VEDHIK

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FOREWORD

We, at Team Vedhik is happy to introduce a new initiative - "Daily Current Affairs_The Hindu" compilations to help you with UPSC Civil Services Examination preparation. We believe this initiative - "Daily Current Affairs_The Hindu" would help students, especially beginners save time and streamline their preparations with regard to Current Affairs. A content page and an Appendix has been added segregating and mapping the content to the syllabus.

It is an appreciable efforts by Vedhik IAS Academy helping aspirants of UPSC Civil Services Examinations. I would like to express my sincere gratitude to Dr. Babu Sebastian, former VC - MG University in extending all support to this endeavour. Finally I also extend my thanks to thank Ms. Shilpa Sasidharan and Mr. Shahul Hameed for their assistance in the preparing the compilations.

We welcome your valuable comments so that further improvement may be made in the forthcoming material. We look forward to feedback, comments and suggestions on how to improve and add value for students. Every care has been taken to avoid typing errors and if any reader comes across any such error, the authors shall feel obliged if they are informed at their Email ID.

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India's EXIM Bank, Sri Lanka sign $500-mn loan agreement

MEERA SRINIVASAN
COLOMBO

The Export Import Bank (EXIM) of India and the Government of Sri Lanka on Wednesday signed a $500-million Line of Credit agreement aimed at helping Sri Lanka cope with its fuel shortages, amid one of the worst economic meltdowns facing the island nation.

New Delhi's support for fuel imports – by Sri Lanka from India – through the Line of Credit, is in response to Colombo's "urgent requirement", according to a statement from the Indian High Commission in Colombo. "This critical support comes in the wake of a virtual meeting between the External Affairs Minister of India S. Jaishankar and Sri Lanka's Minister of Finance Basil Rajapaksa, held on January 15," said the official statement released on Wednesday.

Days after the meeting, India made the announcement confirming the emergency loan.

Official sources indicated that the Line of Credit spans a year, and comes at a "nominal" interest rate, of under 2%. The Sri Lankan government is expected to invite bids from Indian suppliers soon to finalise its import. Amid Sri Lanka's persisting dollar crisis, the country's ability to import fuel has been severely affected, leading to frequent shortages, as well as power failures. On January 13, India extended a $400 million currency swap to Sri Lanka.

Ink India-Britain free trade, unlock new opportunity

There are good economic and strategic reasons for an FTA that will spell many opportunities for both countries

ALEX ELLIS

In May last year, Prime Ministers Narendra Modi and Boris Johnson announced their shared vision for a transformative decade for the India-United Kingdom partnership. That they met in the middle of India's second wave of COVID-19, shows their determination to turn their shared political will into action. As part of that transformation, the two leaders declared their ambition to more than double bilateral trade by 2030, which totalled over £23 billion in 2019. They directed their governments to take rapid steps to reduce barriers to trade, and to complete the groundwork necessary to begin work on a Free Trade Agreement (FTA) by the end of 2021.

A beginning

These words have now been made real. Both governments have already taken action; for example, unlocking the export of British apples to India and enabling a greater number of Indian fisheries to export shrimp to the U.K. Small but meaningful steps by which both countries have demonstrated they can and have taken concrete measures to stimulate growth.

The big next step was the launch of FTA negotiations last month. On January 13, 2022 in New Delhi, India's Commerce Minister Piyush Goyal and the U.K.'s International Trade Secretary Anne-Marie Trevelyan announced their shared ambition to finish negotiations on a comprehensive and balanced FTA by the end of 2022. This is a big task; all trade negotiations are complex, and especially so between two partners of such different sizes and at such different stages of their development. The opportunities an FTA presents, however, are bigger – for both countries.

Businesses in both nations

Before looking at the future, it is worth taking stock of the present. There are nearly 600 U.K. companies in India employing more than 3,20,000 people. This includes: Barclays which has its biggest office outside of London in Pune, whilst JCB's products manufactured in India are exported to over 110 countries across the globe, as are those by consumer goods giant Hindustan Unilever headquartered in Mumbai; just two of many examples of British companies supporting Prime Minister Modi's vision for an Atmanirbhar Bharat.

