NEWS ITEMS ON CAG/ AUDIT REPORTS

1. ASI: एएसआई की सूची से हटेंगे लापता पुरातत्व स्मारक, राष्ट्रीय महत्व के स्मारकों की समीक्षा शुरू *(amarujala.com)* 13 Mar 2024

सीएजी की 2013 की रिपोर्ट में 92 संरक्षित स्मारकों के लापता होने की जानकारी मिली थी। इसके बाद संसद में भी कई बार सवाल उठे। संस्कृति मंत्रालय और एएसआई ने इन लापता स्मारकों को तलाशने का काम शुरू किया।

एएसआई की 18 लापता स्मारकों की पहली सूची में सबसे अधिक नौ स्मारक उत्तर प्रदेश से हैं। इनमें मिर्जापुर जिले के अहुगी में एक हजार ईसवीं के तीन छोटे लिंग मंदिर परिधि के अवशेष, वाराणसी का तेलिया नाला बौद्ध खंडहर, निर्जन गांव का हिस्सा, वाराणसी के कोषागार भवन में तख्ती पट्ट (टेबलेट), लखनऊ के जहरीला रोड़ पर 6 और आठ मील पर कब्रिस्तान, लखनऊ-फैजाबाद रोड़ पर 3, 4 और 5 मील पर मकबरें, गौघाट का कब्रिस्तान, झांसी के रंगून का बंदूकची बुर्किल की कब्र, बांदा के दक्षिण-पश्चिम शहर का बंद कब्रिस्थान व कटरा नाका, गाजीपुर के भारंली गंगा तिर में वट वृक्ष स्थित प्राचीन स्मारक के अवशेष शामिल हैं। उत्तराखंड में अल्मोड़ा के द्वाराहाट का कुटुम्बरी क्षेत्र नालिस, तो राजस्थान के जयपुर जिले के नगर स्थित किले के शिलालेख व कोटा जिले का बारन स्थित 12वीं सदी के मंदिर का नाम भी शामिल है।

सीएजी रिपोर्ट से चला पता
सीएजी की 2013 की रिपोर्ट में 92 संरक्षित स्मारकों के लापता होने की जानकारी मिली थी। इसके बाद संसद में भी कई बार सवाल उठे। संस्कृति मंत्रालय और एएसआई ने इन लापता स्मारकों को तलाशने का काम शुरू किया। लेकिन सिर्फ 68 को ही तलाश सके। अभी तक 24 स्मारक लापता हैं।

विशेषज्ञों ने सर्वेक्षण कर तैयार की रिपोर्ट
राष्ट्रीय स्मारक का अध्ययन करने वाली समिति के सदस्य संजीव सान्याल ने बताया कि एएसआई की सूची में राष्ट्रीय महत्व के 3695 पुरातात्विक व ऐतिहासिक स्मारक हैं। अंग्रेजों के समय से एएसआई की सूची में स्मारक जुड़ते रहे, लेकिन कई स्मारक आज भौतिक रूप से मौजूद ही नहीं हैं। एएसआई के विशेषज्ञों की टीम ने पहले बाकायदा सर्वेक्षण किया है। https://www.amarujala.com/india-news/missing-archaeological-monuments-removed-asi-list-2024-03-13

STATES NEWS ITEMS

2. AG Assam storm into semis of Indian Audit and Accounts Department East Zone Cricket *(sentinelassam.com)* 13 Mar 2024

AG Assam stormed into the semi final in the Indian Audit and Accounts Department East Zone Cricket defeating A G Jharkhand by 89 runs at the Nehru Stadium

GUWAHATI: AG Assam stormed into the semi final in the Indian Audit and Accounts Department East Zone Cricket defeating A G Jharkhand by 89 runs at the Nehru Stadium here today. Top performers in the match were Aniruddha Saha and Samik Das of the winning team. While Aniruddha scored a century and remained not out on 101 (69 balls, (4X13), 6X3), Samik picked up 4-5. In the other match of the day AG Tripura thrashed AG Bihar by 10 wickets.

Earlier the tournament was inaugurated by former first class cricketer Subhrajit Saikia in presence of KS Gopinath Narayan, Principal Accountant General, Assam.

Brief scores: 1st match: AG Assam 159-3 (20 overs), Aniruddha Saha (101no), AG Jharkhand 70 (17.1 overs), Sabir Hussain 33, Samik Das 4-5.

2nd match: AG Bihar 68 (14.5 overs), Rajesh Kumar 24, Subham Ghosh 5-18, AG Tripura 70-0 (6 overs), Swastik Samal 40 no.
https://www.sentinelassam.com/sports-news/local-sports/ag-assam-storm-into-semis-of-indian-audit-and-accounts-department-east-zone-cricket

3. Indian Audit & Accounts Department Cricket Begins *(nktv.in)* Mar 12, 2024

Earlier in the morning the cricket tournament was officially inaugurated by Subrahjit Saikia Former First Class Cricketer, Assam in presence Convenor of K. S Gopinath Narayan IA &AS Principal Accountant General, Assam, Guwahati and K. Raghu Kumar IA&AS, Deputy Accountant General (Admin) and Chairperson IA& AD East Zone Cricket Tournament

Six top Teams of East Zone taking part in the said tournament namely AG Bengal, AG Tripura, AG Odisha, AG Jharkhand, AG Bihar and host AG Assam.
https://www.nktv.in/indian-audit-accounts-department-cricket-begins/

SELECTED NEWS ITEMS/ARTICLES FOR READING

4. First Tejas Crash: A Safety Run of over two Decades comes To an End *(swarajyamag.com)* Mar 13, 2024

India's indigenous Light Combat Aircraft (LCA) Tejas, which until now boasted a perfect flying record, experienced its first crash in Jaisalmer on 12 March, bringing an end to its impeccable safety streak that spanned over two decades, specifically 23 years.

