन कार्य क्षेत्र में बार-बार संशोधन की वजह से इसे फाइनल नहीं किया जा सका. सीएजी रिपोर्ट में इसका खुलासा हुआ है. यह रिपोर्ट अभी विधानसभा समिति के पास है.

अपनी रिपोर्ट में सीएजी ने स्पष्ट कहा कि बार-बार संशोधन की वजह से पांच साल बाद भी हरमू नदी के दूसरे चरण का डीपीआर नहीं बना. हालांकि, इस बीच सलाहकार को 1.60 करोड़ रुपये का अब तक भुगतान भी करना पड़ा. ऐसे में डीपीआर निर्माण में वित्तीय नुकसान उठाना पड़ा. https://newswing.com/plight-of-harmu-river-dpr-of-rural-area-not-finalized-due-to-repeated-amendments-consultant-had-to-pay-rs-1-60-crore/671378/

SELECTED NEWS ITEMS/ARTICLES FOR READING

6. Empowered NFRA will keep auditors on their toes *(thehindubusinessline.com)* 04 Dec 2023

Since its inception in October 2018, the National Financial Reporting Authority (NFRA) has passed more than 50 orders against an eclectic set of audit firms and auditors. A majority of these orders have been against the auditors of IL&FS, Dewan Housing Finance Limited (DHFL) and Café Coffee Day. NFRA's DHFL orders were issued end-September.

Monetary fines were imposed on branch auditors of DHFL. They were barred from accepting audits for a defined period. Some of the auditors of DHFL had approached the National Company Law Appellate Tribunal (NCLAT) with their principal plea being that NFRA does not have the jurisdiction to investigate cases prior to its birth — the audits of DHFL were for the financial year prior to 2018. On December 1, the NCLAT ruled that NFRA, in fact, has such a jurisdiction. However, the Telangana High Court, in August, ruled that NFRA does not have such jurisdiction.

The auditor of a company named Brightcom asked a similar question to the Telangana High Court even before NFRA passed orders against him.

The NCLAT order states that after taking into consideration the background for forming NFRA, the judgment of the Apex court, and the proven scams, NFRA has a clear and required retrospective jurisdiction over the alleged offences by delinquent chartered accountants for a period prior to formation of NFRA or prior to coming into effect of relevant portion of Section 132 of Companies Act.

NCLAT relied on the decisions of the Supreme Court in SEBI vs Classic Credit and also in New India Assurance vs Shanti Misra. In these cases, the Apex court had held that change in forum due to change in law cannot be a bar on retrospective implementation. With this decision, the auditors who approached the NCLAT would think twice before they knock on the doors of the Supreme Court to reverse the NCLAT’s decision.

The litigants asked the NCLAT other questions too. Would auditing standards apply to audit of bank branches? NCLAT said they do since they are auditing standards and not mere guidance notes or advisories. Would NFRA have jurisdiction over auditors which the Institute of Chartered Accountants of India (ICAI) also has? NCLAT answered this too in the positive.

Turf wars

In the first few years of NFRA, there appeared to be turf wars between NFRA and the ICAI over who has jurisdiction over auditors. It was generally felt that ICAI has jurisdiction over individual auditors but not on audit firms.

The NFRA’s authority appears to be all-encompassing. NFRA would continue to focus on auditors of listed companies and instances where other regulators such as the Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA) have raised concerns over the work done by auditors.

ICAI would also have jurisdiction over these auditors and those whom NFRA chooses not to monitor. ICAI has been taking the lead in recommending accounting and auditing standards and training their members on implementing them. The NCLAT judgment clears the air on the jurisdiction and powers of the NFRA. On the ground, audit firms appear to have accepted this fact and audit reports for the past couple of years appear to have been drafted keeping this in mind.