GETTY IMAGES/ISTOCKPHOTO

Similarly, India is already a big investor into the U.K. – especially in dynamic sectors such as fintech, electric vehicles and batteries. In 2020-21, India was the U.K.'s second largest source of investment in terms of number of projects. Just last week, both Essar Group and Ola Electric announced investments into the U.K. But given the size of our two economies – the fifth and sixth in the world – our trade relationship in particular has underperformed. An FTA will change that.

The U.K. thrives on free trade. Having left the European Union's common trade bloc after 47 years (in 2020), we are building a network of like-minded democracies committed to free trade. The Indian government is showing its determination to agree to a new set of trade deals; and it is not coincidental that both governments are negotiating with similar countries, for example, Australia. India has an extraordinary opportunity to transform its economy and society in the next 30 years, as it hits its demographic sweet spot, at the heart of the Indo-Pacific region where half the world's people live and 50% of global economic growth is produced. Freer trade with the U.K. will help through greater access to a highly open and competitive market, offering valuable opportunities for India's booming companies – for example giving Bengaluru's start-ups direct access to London's capital markets.

Fine prospects

A U.K.-India trade agreement will stimulate growth and employment in both countries. U.K. government analysis shows that, depending on the depth of the deal, an FTA would add around £14.8 billion to the GDP of India and the U.K. collectively by 2035. A trade deal helps diversify supply chains by making it easier and cheaper for more businesses to do business across borders. Lower barriers coupled with greater regulatory certainty would incentivise new small and medium-sized enterprises to export their goods and services. An agreement also means Indian and British consumers see improvements in the variety and affordability of products.

There are good economic reasons for agreeing to an FTA. There are also good strategic reasons. The British Government's Integrated Review of our overseas policy, which I worked on before coming to India, describes the world we are in; messier, with more geostrategic competition. It is one in which two dynamic democracies such as India and the U.K. need to work closer together to promote open economies.

From past to future

Finally, an FTA would mark a new way of working between the U.K. and India. It gives a new framework within which the two countries can grow and flourish together, putting the colonial economic relationship where it belongs – in the history books. We should acknowledge that past, especially in this 75th year of India's Independence, and build a future which is about opportunities for both countries.

This month also marks one year since I presented my credentials to India's President Ram Nath Kovind. I am honoured to be here at this defining moment – when the U.K. and India will shape the next 25 years of our destiny, as equal, forward looking partners.

Alex Ellis is British High Commissioner to India

INTERVIEW | VIJAY GOKHALE

'Between the two Olympics, China has seen a huge shift in every sense'

'China is going into the 2022 Olympics with a greater sense of anxiety and with a sense that things may not be going as they would wish it to'

ANANTH KRISHNAN

Fourteen years after Beijing hosted the Olympics, the Chinese capital will, on February 4, launch the Winter Olympic Games in a grand opening ceremony. From 2008 to 2022, China has seen a huge shift in its domestic politics as well as in relations with the world, says **Vijay Gokhale**, *a former Foreign Secretary and Ambassador to China. Excerpts.*

Looking back to 2008, what legacy did the Beijing Olympics leave?

■ The period between the two Olympics has seen a very fundamental shift in China in every sense. In 2008, when China held the Beijing Olympics, it reached the apogee of global respect. It had grown for 25 straight years with double-digit growth. It had majorly contributed to global trade and business. It had expanded diplomatic influence across the world. The sense within China was that the 2008 Olympic Games were as a coming of age. The global financial crisis only confirmed to them that this was not simply a passing phenomenon. If you now cut to 2022, China is going into these Olympics with a greater sense of anxiety and with a sense that things may not be going as they would wish it to, both in terms of the domestic situation, because of the economic problems that are there, and internationally. People have put a question mark on whether China's economic growth will continue to power global growth, and also whether China's diplomatic and international behaviour helps in maintaining peace and security, or actually worsens the situation in the region.