The unfortunate incident occurred in Jawahar Nagar, Jaisalmer, just around 100 km away from where Prime Minister Narendra Modi was attending the Bharat Shakti tri-services firepower exercise, raising speculations that the jet might have been participating in the Bharat Shakti exercise.

Despite this setback, its notable that Tejas, since its first flight in 2001, had never seen a crash — until today — something which its developers would be proud of.

This unprecedented safety record is a testament to the meticulous and safety-centric approach adopted by the developers, particularly significant as this was India’s first attempt at creating a fourth-generation fighter that had multiple new technologies from the get-go.

A key innovation that Tejas used is the all-digital fly-by-wire (FBW) flight control system (FCS).

Since Tejas is intentionally designed to be unstable (to make the aircraft more agile), the importance of the computer-controlled FBW FCS cannot be overstated. The FCS interprets pilot inputs and adjusts the aircraft's control surfaces hundreds of times per second, maintaining its flight stability.

If the FCS were to glitch, the jet would simply crash.

That is why Tejas has a quadruple-redundant digital FBW so that even if one channel malfunctions, control can be maintained using the remaining three channels. This unblemished safety record is a testament to the excellent reliability of the digital FBW system, and India got it right on its first attempt.

In comparison, when the Swedes tried this with their all-new Gripen jet, the FCS failed, and the prototype crashed.

Eurofighter Typhoon, a UK, Germany, Italy, and Spain's jointly developed aircraft's prototype also crashed while testing, just eight years after its first flight due to the flameout of both engines.

The United States, whose jets are believed to be extremely reliable, saw its advanced fifth generation fighter, the F-35, crash in 2018, 17 years after its first flight in 2001.

Since then, the F-35 too has seen 10 more crashes (a total of 11) in just five years.

Although even one crash of these advanced and costly jets is disappointing, the truth is that these jets are machines that are bound to suffer some glitches in the long run.

Apart from today's crash, Tejas experienced another incident in 2020, when Group Captain Varun Singh safely landed the aircraft after an initial failure of its life support environment control system, followed by a malfunction in its Flight Control System (FCS).

He was given a Shaurya Chakra for his heroic actions.

It goes without saying that aviation is a risky business. This incident does not diminish the achievements of the Tejas program but highlights the challenges of pushing the boundaries of aviation technology.

The Indian Air Force (IAF) has launched a court of inquiry (CoI) to determine the cause of the incident. The correct reason for the crash must be identified and rectified at the earliest. https://swarajyamag.com/defence/first-tejas-crash-a-safety-run-of-over-two-decades-comes-to-an-end

5. Enabling financial inclusion through digital public infrastructure *(thehindubusinessline.com)* Updated: March 12, 2024

The efforts to provide financial services to underprivileged groups face many obstacles as was the experience in India

Financial Inclusion fosters equitable and inclusive growth and development by extending credit to economically and socially weaker population of a country by empowering them to make better financial decision and achieve financial independence through providing universal access to a large array of financial services.

Access to finance is an important factor in enabling people to transform their lives through engaging in productive activities and to exit poverty. The efforts to provide financial services to underprivileged groups face many obstacles as was the experience in India.

With the nationalisation of the State Bank of India in 1955, which was conducted with the primary purpose of boosting bank penetration in rural regions, there has been a constant effort in India to extend access to the formal financial sector. In order to promote financial inclusion between 1969 and 1980, the Central government nationalised the 20 largest private sector banks.

Further, in order to encourage financial inclusion, priority sector financing was established in 1972. The branch licensing policy and the launch of business correspondents did not yield encouraging results. However, the role of the moneylender kept increasing, especially in rural areas. In 2011, according to FINDEX report 2021 published by the World Bank, only 35 per cent of the 15+ population had bank accounts. Therefore, these attempts of financial inclusion did not generate the desired results.

Challenges

A number of evaluative studies revealed that the challenge of financial inclusion is multi spectrum and covers different aspects like high bank operating fees, difficulties with physical access (geographical, disability and old age) and even, psychological and cultural hurdles. Therefore, financial inclusion in mission mode was launched by the Central government in 2014 with the Pradhan Mantri Jan Dhan Yojana (PMJDY). The scheme offered a RuPAY debit card, micro insurance and emphasised on banking coverage of households and individuals.

The Jan Dhan initiative with 51.86 crore accounts and 34.61 crore Rupay cardholders today, acquired huge success in the banking history of India and that of the world. In 2014, India's 53 per cent of the 15+ population had a bank account which was an increase of 16 percentage points from 2011 which improved by 27 percentage points to 80 percent in 2017 (FINDEX Report 2021).

The balances in Jan Dhan accounts increased by 21 times, from ₹10,500 crore to ₹2,20,334 crore, between January 31, 2015, and February 21, 2024. The average amount in these accounts has increased by 4.2 times from ₹1,007 in March 31, 2015 to ₹4,248.6 by February 21, 2024. Further, the scheme has also effectively reached the unbanked areas as 66.7 per cent of the accounts belong to rural or semi urban areas.

Building infrastructure

The government then proceeded to connect Jan Dhan accounts with a unique identification number (Aadhar) and a mobile number to promote social and economic well-being of the society. Therefore, strong incentives were provided to people in 2015 [Aadhar for all subsidy schemes, like Pratyaksh Hanstantrit Labh (PAHAL), and social security schemes like National Social Assistance Programme (NSAP), Atal Pension

Yojana (APY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)] from government, which increased the number of people having Aadhar linked with their bank account.