Going forward, audit firms are going to be uber-cautious and will spend a lot of time on documenting their audit work. Audit reports of the future could say a lot of things that haven’t been said so far. Entities should be prepared to pay their auditors more.

https://www.thehindubusinessline.com/opinion/empowered-nfra-will-keep-auditors-on-their-toes/article67604954.ece

7. Don’t expect CoP-28 to make real progress against climate change *(livemint.com)* 04 Dec 2023

Net zero aims look unrealistic with really slow emission reductions and ineffective offsetting programmes

This will be the warmest year on record and 2024 will likely be warmer still, thanks to a combination of climate change impacts and the effects of periodic and naturally occurring El Niño ocean oscillations. About 80,000 delegates representing over 190 ‘parties’ have gathered in the UAE for the 28th edition of the Conference of the Parties (CoP-28) to follow through on the landmark climate negotiations of CoP-21 held in Paris back in 2015. The first ever global ‘stocktake’ is expected to conclude in Dubai, and is intended to be a transparent, party-driven process that informs future climate action plans under the nationally determined contributions (NDCs) laid out by the Paris Agreement.

Ironically, CoP-28 is being held in the UAE, a member of OPEC and the world’s seventh largest producer of oil. Controversially, Sultan al-Jaber, the former head of Abu Dhabi National Oil Company (ADNOC), is the president of CoP-28. Leading up to the conference, al-Jaber has been busy making green deals in countries ranging from Turkey and Zambia to Egypt. The Financial Times reported that with the heft of the UAE’s sovereign wealth funds behind him, al-Jaber has announced green investment deals worth some $200 billion over the past year, with big agreements in Turkey and Azerbaijan. At the same time, ADNOC has a capital expenditure budget of $150 billion to further develop the UAE’s hydrocarbon capacity over the next five years.

Some green investments are real. For instance, the world’s largest solar installation at Bhadla Park in the Thar desert of Rajasthan. This 2,245-megawatt (MW) installation was financed with $775 million from the Climate Investment Fund and another $1.4 billion from development finance institutions. The multi-phase project is now fully operational and the operating units are performing satisfactorily. Many of the power purchase agreements (PPAs) to feed the grid that were initially delayed are now in place with the Solar Energy Corporation of India (SECI), a AAA-rated entity that is financially capable of honouring 25-year-long contracts.

Climate action typically involves slowly mitigating hydrocarbon emissions while also increasing the scale and breadth of ‘off-setting’ projects. This is the semantic origin of the term ‘net zero’ for emissions. Even as renewable energy schemes and electric vehicles gather steam around the world, the status of ‘off-setting’ projects is worrisome. Evidence from the Voluntary Carbon Credits Market (VCM) suggests that a majority of these off-setting projects that have sold carbon credits to help corporations and countries on their net- zero paths may actually be characterized as junk or worthless.

The most popular global off-setting projects include forestry schemes, hydro-electric dams, solar and wind farms, waste disposal and greener household appliances. For instance, the world’s largest carbon sequestration programme in Wyoming, US, which has benefitted from government subsidies, has either released its captured carbon dioxide or sold it to fossil fuel companies to assist in fracking, a technique used to extract oil and gas.

The UAE presidentship of CoP-28 is emblematic of the severe contradictions in the global response to climate change. On one hand, addiction to hydrocarbons remains strong; it may even be increasing. On the other hand, and at the same time, real green investments are increasing, even if not by enough. This split personality is captured in the flawed concept of net-zero targets. Hydrocarbon reduction (measured in terms of CO_2 emission reduction) is a day too late (make that a couple of decades) and green investments are a dollar short (to the tune of $50-100 trillion actually).

While not fast enough, some progress has been made. US CO_2 emissions peaked in 2007 at just under 7 gigatonnes of CO_2 equivalent ($GtCO_2e$) and are now running at about 5.5 $GtCO_2e$. The EU now emits only 2.7 $GtCO_2e$, down over 40% from its peak. The rest of the world, including China and India, still contribute to an annual growth of about 1% in emissions and are not anywhere close to their peaks.