We tend to look at 2012, when Xi Jinping became the General Secretary, as another turning point in politics.

■ From 2012 to 2022, Xi Jinping has consolidated power like no leader after Mao Zedong. Today, he is, as one article said, the chairman of everything. We are in a situation where a central authoritarian figure is back in the centre of everything in China, not just its politics, but its society, military, international relations, and so on.

If you read the resolution on history which the Communist Party adopted in June 1980 after the end of the Cultural Revolution, one of the central elements of that resolution was that there had been a dangerous concentration of authority in the hands of one individual, Mao.

The new set of rules emphasised two things. Firstly, there will be collective responsibility. The second critical decision that was taken was the cult of personality would be specifically forbidden. This, therefore, ensured that whatever was to the credit of the party went to the party, not to the credit of an individual. What has happened essentially in 2016 when the new political rules for the party members was introduced, is that both these critical elements of party political life have been

People have put a question mark on whether China's economic growth will continue to power global growth

either expressly removed, or so significantly diluted as to be rendered meaningless. So there has been a very fundamental shift in the basic behaviour within the party since 2012.

What changes do you see in how China looks at its place in the world?

■ China perhaps saw this inflection point approaching around the time of the Beijing Olympics or just after that. The global financial crisis gave China the sense that the inflection point was there. To my sense, COVID-19 has confirmed that view as far as the Chinese are concerned, not necessarily because they perceive themselves to be doing so well, but because they perceive others to have done so badly, particularly the U.S. and its Western allies.

The phrase that President Xi and other members of the party have been using for at least the past three or four years has been that this is a once-in-a-century situation, which has both great challenges and opportunities. It is this grand sort of dream which is driving China's foreign policy. That includes the whole idea of creating an alternative universe in terms of the Belt and Road, payment gateways, governing the Internet, alternative global positioning systems, alternative multilateral lending institutions, the "Made in China 2025" strategy which means China will lead in new industries like artificial intelligence, Internet of Things, or 5G.

Do you think the shift in India away from looking at China as a bg economic opportunity is permanent?

■ For many years now, it has become clearer and clearer that the primary areas of Chinese interest in the Indian economy were selling to the Indian market, which is China's exports, and providing the wherewithal for building projects in India, or project exports.

Despite a positive climate that prevailed from roughly 2005 to 2017, very little direct Chinese investment came into India. Conversely, Indian companies have found it very difficult to break into the Chinese market.

For the Indian side, the huge trade deficit is not simply an economic issue or a commercial matter, it is a political problem.

I do not mean to say that trade figures will precipitously drop, because the fact of the matter is that China supplies many of the intermediate and capital goods that India needs.

What you won't see is significant amounts of Chinese investment, partnerships in terms of technology sharing or joint manufacturing, a closer relationship between the renminbi and the rupee, easier financial and banking channels, all those indicators which suggest that the two economies are converging.

I don't expect to see this in the coming 5 to 10 years. When India and China in 2008 used the famous phrase that there is enough space in the Asia-Pacific for both India and China to grow together, we perhaps meant different things.

Post-2020, any possibility of collaboration between the two countries has been set back even further, because as the Government of India has correctly said, we cannot on the one hand talk of cooperation and partnership where it suits China, but on the other hand, have a problem or confrontation in areas where it doesn't suit China to collaborate.

What shift do you see in China's approach to territorial disputes?

■ If you look at the South China Sea issue, from the point when they offered to negotiate a code of conduct sometime in 2001 or 2002, it has taken them more than 20 years simply to come up with just a framework. As of now, there is no code of conduct.

The only thing that has changed is the facts on the ground. And those changes have been made only by one of the parties to the dispute, which is the People's Republic of China. The lesson we can draw from this is that they have entered into negotiations as a means of buying time in order to change the facts on the ground. And having changed the facts on the ground, they are now in a position to dictate terms simply because these facts cannot be reversed.

They have then brought in a border law which legalises this by saying there is no dispute and this is a matter of sovereignty. There are lessons for us to draw from this.