Further, low tariffs by telephone companies also led to an increasing percentage of the population having access to internet and mobile phones. The success of JAM trinity propelled the rise of financial technology (Fintech) in India. The recent period oversaw the development of several initiatives like UPI, BHIM app, IMPS and multiple private digital wallet services. This laid the groundwork for several future initiatives for enhancing financial inclusion, like the Digital Banking Units (DBUs).

The success story of JAM trinity

India launched the Pradhan Mantri Garib Kalyan Yojana (PMGKY) programme in March 2020 during the Covid-19 pandemic. The Government of India, during the initial stages of the pandemic (from March 2020 to September 2020), used the DBT system to transfer ₹68,820 crore to 42 crore poor people.

PMGKY through the DBT system also provided ex gratia payment of ₹1,000 to the elderly population, widows, and differently-abled people under the National Social Assistance Programme (NSAP). Ex-gratia payments totalling ₹2,814 crore were made by May, 2020 to 282 lakh NSAP scheme beneficiaries.

Conclusion

In recent years the emphasis has been on use of technology in improved access to finance leading to expanding financial inclusion. JAM trinity, with Aadhar-based authentication possible, has been a major game changer where transfer of ₹34-lakh crore to more than 1,167 crore beneficiaries under DBT was possible. The reach of Jan Dhan has been noteworthy with 56 per cent of Jan Dhan account holders being women and two third of these accounts have been in rural and semi-urban areas.

PMJDY provided access to low-cost bank account to a large unbanked population and DBT facilitated transfer of resources which narrowed the rural-urban divide and increased spending on aspirational goods in rural India. The latest release on monthly per capita consumption expenditure (MPCE) reveals the improving consumption pattern in rural India where average share of food and cereals in MPCE has declined from 52.90 in 2011-12 to 46.4 in 2022-23 and from 10.75 to 4.91 over the same period, respectively.

The average MPCE in rural and urban India in lower fractile from 0 to 5 per cent and 5 to 10 per cent is significantly narrow when compared with higher fractile especially from 90 to 95 per cent and 95 to 100 per cent over the same period. It is for this inclusive effort that India’s GDP growth in 3rd quarter of 2023-24 is higher at 8.4 per cent as against a projected growth of 6.5 per cent. https://www.thehindubusinessline.com/opinion/enabling-financial-inclusion-through-digital-public-infrastructure/article67942437.ece

6. Farmers protest: Navigating MSP and food security dilemma

(livemint.com) 12 Mar 2024

India should strive to lead the negotiations to raise trade and agriculture-related concerns of the global south at various WTO platforms

After almost a year of suspending their protests, farmers have taken to the streets again. They said even though the three contentious ‘black laws’ have been withdrawn, other demands such as debt waiver and minimum support price for crops are yet to be met by the government.

One of their demands is the withdrawal of India from the World Trade Organization (WTO). This is due to the agreement on agriculture (AoA) which minimizes government support and subsidies given to agriculture. However, it poses a dilemma for the government as withdrawal from the WTO would mean deteriorating relations with the West, while remaining in the organization could impact the ruling party’s vote share in the upcoming elections.

Ongoing protests

On 14 September, 2020 three bills were introduced in the Lok Sabha to bring reforms in the agriculture sector. This led to huge protests across the country by various farmers' unions. This was further bolstered by the support from the Indian diaspora and foreign personalities like Greta Thunberg, and Rihanna.

The protests then were mainly targeted at the withdrawal of the black bills along with surety to grant minimum support price (MSP) to farmers. Farmers also demanded the implementation of the suggestions by the Swaminathan committee. The committee, besides suggesting that “agriculture" be included in the Concurrent List recommended the implementation of MSP for all crops. It further suggested that MSP should be granted for more than half the weighted average cost of production.

However, the protests were met with violent measures and at least 700 farmers lost their lives following clashes. After protesting for at least a year, the Centre decided to withdraw the black bills. It also assented to ancillary demands of farmers. This move was touted by the opposition as ‘votebank politics’ in light of elections in Uttar Pradesh and Punjab during that time period. Farmers comprise majority of the voting population in an agrarian state like India. Thus, going against their wishes could mean losing the elections for the ruling party.

However, despite repeated assurance by the Centre and no decisions for almost a year, the farmers have decided to protest again and announced their ‘Delhi Chalo’ march. Barricades and concrete were placed at the Delhi-Haryana and Delhi-West Uttar Pradesh border to prevent protesting farmers from entering the national capital. Five farmers have lost their lives in the clashes between the protesters and the security forces.

WTO agreement on agriculture

In the context of making the global agricultural sector less trade distortive and fair competition among the developed, developing and least developing economies, WTO proposed the enactment of the Agreement on Agriculture. It was introduced to make trade in agriculture market oriented by eliminating the barriers resulting from disparity in the measures pertaining to market support, export subsidy, input-based subsidies and other support given by different members of the WTO to their domestic industries.

This was enacted with the anticipated outcome of augmentation in the export prices, specifically for the small farmers, based in countries with lower levels of economies. However, on the one end of the spectrum, where the developing countries are expected to reduce their subsidy commitments to the domestic agricultural sector and thus, exposing the small and marginalised farmers to the distortive trade competition from countries with highly mechanised farm sector. The US has inadvertently been one of the biggest beneficiaries of the agreement, wherein around 70% of its support to the domestic industry is being regarded as not distorting international trade.

As per the agreement, the support to the domestic industry in agriculture would be measured in terms of Aggregate Measurement of Support (AMS), which is defined under Article 1(a) of AoA. It measures the aggregate annual support being provided in favour of the producers of the basic agricultural product and also, the non-product specific support provided to the agricultural producers in general.

Under what has been termed as “green box" exemptions, any support that has been provided in furtherance of the objectives enlisted in Annex 2 of the Agreement will not be considered to have a trade-distorting impact. To qualify as an exempted subsidy under Annex 2, the actions must come as a publicly-funded government program devoid of any transfer from the consumer and it should not result in providing price support to the domestic farmers. Government support for public food stockholding, environmental research and development, structural adjustment assistance, pest and disease control and inspection services among other such measures.