The idea that countries can assuage their 'guilt' for emissions by offsetting these, so as to eventually emit only as much as they take out of the atmosphere, was the reason behind the powerful rise of the net zero concept. Think of it as a simple equation: E-O=NZ. Here, E stands for emissions, O for offsets that remove emissions and NZ (for net zero) is attained when E=O. If used properly, it can provide a directional framework for sustainability, while the world negotiates exactly how to take climate action while mitigating the potentially severe impacts of climate change. Alas, even as E increases, O is not only not keeping pace, but also terribly unreliable and subject to dramatic exaggeration ('greenwashing'). While ambitious NZ targets have been announced, the performance of E and O are faltering and several years behind schedule, rendering the concept of NZ in its current form undeliverable at the existing pace of change.

To use a football metaphor, CoP-28 is likely to achieve a mid-field lateral pass of the ball that's well short of goal. The net zero concept will likely live on with only modest progress on emissions reduction and offsets, well short of what is required for the long-term pledges of Paris to be met. https://www.livemint.com/opinion/online-views/dont-expect-cop-28-to-make-real-progress-against-climate-change-11701690783899.html

8. The upcoming 16th Finance Commission has a highly critical task at hand *(livemint.com)* 05 Dec 2023

State poll results make Indian federalism look robust, but fiscal tensions are inevitable. The 16th Commission will have to be very careful if delimitation is done during its award period.

From an electoral lens, Indian federalism would seem in fine fettle, with state governments routinely voted in and out amid much political fanfare. Of the five states that went to polls this autumn, as many as four saw incumbent parties ousted from power. Fiscally speaking, however, our federal system faces slowly emerging tensions. Spare a thought for the 16th Finance Commission (FC), whose terms of reference were approved last week by the Union Cabinet. Set up under Article 280 of the Constitution to recommend how tax revenue should be shared between the Union and states (and among states themselves), FCs have never had it easy. In a scenario where resources are limited while the demands on them are virtually unlimited, they must perform a trapeze act. If the term of an FC coincides with a basic shift in the fiscal relationship between the Union and states—as with the 15th FC, which saw GST launched in 2017—then its job is tougher still. Even so, the task before the 16th FC will be truly unenviable. This is because a Lok Sabha constituency rejig may overlap with its span of coverage from 2026-27 to 2031-32.

In accordance with a Vajpayee government decision of 2001, a long-overdue delimitation exercise is to be undertaken following the “first Census after 2026." Covid got in the way of the 2021 headcount, but this one delayed further or even the next due in 2031 could trigger—and form the basis of—a re-allocation of Lok Sabha seats among states. This is unlikely to go down smoothly, as differing rates of population growth would amplify the share of northern states in Parliament. While the underlying rationale is sound, as we must reduce if we can’t eliminate today’s inequity in representation, wherein each Member from a populous state represents many more voters than an MP from elsewhere, our southern and western states that stand to lose share of voice at the national level would be far from amused. As they have done far better on population stability, diminished political heft at the Centre would seem like unjust desserts. What makes this situation particularly piquant is that the demographic success of these states has been accompanied by faster economic expansion and thus a rising relative contribution to the country’s coffers. Although taxation is meant to play equalizer, how mop-ups are split could prove contentious in the context of these trends.

Over the years, successive FCs have tried to bring about some convergence in standards of living across states through a variety of transfers. As pointed out by former Reserve Bank of India governor, D. Subbarao in a recent newspaper op-ed, “For every rupee they contribute to the Centre’s taxes, richer states like Tamil Nadu and Maharashtra get back less than a rupee while poorer states like Bihar and Jharkhand get more than a rupee." While some cross-subsidization of poorer states by richer ones is inevitable in a country of sharp disparities, how much further it can go remains a question. Already, the sense has grown that India’s better performers are bearing a burden for states that use their resources less wisely. This in itself could test the resilience of our federal set-up as we go along. The prospect of a Lok Sabha that’s structurally likely to tilt more in favour of north Indian policy priorities will only steepen the 16th FC’s allocative challenge. What’s in the country’s best long-term interest would have to guide its approach. A delicate political economy balance needs to be struck. https://www.livemint.com/opinion/online-views/the-upcoming-16th-finance-commission-has-a-highly-critical-task-at-hand-11701690593532.html

9. Indian Banks Write off Rs 10.6 Lakh Crore in 5 Years, Mostly Linked to Large Corporates: Govt Data *(thewire.in)* December 5, 2023

Approximately 2,300 borrowers, each with loans exceeding Rs 5 crore, deliberately defaulted on around Rs 2 lakh crore.

The government on Monday, December 4, informed the Lok Sabha that in the last five years, Scheduled Commercial Banks (SCBs) wrote off nearly Rs 10.6 lakh crore, with almost half of this amount belonging to large industrial houses.

Approximately 2,300 borrowers, each with loans exceeding Rs 5 crore, deliberately defaulted on around Rs 2 lakh crore, it said.

According to the Hindu BusinessLine, the write-offs, conducted in accordance with Reserve Bank of India (RBI) guidelines and approved bank board policies, involve removing non-performing assets (NPAs) from balance sheets after full provisioning.

"Such write-offs do not result in waiver of liabilities of borrowers to repay," Minister of State in the Finance Ministry Bhagwat Karad said in a written response. The process of recovery of dues from the borrower in written-off loan accounts continues, write-off does not benefit the borrower, Karad added.

The newspaper reported that the minister did not name individual borrowers whose accounts have been written off citing the RBI Act. Quoting RBI, he said that all SCBs have collected an aggregate amount of Rs 5,309.80 crore as penal charges, including penalty charges against delay in payment of loans, during the financial year 2022- 23.

In response to another question, Karad said that SCBs and All India Financial Institutions report certain credit information of all borrowers having aggregate exposure of Rs. 5 crore and above to the Central Repository of Information on Large Credits (CRILC). "As reported in CRILC database, as on 31.3.2023, total 2,623 unique borrowers were classified as wilful defaulters, with aggregate outstanding of over Rs 1.96 lakh crore by SCBs," he said.

The minister also clarified that the primary regulatory objective behind allowing wilful defaulters to enter into compromise settlement is to enable multiple avenues for lenders to recover the money in default without much delay. Apart from the time value loss, inordinate delays result in asset value deterioration, hampers ultimate recoveries, he said. https://thewire.in/banking/indian-banks-write-off-rs-10-6-lakh-crore-in-5-years-mostly-linked-to-large-corporates-report

10. Over 50% of Rs 2.9 Lakh Cr Bank Loan Waivers Linked to Big Industries, Services Sector in FY23: Govt *(newsclick.in)* 05 Dec 2023

Banks waived loans worth Rs 10.6 lakh crore in the past five years, of which over 50% were linked to large industries and services sector.

In financial year 2022-23, scheduled commercial banks waived loans worth Rs 2.09 lakh crore, of which 52.3% or Rs 1.9 crore was for large industries and services sector, Minister of State of Finance Bhagwat Karad informed the Lok Sabha in a written reply on Monday.

When asked for the names of the corporates, the Minister cited Reserve Bank of India rules to not disclose the names of the companies for which loans were written off.

"With regard to the name of companies, RBI has informed that it is prohibited to disclose borrower-wise credit information under Section 45E of the RBI Act, 1934," Karad said in reply to the query by Abdul Khaleque, Mahesh Sahoo and M Badruddin Ajmal.

When asked about the amount of money collected by banks and other lending financial institutions as penalty charges against delay in payment of loan, the Minister said: “RBI has further informed that the amount of money collected by the banks and other lending financial institutions as penalty charges against delay in payment of loan is not maintained by it.”