Calculation of subsidy that favours developed countries

Coming to the calculation of AMS, which is instrumental in determining the extent of support provided to domestic farmers. The calculation under AMS is done at two levels. Firstly, it looks at each product that is receiving the support and secondly, it aggregates the total of the support provided in monetary terms. This is based upon the consideration that providing subsidies leads to a change in the supply. Thus, it creates an adverse effect on the global price for that product in the international market.

Arguably, the formulation of the Agreement on Agriculture was done with the intention of providing reasonable prices for the farmers at the global level by minimizing the trade distortive measures. However, how the agreement has been put forth, negotiated, and subsequently interpreted at WTO forums resulted in widening the gap between the developing and developed countries in the agricultural sector in the favour of latter. It has not incorporated the special circumstances of the developing countries to meet their food security requirements and sustenance.

The 2011 census data reveals that 263 million people in India were involved in agricultural activities and out of this, 144 million were landless peasants. Compared to the US, which has only 10% of its total population engaged in agricultural activity, it is 60% in India. Similarly, while the average farm size in the US is around 444 acres, in India, it is merely 3 acres. Thus, a large dependence of the population on agriculture with a meagre average land holding makes Indian farmers vulnerable.

Based on these comparative advantages, developed countries strategically provide subsidies not directly to purchase crops or based on the volume of production, thus keeping it outside the purview of “amber box" subsidy, where they have to commit reductions to meet the de minimus level.

Both the US and European Union have resorted to provisions like safety net measures and risk insurance schemes, which, though led to increased levels of production, fall under the “green box". The “green box" constitutes non-distorting domestic support and thus, is non-actionable.

Challenge of food security in India
The Cairns Group, comprising 19 influential agricultural exporting countries, has raised concerns at WTO forum that India’s MSP regime and public stockholding programme has a distorting impact on global food prices.

Contrary to this, the possibility of India exporting its reserves of foodgrains acquired through public procurement scheme is untenable. In consonance with the aims and objectives of the National Food Security Act, 2013, the public distribution system (PDS) are utilised in various welfare schemes of the government to ensure food availability and poverty alleviation. Further, India’s export price for products like, wheat has been higher in the international market than the cost of procurement.

What should be India’s stance at WTO forums?
India should strive to lead the negotiations to raise trade and agriculture-related concerns of the global south at various WTO platforms. This can include renegotiating the rules of Uruguay round pertaining to MSP so that developing countries are able to accommodate the need to meet the twin objectives of providing increased and stable price for small and marginalised farmers and ensure food security for vulnerable populations below the poverty line. However, there was no substantial outcome even at the recently concluded 13th ministerial conference in Abu Dhabi.

The fixed external reference price (FERP), which is used for calculating AMS should be revised from its current level of prices, as it was in 1986-87, to reflect better the inflations which would have taken place during this course of time. FERP signifies the price of a particular commodity in the international market.

Further, paragraph 8 of Annexure 3 of AOA must be restructured to consider only such quantity of production that actually received MSP, rather than considering the quantity that is eligible to receive the support price. India should make the voices of farmers heard at the WTO platform and take further steps towards guaranteed MSP. https://www.livemint.com/opinion/first-person/farmers-protest-navigating-msp-and-food-security-dilemma-11710160554532.html

7. MGNREGS spend seen within FY24 RE *(financialexpress.com)*
March 13, 2024

The gap in resources—the difference between availability and expenditure– would be met from the balance Rs 7,500 crore to be released from the current year’s revised budget.

The Centre will be able to contain the spending on the flagship Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) at the revised estimate level of Rs 86,000 crore for the current fiscal, according to an official source.

It has released Rs 78,500 crore so far in the current fiscal. As against the availability of Rs 91,476 crore (including write-back of some funds from the previous year) as of March 12 of the current fiscal, the expenditure/releases stood at Rs 97,928 crore or 107% of the available funds for the MGNREGS.

The gap in resources—the difference between availability and expenditure– would be met from the balance Rs 7,500 crore to be released from the current year's revised budget.

"The overall expenditure from the budget will be within the revised estimate in FY24," the source said.

Due to rampant misappropriation of funds allocated under the flagship scheme, the Centre made a five-year-low provision of Rs 60,000 crore in the FY24 budget estimate. In the revised estimate for the year, it enhanced the allocation to Rs 86,000 crore.

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.

So far in FY24, 290.95 crore person days work have been generated. For the whole of FY23, the number was 293.7 crore.

According to official data, month-wise work demand has moderated from 33.71 million in June to 17.67 million in November 2023. It has since increased to 21.2 million in January 2024.

In the meantime, the Centre is taking various initiatives to plug leakages, which some estimates suggest could be around 30% of the annual spending in the scheme.

From January 1, 2024, the government has made the Aadhaar-Based Payment System (ABPS) mandatory for payment of wages. Under the ABPS, the Aadhaar of a worker is linked with her MGNREGS job card and bank account.

Direct benefit transfer (DBT) has saved an estimated 10% on wages on account of the deletion of duplicate, fake/non-existent, ineligible beneficiaries till March 2022. https://www.financialexpress.com/policy/economy-mgnregs-spend-seen-within-fy24-re-3423084/

8. Much more private credit will be needed to feed India's rapid economic expansion *(livemint.com)* 13 Mar 2024

We must develop these sources because banks alone can't satisfy India's fast-growing appetite for credit.

India’s growth engines continue to power ahead, fuelled by government capital expenditure-led growth and strong services exports. India has the potential to become a $7 trillion economy by 2030. However, enhancing the capacity of private sector credit markets in India will be an important component of fulfilling this potential.