However, the Minister cited RBI data that said that banks had collected an aggregate amount of Rs. 5,309.80 crore as penal charges, including penalty charges against delay in payment of loans, during the financial year 2022- 23.

In the financial year 2021-22, there was a dip in total written-off loans to Rs 1.75 lakh crore, out of which 39.8% or Rs 69, 533 crore was to large industries and the services sector.

Data for the past five years shows that the share of large industries and services in bank loan write-offs have always been the highest.

According to a report in Indian Express based on an RTI reply, banks have written off a whopping Rs 15,31,453 crore since FY2012-13, as per RBI data. “However, what is to be noted is that loans written off by banks will remain in the books of banks as unrecovered loans. The central bank RTI reply had said that the banks recovered only Rs 1.09 lakh crore from Rs 5.87 lakh loans written off in the last three years, revealing that they could only recover 18.60 per cent of the write-offs during the three-year period,” said the report.

In June this year, the RBI had proposed a “compromise settlement” with wilful defaulters, which was opposed vehemently by bank unions.

In a joint press statement issued recently (June 13), the unions termed the RBI’s “Framework for Compromise Settlements and Technical Write-Offs” as a “detrimental” step by the central bank which threatens to “compromise the integrity” of the entire banking system, as also undermine the efforts being made by public sector banks to effectively tackle the menace of wilful default of loans.

The unions pointed out that "wilful defaulters significantly impact the financial stability of banks and the overall economy. By allowing them to settle their loans under the compromise, the RBI is essentially condoning their wrongful actions and placing the burden of their misdeeds on the shoulders of ordinary citizens and hardworking bank employees."

Reacting strongly, the unions pointed out that a Standing Committee of Parliament of Finance had, in February 2016, recommended that in the case of wilful defaulters, there should be accountability of nominee RBI directors, Managing Directors and CMDs of banks.

“The list of top wilful defaulters, as suggested by the Standing Committee, is yet to be published,” said the unions, also questioning the RBI why some “crucial posts” still lie unfilled which could lead to “truncated bank boards” quickly reaching “compromise settlements” without facing any opposition. https://www.newsclick.in/over-50-rs-29-lakh-cr-bank-loan-waivers-linked-big-industries-services-sector-fy23-govt

11. What Does the GDP Contraction in the Agricultural Sector Indicate for India’s Food Security? *(thewire.in)* December 5, 2023

In the agriculture sector, GDP contracted by 1.2% in the second quarter of this fiscal year. This could be a warning sign for India's food security due to several reasons.

The Indian economy grew 7.6% during the July-September quarter of the current fiscal 2023-24. However, the gross domestic product (GDP) figures confirm India’s worst fears – an imminent agricultural food crisis.

This is despite non-agricultural sectors doing well due to investments. But the devil is in the details, as private consumption, whose data is processed during the GDP exercise, has fallen, further deepening the wealth gap.

In the agriculture sector, GDP contracted by 1.2% in the second quarter of this fiscal year. This could be a warning sign for India’s food security due to several reasons. Firstly, Indian farmers just harvested their Kharif crops in October-November. This is when the rains help the farmers reap their harvests. However, this wasn’t the case this year.

Rainfall was unexpected in many parts of the country. Farmers, however, took advantage of the moisture and sowed an early Kharif crop. After that, India experienced a drought-like August.

Then cyclone Biparjoy showered excessive rainfall on western India, right before the start of the monsoon season.

This resulted in major losses for the farmers.

Moreover, the US Department of Agriculture forecasted a 4% dip in paddy production. The Indian agriculture ministry confirmed these doubts. India has experienced about a 3.7% dip in paddy production despite having more area under Kharif paddy.

From a ban on non-basmati exports, sugar exports, stocking limits and weekly stock disclosures by big and small agri-processors, policymakers are trying to implement a comprehensive approach. They seem to be aware of the state of agriculture in the country and are deploying strategies to avert the threat of food insecurity.