India’s credit market is not just restricted to bank lending. Non-bank sources are significant players in the overall credit ecosystem. Total private sector credit (TPSC)—a broader credit measure we use for the economy that includes non-banking financial companies (NBFCs), corporate bonds and external commercial borrowings (ECBs)—has grown around five times in the last 13 years to around ₹210 trillion by fiscal year 2022-23 at a 12.5% compounded annual growth rate. With loans given by housing finance companies included, this number would have been around ₹225 trillion, which is more than 80% of India’s gross domestic product (GDP).

Over the past decade, the banking system, which has been the primary provider of formal private-sector credit in India, has lost share to non-bank sources. The share of banking credit net of bank lending to NBFCs declined from around 70% in 2009-2010 to around 60% in 2022-2023. For those borrowers who do not have access to formal bank credit, NBFCs proved to be a critical source of loans, growing eight times and now representing 16% of TPSC.

With the growth and wider reach of mutual funds and insurance companies, household and corporate savings have been channelled into corporate bonds and commercial paper markets in India. The commercial paper market supports the short-term financing requirements of private companies. The share of the bond market net of lending to NBFCs has remained stable at around 14% over the past 13 years.

ECBs or foreign currency loans of Indian corporates have also increased during the last decade. This was probably driven by a period of cheap dollar funding, as the Fed funds rate in the US hit its zero lower bound, but ECBs have remained almost constant as a share of TPSC at around 10%.

We estimate India’s nominal GDP will grow to around ₹565 trillion (around $7 trillion) by 2030, which implies an incremental TPSC demand of around ₹210 trillion ($2.5 trillion). This is unlikely to be funded by commercial banks alone. Domestic as well as foreign bond markets and NBFCs will have to meet much of the additional financing requirement by corporates and households, respectively.

Going by the current shares of TPSC sub-components, we estimate that the contribution of banks (excluding NBFCs) will be around ₹125 trillion ($1.5 trillion), while domestic bond markets and NBFCs will contribute around ₹30-35 trillion ($400 billion) each, and foreign currency loans (ECBs), around ₹20 trillion ($250 billion). These are daunting numbers, and if trends over the last decade are indicative, then non-bank financing sources must fund a bigger chunk of this burgeoning credit demand than many would have anticipated.

So, what could help non-bank financing sources prepare to meet the incremental credit demand needed to power India’s economic growth over the rest of the decade?

Increasing the liquidity and depth of corporate bond markets—both primary and secondary—can make the financial system less commercial bank-centric. This will also likely require more regulatory coordination between the Securities and Exchange Board of India, which oversees bond markets, and the Reserve Bank of India, which has historically been responsible for credit oversight and regulates as well as supervises commercial banks (in addition to ECBs).

Over time, the bond market needs to be made accessible for all borrowers—large, medium and small. Currently, lower-rated borrowers can hardly access bond markets, and credit via this avenue is mostly available to well-rated large borrowers, some of which are quasi-sovereign. We need to develop a deep credit market in India and help distribute risk better for the overall credit ecosystem to perform well.

There has been an increase in assets under the management of long-duration investment entities, like insurance and pension funds, thanks mainly to the increased financialization of household savings. This has been supplemented by larger issuances of longer-dated bonds by central and state governments, which have been bought by these investors, resulting in a flat government bond yield curve in India. However, the corporate bond market has a low share of long-dated issuances, which are vital for funding infrastructure assets.

Much of the infrastructure creation in recent years has been led by significant capital expenditure on the central government's part. As the government aims to consolidate its fiscal position and vacates space in the bond market, it is important that the corporate bond market is incentivized to move towards long-dated issuances, so that long-term savings are channelled into infrastructure asset creation. https://www.livemint.com/opinion/online-views/much-more-private-credit-will-be-needed-to-feed-india-s-rapid-economic-expansion-11710257348682.html

9. Strategic policy reforms that can propel the Indian space sector to a faster growth trajectory *(moneycontrol.com)* 13 March 2024

The space value chain needs targeted reforms for its upstream, downstream and auxiliary segments. Strategic policies that can be offered range from production-linked and service-linked incentives to GST- and customs duty exemptions, creating 'space' infrastructure, and regulations that boost private sector participation

India created history in space technology with the successful landing of Chandrayaan-3 on the moon, also triggering a significant evolution and becoming a global powerhouse. Beyond these triumphs lies a new space era driven by the private sector and startups and supplemented by government initiatives.

The ambitious vision of India reaching a $44 billion space sector leader by 2033 is now on the horizon propelling India into further strides in space exploration. To fully unlock this potential, strategic policy reforms for the private sector are paramount, presenting both challenges and thrilling prospects on the path forward.

Broadly the space value chain is categorised into

(a) upstream segment

(b) downstream segment

(c) auxiliary segment

Upstream Segment

The upstream segment includes all activities such as manufacturing, launching and operation of space assets. This segment is capital incentive and is facing challenges in raising capital from India. Supporting this segment with reduced tax rate on interest on foreign borrowings would help Indian companies access foreign funding at cost-effective rates for project financing.

Further, in line with the government incentive policies to promote 'Make in India' across key sectors, it may be time to consider a dedicated Production Linked Incentive (PLI) scheme to manufacture space-grade components much like the recently announced dedicated PLI scheme for drones and drones' components. This will help incentivise domestic production under the Make in India campaign and attract investment by providing financial incentives to manufacturers based on their output.

Specific Customs duty exemption and concessions on import of goods/ equipment/machinery used to manufacture notified goods under the Import of Goods at Concessional Rate of Duty scheme (IGCR), should be considered for the sector.