Secondly, more than 40% of the country is directly or indirectly associated with agricultural production. Industry and service sectors employ a relatively small percentage of the population. If agricultural production contracts, then that could mean more pressure on MGNREGA, and a potential rural crisis.

Moreover, India is already suffering deeply due to rising food prices.

The GDP contraction in the agricultural sector validates our fears. It also highlights the motives behind the government’s aggressive food protection policies.

These include the prime minister’s announcement to provide free ration to 80 crore people for five years beyond December.

While this measure is laudable, it begs the question what conditions led to this situation.

Note that the Indian food reserves were at a six-year low in August due to the couple of years of bad harvests in both the Rabi and Kharif seasons.

When we compare GDP data with other data, such as the monsoon data and national water reservoir data, it reveals a deeper problem. The government appears to lack full transparency regarding food production data.

The GDP contraction in the agricultural sector points to a deeper production issue, which goes far beyond crop harvest estimates.

If the all the three datasets – monsoon, water reservoir, and agriculture GDP – are synchronised, then it could be said that India is definitely looking at food and livelihood trouble in the rural areas. The global hunger index also pointed to increased levels of malnutrition and hunger in the country already.

It is early to say how badly this will affect food inflation and food security, but we can be certain that the outlook for food and agriculture is not optimistic and the agriculture GDP figures confirm these concerns. https://thewire.in/agriculture/what-does-the-gdp-contraction-in-the-agricultural-sector-indicate-for-indias-food-security

12. MGNREGS spend high in southern states, TN tops *(financialexpress.com)* December 5, 2023

Centre concerned use of funds lags in poorer states, including UP & Bihar

With Tamil Nadu, Andhra Pradesh and Telangana accounting for 30% of the flagship Mahatma Gandhi National Rural Employment Guarantee Scheme spending so far in FY24, the Centre is concerned that the scheme has been "compromised to supplement" the state budgets for rural works, rather than address seasonal unemployment.

As a result, the Centre will likely remain economical in additional allocation of funds later this week, when it seeks Parliament's nod for supplementary demand for grants for the scheme (MGNREGS).

Officials fear that the trend of a few high per-capita-income states cornering a larger pie would likely hurt the requirement of backward and low-income states.

"States where poverty and backwardness are more, are getting less under the scheme," an official said.

Tamil Nadu, which has a share of just 4.07% in the central taxes (divisible pool), accounted for Rs 11,373 crore or 14.83% of the spending of Rs 76,707 crore in the MGNREGS so far in FY24. On the other hand, the country's most populous state Uttar Pradesh got Rs 8,504 crore or 11.1% in MGNREGS funds while it has a share of 17.93% in inter-se share of tax devolution.

O course, there is a direct link between the tax devolution formula and MGNREGS.

In the tax devolution, income distance or low per capita income has the highest weight (which is 45% under the 15th FC award period). In FY23, per capita income in Tamil Nadu was Rs 2,75,583 while it was Rs 2,19,518 in Andhra Pradesh. The same was Rs 83,565 for UP and Rs 54,111 for Bihar.

MGNREGS aims to provide at least 100 days of guaranteed wage employment in a financial year to every household in rural areas of the country, whose adult members volunteer to do unskilled manual work, mainly during off-seasons.

Rampant misappropriation of funds allocated under the flagship scheme is one of the main triggers for the Centre to make a five-year low provision of Rs 60,000 crore in the FY24 Budget for the jobs programme.

There are over 260 permissible works including earthwork, rural roads and toilets in schools under MGNREGS.

It has been found that some states including Tamil Nadu, Andhra Pradesh and Telangana are using the MGNREGS funds for whatever infrastructure they could build and saving on their own resources on their projects. For example, if such a state is building rural roads, it would use MGNREGS for all the earthwork and topping and the rest of the work would be completed by the state. Similarly, if schools are being built, toilets are under MGNREGS.

"There is nothing wrong in such works, yet there is a manipulation to corner a larger share," another official said. This malpractice has put pressure on the states which need funds to give work to people during the lean season as the Centre has become tight-fisted after reports of misuse of funds. According to an internal government estimate, one-third of MGNREGS funds suffer various kinds of leakages.

The Centre has so far released Rs 68,445 crore or 98% of the Rs 70,000 crore provided in FY24 (Rs 60,000 crore in the Budget and Rs 10,000 crore from the contingency fund).

As against the availability of Rs 79,586 crore (including some writeback of funds from the previous year) as of December 4 of the current fiscal, the expenditure/releases stood at Rs 76,707 crore or 96% of the available funds for the MGNREGS. Some more funds will be provided later this week through the supplementary demand for grants. https://www.financialexpress.com/policy/economy-mgnregs-spend-high-in-southern-states-tn-tops-3327810/

13. For Navy, small aircraft carriers limit options *(hindustantimes.com)* Dec 04, 2023

India's naval planners deciding to opt for a smaller carrier seems to be the result of diminishing options

Last week, India's Defence Procurement Board, a key defence ministry agency, approved a plan for the Indian Navy (IN) to acquire a second indigenous aircraft carrier. To be built at a cost of over ₹40,000 crore, the IAC-II will be modelled on INS Vikrant, India's first indigenous aircraft carrier, commissioned in September 2022. The new warship is intended to bolster India's maritime security posture against China's People's Liberation Army Navy, whose expanding incursions into the Indian Ocean region have generated anxiety in New Delhi. Even so, the move raises questions about the advisability of a second "light" 40,000-tonne aircraft carrier for the Indian Navy, instead of a "big" 60,000-tonne plus flattop.

It is instructive that the IN has, at least since 2018, been pushing for a big aircraft carrier. However, last year the Navy unexpectedly dropped its demand for a large carrier and announced that the next flattop would be a small one. What led to this reversal is still unclear, but it seems the IN is in a fiscal situation in which building a large aircraft carrier is no longer feasible.

The current focus of the Modi government is on achieving self-reliance for India, and the Navy is under pressure to prioritise the development of indigenous capabilities. With capital allocations down and the government having significantly reduced the acquisition of foreign systems, the Navy has neither the material resources needed nor an assurance of imports for the development and construction of a big carrier. Choosing a smaller flattop design potentially guarantees that Cochin Shipyard and its considerable expertise gained during the construction of the Vikrant are effectively utilised.

Naval planners seem to have taken another factor into their calculations. The Navy is also looking to induct indigenous twin-engine deck-based fighters by 2030. To operate these aircraft, which are intended to replace the MiG-29Ks, the IN will require at least two operational aircraft carriers. A light aircraft carrier makes better sense because a large flattop could take over two decades to enter service.

Nonetheless, the transition from a supercarrier to a modest flattop creates a predicament for the Navy. The problem with light carriers is that they are unsuitable for use in today's dynamic and contested maritime environment.

In wartime conditions, a small carrier is constrained in its operations, particularly when faced with the adversary's anti-access, anti-denial systems. In the absence of a catapult system to enable the launch of heavy, long-range multi-function aircraft, the ship is forced to operate within the engagement envelope of the adversary's shore-based missiles and air defence systems.

Small carriers are also less capable than large deck carriers in other critical respects. Small flattops feature conventional propulsion (gas turbine or diesel), which provides less power than large carriers, which are typically nuclear-powered and have enough power to operate constantly in sensitive littorals. This results in reduced flexibility and agility in operations. A light carrier has a shorter operational range, a lower sortie generation rate, and less endurance than a large aircraft carrier, which can act as a floating base and deploy for lengthy periods. Small flattops also have less powerful onboard defence systems than larger carriers and are especially vulnerable to drone swarm attacks.