Downstream Segment

The downstream segment broadly covers application of data and insights from space and effective utilisation of the same on earth. Recently, exemption from levy of GST was provided on satellite launch services. While such exemption reduces GST cost on output activity of satellite launch services, the resultant impact on the input tax credit on procurement of goods and services should also be analysed.

This adds to the cost of providing service to the value chain. Thus, similar exemption should be provided for procurement of key goods and services (including capital goods) by business for the purpose of satellite launch services. This will help reduce the GST input tax credit costs and the intended benefit would be enjoyed by the supply chain.

Additionally, a service-linked incentive (SLI) scheme, similar to a PLI scheme, could be designed to incentivise and promote specific services offered by the space sector. Just as a PLI scheme encourages and rewards manufacturing activities, a service linked incentive scheme could focus on service-oriented offerings of the space sector.

Auxiliary Segment

The auxiliary segment consists of non-core service areas such as space insurance service, technical and skill set development for the space sector, specialised automotive sector etc. State governments can support by creating space technology parks which will have all-encompassing space infrastructure including office space, workshops and labs, testing and validation infrastructure as well as production facilities which could be located or co-located in proximity of each other for space industry to thrive in their states.

On the regulatory front, the Indian space industry eagerly awaits the enactment of the Space Activity Bill which will encourage the participation of private sector players in space activities in India under the guidance and authorisation of the government through the Department of Space.

As India stands on the cusp of a new era in the space sector, the trajectory ahead promises unprecedented growth and innovation. The strides made by the Indian Space Research Organisation (ISRO) have not only captured the imagination of our nation but have also paved the way for a vibrant and competitive private space industry.

The future of India's space sector is not just about exploring the cosmos but creating a robust ecosystem that fosters innovation, collaboration and sustained growth. The challenges may be daunting, but the thrill of unlocking the vast potential of our space sector makes the journey ahead both exhilarating and worthwhile. https://www.moneycontrol.com/news/opinion/strategic-policy-reforms-that-can-propel-the-indian-space-sector-to-a-faster-growth-trajectory-12450911.html

10. Fears of technological change are vastly exaggerated *(livemint.com)* 13 Mar 2024

A look at the past two centuries shows that we've always swung from technophobia to acceptance—and we will probably do likewise with AI.

Last week, I came across a newspaper article about the perils of a new form of entertainment. This scourge was, the piece argued, "a vehicle of pure moral and religious instruction" that exerted, on all who used it, a "deteriorating moral influence." It had "become one of the most momentous influences acting on the popular mind" to the point where it would be sheer "rashness to disregard" the "presumptive evidence of danger" that it posed.

Other newspapers told of the deleterious effects it could have on health—concerns that it could cause the eyes to "have a sort of weary, heavy feeling" which may leave them "bloodshot and painful." There were also concerns about the effect it could have on our mental health, the fear that it would lead to a sharp decline in productivity, addiction and even suicide.

If, having read so far, you are convinced that these articles refer to a brand new tech device—the latest virtual reality headset or some form of direct neural interface—you are forgiven. After all, these are exactly the sort of concerns one would expect these kinds of technology to evoke. As a matter of fact, the articles in question were from the newspaper archives of the early 1800s and the fears they were expressing were in relation to the rapid proliferation of paper-printed novels of fiction.

Change is always met with resistance. We worry about the harm it can cause to our existing way of life and the discomfort we will have to suffer. But in time, we almost always come to realize that our fears were mistaken. That the harms we thought would destroy us are not nearly as serious as we thought they would be.

With the rise in the popularity of bicycles, newspapers filled up with stories about the toll cycling would take on our physical health; how it would lead to heart trouble and nervous exhaustion, and give rise to a whole host of new ailments like “bicycle face" (an expression of exhaustion that would be caused by the sheer effort of cycling) and “bicycle nose" (the physical thickening of our olfactory organs due to irritation of the nasal membrane in response to the inhalation of dust on country roads). These were physical changes that many in the medical community feared would be etched permanently on the faces of riders.

When cities began to electrify, citizens started worrying about the new dangers this latest technology would pose. First and foremost was the risk of electrocution, a fear that was somewhat justified by the large number of gruesome fatalities that occurred on a nearly daily basis in those early days of learning to live with electricity. But there were also other somewhat more tangential concerns. For instance, there was a fear that prolonged exposure to electric light would lead to eye strain and insomnia, and that this sort of artificial illumination would harm the “human spirit." We worried that the convenience offered by electric appliances would give rise to a new form of moral decay as a result of which those who used the technology would end up losing their connection with the more natural, labour-intensive way of life.

Yet, despite our fears, technology has almost always proven net positive for society. Electricity became a powerful general purpose technology that radically transformed every aspect of the way we live and work to the point where it is today an integral part of daily life. The bicycle revolutionized personal transport, and, instead of “morally corrupting" women as feared, in fact played a crucial role in their emancipation. Needless to say, our worries about physical distress and facial disfigurement were unfounded and today cycling is an athletic activity widely enjoyed by millions.

Despite the vocal opposition it had to weather in its early days, fiction is not only universally regarded as good for the mind, body and soul, our abiding worry today is that our children are not reading as much as they should be—a fear that future generations will, no doubt, find laughable.

Today, we find ourselves in a somewhat similar dynamic in the context of artificial intelligence (AI). Many of the fears that are being expressed in the popular press are reminiscent of the apprehensions that had been voiced in the past over various other technologies. As before, there is a worry that AI will displace jobs and cause widespread moral degradation in society. And, just like in the past, we have conjured a number of new harms to keep ourselves anxious—the loss of our personal privacy, the proliferation of fake news and the impact that all of this will have on our democratic institutions and political processes.