While small deck carriers are valuable in peacetime presence activities, their combat role is restricted unless their air wing consists of a strong aircraft with improved range, lethality, and survivability. Maritime planners today know the importance of having a fifth-generation carrier-based fighter that can deliver precision munitions over extended distances without endangering aircraft or aircrews. The IN does not have such an aircraft presently. Over the next decade, MiG-29Ks and Rafale marines would likely operate from Indian aircraft carriers. How successful these operations will be in deterring opponents in the far seas is hard to say.

There are, admittedly, two views on the subject of light aircraft carriers. Aircraft carrier sceptics believe that the flattop being expensive and vulnerable assets ought to be small and well-protected. With limited defensive capability against modern anti-ship cruise and ballistic missiles, the carrier must not venture too close to enemy territory. Aircraft carrier proponents disagree, and point to the ship's decisive ability to tip the psychological balance at sea. A large flattop, they rightly claim, is the only platform capable of maintaining a continuous and visible presence in the far-littorals. That complicated the adversary's cost-benefit calculus in a way that no other asset is capable of doing.

If the sceptics are right and symbolic presence at sea is all that matters, then a light carrier is indeed a worthy asset. But if a carrier is meant for use in combat, then it must be capable of supporting larger numbers of long-range combat and reconnaissance aircraft. Whatever the rhetoric surrounding IAC-II in the media, China — with large aircraft carriers, such as the 65,000-tonne Shandong and the 80,000-tonne still-to-be-commissioned Fujian — is unlikely to be deterred by the presence of two 40,000-tonne Indian flattops in the Indian Ocean.

It is not that India's naval planners are unaware of this reality. Their decision to opt for a smaller carrier seems to be the result of diminishing options. Despite the ship's shortcomings, particularly its limited warfighting capability, a second Vikrant is all they can hope for at the moment. Yet, policymakers ought to know that a small aircraft carrier won't cut it in combat with a worthy adversary in the littorals. https://www.hindustantimes.com/opinion/for-navy-small-aircraft-carriers-limit-options-101701696045571.html

14. 93 Airports Incurred Losses in FY 22-23, Bengaluru Most Profitable *(news18.com)* DECEMBER 05, 2023

In a written reply to a question in Parliament on Monday, MoS Ministry of Civil Aviation Gen Dr. VK Singh (Ret) informed about the profit and loss statement related to various airports across the country for the last 3 fiscal years.

As per the details shared, 93 out of 125 airports have incurred losses in FY 22-23. While the maximum profit has been booked by Bengaluru airport with Rs. 528 crores, Ahmedabad is most loss making with negative Rs 408.51 crores.

Ahmedabad airport tops the loss making charts followed by Delhi airport .

Mumbai airport in the current fiscal year has made a loss of Rs 1.04 Crore so far. It has significantly improved from the previous financial year where it suffered a loss of Rs. 182.58 Crore in FY 21-22.

Presently, 14 airports in the country are operated under Public Private Partnership (PPP). Out of these 14 airports, 11 are loss making airports which includes Delhi, Ahmedabad, Mumbai, Lucknow, Jaipur, Durgapur, Mangaluru, Thiruvananthapuram, Guwahati, Durgapur and Goa's Mopa airport, which has been recently built.

Meanwhile, rest 3 airports, Bengaluru, Cochin and Hyderabad are profit making airports which are under PPP model.

As per National Monetisation Pipeline (NMP), 25 AAI airports namely, Bhubaneshwar, Varanasi, Amritsar, Trichy, Indore, Raipur, Calicut, Coimbatore, Nagpur, Patna, Madurai, Surat, Ranchi, Jodhpur, Chennai, Vijayawada, Vadodara, Bhopal, Tirupati, Hubli, Imphal, Agartala, Udaipur, Dehradun and Rajahmundry have been earmarked for leasing over the years 2022 to 2025. https://www.news18.com/business/aai-leasing-airports-ppp-model-delhi-mumbai-aviation-sector-8691521.html