I dare say history will once again prove us wrong. The jobs that AI displaces will, more likely than not, make way for new ones—which call for different skills and answer to new job descriptions. While the dangers are real, I have no doubt that we will learn to live with them in much the same way that we live with electricity—safe in our homes and offices despite the fact that less than an inch of plaster separates us from live wires carrying enough current to fry us in an instant. I have no doubt that we will create similar guard-rails to protect us from the harmful effects of AI, standard operating procedures that will become industry-wide norms, and allow us to live with AI in much the same way as we do with electricity.

We have always swung from technophobia to acceptance. I have no doubt that we will again. https://www.livemint.com/opinion/online-views/fears-of-technological-change-are-vastly-exaggerated-11710257386158.html

11. Telangana: Cost of two flyovers overshoots by Rs 206 crores *(newindianexpress.com)* 13 Mar 2024

The original cost sanctioned by the state government was Rs 426 crore, but the revised estimate now stands at Rs 565 crore (excluding land acquisition).

HYDERABAD: The construction cost of the elevated corridor at Indira Park-VST Road and the flyover/grade separator in LB Nagar, both undertaken as part of the Strategic Road Development Programme (SRDP), crossed the estimates by Rs 206 crore.

The construction of the bidirectional elevated corridor from Indira Park to VST main road, connecting NTR Stadium Junction, Ashok Nagar, RTC Cross Road Junction, and Bagh Lingampally Junction, along with the three-lane bidirectional grade separator from Ram Nagar to Bagh Lingampally, saw a cost overrun of Rs 139 crore. The original cost sanctioned by the state government was Rs 426 crore, but the revised estimate now stands at Rs 565 crore (excluding land acquisition).

The extension of the level-2 flyover from Ram Nagar to Bagh Lingampally, due to two sharp curvatures, has resulted in an increased length from 850 metres to 1045 metres, incurring an additional expenditure of Rs 20.92 crore. This includes shifting utilities such as cables and dismantling footpaths.

The construction cost of the multi-level flyover/grade separator constructed at four junctions in L B Nagar too overshot estimates. The government had initially sanctioned Rs 448 crore for the project, but Rs 67 crore extra expenditure was incurred, taking the total cost to Rs 515 crore.

The GHMC Standing Committee will convene on Wednesday to deliberate the revised administrative sanction. https://www.newindianexpress.com/states/telangana/2024/Mar/13/telangana-cost-of-two-flyovers-overshoots-by-rs-206-crores

12. What's the true cost of free electricity to states? Just look at Tamil Nadu *(theprint.in)* 13 March, 2024

Many states dedicate a large portion of their subsidies to free electricity, but the true financial burden doesn't show up in budget documents.

The power sector's contribution to the deterioration in the financial health of Indian states is relatively well-documented. A large share of a state's total subsidies is spent on providing free electricity. For instance, 97 per cent of Rajasthan's and 80 per cent of Punjab's and Bihar's total subsidy expenditure went toward electricity in 2020-21. But two other important dimensions are often overlooked in the context of state finances.

First, the analysis of state government finances should include the "full debt" of the state, not just the debt reflected in its budget documents. This not only provides a more accurate picture of the debt-to-GDP ratio, but also helps determine the correct value of the potential interest payments that the state may have to make in the coming years.

Second, the dynamics between the interest rate and GDP growth rate cannot be taken for granted. It is essential to understand the vulnerabilities of the state's fiscal strategy to changes in these macroeconomic variables.

Our new working paper, 'The electricity chokepoint in Tamil Nadu public finance', elaborates on these aspects in the context of the state's financial dynamics.

'Corrected' debt–to–GDP ratios

A standard metric in public finance is the debt-to-GDP ratio, which represents the ratio of a country or state's debt to its gross domestic product. As the definition suggests, it is an indicator of a state's ability to repay its debt. The larger the debt-to-GDP ratio, the greater the burden on the state.

Typically, we rely on state government budget documents for debt numbers. However, these understate the debt for two reasons. The first is off-budget debt, which is owed by the state but isn't reflected in its budget. For all practical purposes, the repayment of this "hidden" debt is the responsibility of the state.

The second is "implicit debt". This debt isn't technically owned by the government, but will eventually become its responsibility. This debt is not hidden, but it is generally not considered part of the state government's official burden.

Taking Tamil Nadu as an example, one could argue that the debt of the two power sector utilities—Tamil Nadu Transmission Corporation (TANTRANSCO) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)—will likely become the state government's responsibility. If these two entities are unable to repay their debt, then the state government will have to step in, even though both are distinct from the government.

According to the revised estimates for FY 2023, Tamil Nadu's debt-to-GDP ratio was 31.56. However, when the outstanding long-term borrowings of the two utilities—approximately Rs 2 lakh crore—are added to the state's debt, the debt-to-GDP ratio shoots up to 39.7. This is an increase of almost 8 percentage points, and has a material impact on the fiscal sustainability of the state. So, how high can a debt-to-GDP ratio be? The Tamil Nadu Fiscal Responsibility Act 2003 set a target of 25 per cent for 2015, after which the debt-to-GDP was intended to decline. But even without the addition of the power sector debt, Tamil Nadu has crossed this threshold. Other states are likely to be in similar positions.

The importance of 'r' and 'g'

In the years ahead, two factors will shape whether a state's borrowing becomes unsustainable or not. These are the interest rate (r) at which the government borrows, and the rate at which the state GDP grows (g).

If the financial market lends to the state at low interest rates, and the GDP growth rate continues to be high, the state could continue at this level of borrowing. The bond market in India currently lends to state governments at about 7-8 per cent. It does not discriminate between fiscally responsible and irresponsible states, probably owing to an implicit state guarantee. Power sector utilities also seem to continue to get loans from the Power Finance Corporation (PFC) and the Rural Electrification Corporation Limited (REC). Under current conditions, for most states in India, we see that $r < g$. In Tamil Nadu, our projections suggest that the "correct" debt-to-GDP ratio will increase from 39.7 per cent in FY 2023 to about 43.53 per cent by FY 2028 if r is 7 per cent and g around 9 per cent.

However, both the r and the g cannot be taken for granted. There is no guarantee that a state's GDP growth will continue at the current pace. A bond market crisis, such as the one following the Infrastructure Leasing & Financial Services (IL&FS) default in August 2018, might also make borrowing more expensive. Further, a strategy of borrowing from financial institutions becomes risky if these institutions change how they evaluate the credit risk of states. Some of the non-banking finance companies (NBFCs) lending to power sector utilities are deposit-taking institutions regulated by the RBI. A change in regulations might make it difficult for them to lend depositors' money to power sector utilities.

These variables can all impact the debt-to-GDP ratio. If borrowing becomes more expensive—say, if interest rates rise to 9 per cent—then the projected debt-to-GDP ratio increases to 47.31 by FY2028 (instead of 43.53). Similarly, if GDP growth falls to 8 per cent instead of 9 per cent, the debt-to-GDP ratio would rise to 45.59 by FY2028. If both scenarios occur at the same time—that is, interest rate rises to 9 per cent and GDP growth falls to 8 per cent—then the projected debt-to-GDP ratio would reach 49.54. These calculations reveal the vulnerabilities of the current fiscal strategy of several states, but can also serve as a basis to devise mechanisms for course-correction. https://theprint.in/opinion/the-true-cost-of-free-electricity-to-states-just-look-at-tamil-nadu/1998003/

13. Haridwar DM to probe missing report on 'fertiliser scam' *(timesofindia.indiatimes.com)* 13 March 2024

Dehradun: An alleged scam involving the purchase of substandard zinc sulphate fertiliser worth over Rs 40 crore from a Madhya Pradesh-based firm has surfaced in Haridwar. The office of the chief agriculture officer (CAO), in response to a Right to Information (RTI) application, said that a crucial file containing a laboratory report on the fertiliser samples was never received from the subdivisional magistrate (SDM) of Roorkee.

The state information commissioner, Yogesh Bhatt, has directed the district magistrate of Haridwar to investigate the matter and submit the report within a month.

The revelation raised concerns, as the report reportedly identified the fertiliser as substandard, yet the department continued purchases throughout 2020 and 2021.

The agriculture department procures zinc sulphate for distribution to farmers, with 80% allocated to the Haridwar and Udham Singh Nagar districts. Following a complaint regarding the fertiliser's quality, the SDM conducted an inspection, seizing samples and sending them to the Central Fertiliser Quality Control and Training Institute in Faridabad. The report received declared the samples as substandard. However, officials allegedly suppressed the report. According to the SDM office, they forwarded the report and issued a reminder to the district agriculture officer. However, the officer said that till Jan 15, 2022, no such report was received from the SDM office. https://timesofindia.indiatimes.com/city/dehradun/haridwar-dm-to-probe-missing-report-on-fertiliser-scam/articleshow/108447724.cms

14. Huge quantities of molasses, ethanol lead Maharashtra sugar mills to stare at fire risk, Rs 925 crore financial loss *(indianexpress.com)*

Updated: March 13, 2024

In anticipation of a probable shortage in sugar production, the central government had put a blanket ban on the production of ethanol — the fuel additive from B heavy molasses as well as ethanol produced from sugarcane juice or sugar syrup.

As Maharashtra enters its last leg of the 2023-24 sugarcane crushing season, millers are staring at a huge stock of ethanol and rectified spirit valued at Rs 925 crore. Apart from financial burden, millers say this unsold stock poses significant risk given the highly combustible nature of the material.

Earlier this year, in a letter to the Prime Minister Narendra Modi, P R Patil, the chairman of the Maharashtra State Cooperative Sugar Factories Federation, pointed out that the decision to debar ethanol produced from B heavy molasses and a complete ban of production of rectified spirit and extra neutral alcohol (ENA) has put sugar mills in a fix.

In anticipation of a probable shortage in sugar production, the central government had put a blanket ban on the production of ethanol — the fuel additive from B heavy molasses as well as ethanol produced from sugarcane juice or sugar syrup.

Ethanol, which is added to petrol, has come by as a lifeline for the sugar industry. Oil Marketing Companies (OMCs) have been regularly procuring ethanol from the sugar mills which allowed the latter to have more than one income source to make their ends meet.

While the central government had allowed production of ethanol from B heavy and cane juice, it had capped the diversion to just 17 lakh tonne. As a result, mills are burdened with unsold stock of B heavy molasses.

OMCs have floated a tender for procurement of ethanol. As per the federation, Maharashtra alone has a stock of 2.56 lakh litre of B heavy molasses, 93.66 lakh litre of ethanol produced from B heavy molasses and 79.78 lakh litre of alcohol/rectified spirit/extra neutral alcohol with them.

Nationally, the federation said the total valuation of the dead stock is around Rs 2,800 crore.

B heavy molasses as well ethanol and other derivatives are stored at the sugar mills in huge containers. Given the extremely combustible nature of the material, mills take extra precaution but still accidents can't be ruled out.

Millers, who had anticipated a shortage in the availability of sugarcane, were in fact stumped to see the per acre yield increase by over 15 per cent. Only 37 of the 207 sugar mills which had started their operations have ended their season.

As against the earlier estimates, Maharashtra has till date produced 98.53 lakh tonne of sugar and the industry feels the final production figure can well touch the 100 lakh-tonne mark. But the production uptake has failed to cheer the section up. As sugar prices drop, millers now fear they would have to face difficulty in paying the farmers for the sugarcane they purchased. https://indianexpress.com/article/cities/pune/maharashtra-sugar-mills-fire-risk-financial-loss-9210158/