Full interview at https://bit.ly/GokhaleInterview

U.S., NATO offer trust-building steps to Russia, say leaked files

However, West reiterates that Ukraine has right to apply to join its alliance

AGENCE FRANCE-PRESSE
BRUSSELS

Washington and its NATO allies have offered Moscow arms control and trust-building measures to defuse the threat of a new Russian offensive against Ukraine, according to documents published by *El Pais* on Wednesday.

The proposals, set out in letters by NATO and the United States last month in response to Russian demands, remain firm on insisting that Ukraine and any other sovereign country has a right to apply to join the alliance.

But the reported U.S. response – posted to the Spanish daily's website – suggests "reciprocal commitments by both the United States and Russia to refrain from deploying offensive ground-launched missile systems and permanent forces with a combat mission in the territory of Ukraine".

Flexing artillery: Russian T-72B3 tanks during military drills at the Golovenki training ground near Moscow. ▪ AP

Both the U.S. and NATO documents urge Russia to restore diplomatic ties with the alliance and to renew and renegotiate nuclear missile control treaties with the United States.

Moscow is urged to re-engage with the NATO-Russia council, a diplomatic body "offering dialogue and partnership in place of conflict and distrust."

A NATO official refused to confirm the text, saying: "We never comment on alleged leaks."

Kremlin spokesman Dmitry Peskov said Moscow was aware of the report but added: "We didn't publish anything, and I don't want to comment on this."

"Further Russian increases in force posture against Ukraine will force the United States and Allies to strengthen our defensive posture," the document warned.

J&K Delimitation Commission likely to get another extension

Move may further delay any announcement of Assembly polls in the UT

PEERZADA ASHIQ
DAMINI NATH
SRINAGAR/NEW DELHI

The J&K Delimitation Commission, which was constituted on March 6, 2020, not long after Jammu & Kashmir's special Constitutional position was ended in August 2019, is likely to get a second extension of its term this month. This may further delay any announcement of Assembly elections in the Union Territory.

Official sources said the three-member Commission, headed by retired judge Ranjana Prakash Desai, after sharing its first draft report with five associate members, including three Members of Parliament (MPs) of the National Conference (NC) and two Bharatiya Janata Party (BJP) MPs, in December 2021, is planning to make its draft proposal public this month for broad-based feedback from J&K's parties, civil society groups and citizens.

Activists of the National Conference protesting against the proposals of delimitation commission in Srinagar. ▪ FILE PHOTO

With its second tenure nearing an end in the next 34 days, the J&K Delimitation Commission's members are likely to hold a meeting in New Delhi in the coming days to take a final call on the extension and its period.

Official sources said discussions on the progress of the work would also be held this week in New Delhi.

The Commission was granted one year extension in March 2021 after the National Conference (NC) boycotted its meetings, affecting the process of delimitation. The NC decided to participate only after Prime Minister Narendra Modi held an all-party meeting in June 2021.

Both NC and BJP members have already submitted their responses on the first draft proposal to the Commission. It remains to be seen if the Commission will incorporate suggestions in the draft proposal likely to be made public.

The Commission came into being by virtue of an Act of the Parliament, under the provisions of Part V of the J&K Reorganisation Act, 2019. It is redrawing boundaries of seven additional seats for the 83-member Assembly.

Reservation of seats

In its first draft proposal, the Commission suggested an increase of six Assembly segments in the Jammu province and one in the Kashmir province. It has also suggested the reservation of seven seats for Scheduled Castes and nine seats for Schedule Tribes.

Most Kashmir-based political parties, including the NC and the PDP, accused the Commission of "gerrymandering" and termed the report "unacceptable". The BJP in Jammu, however, welcomed the proposal.

Process on to amend criminal laws: govt.

Clarify stand on criminalising marital rape, says CPI

JAGRITI CHANDRA
NEW DELHI

The government has started the process of comprehensive amendments to criminal laws, Minister for Women and Child Development Smriti Irani told Parliament on Wednesday in response to a question on marital rape, but warned against condemning every man as a rapist and every marriage as a violent one.

"The Government of India has initiated the process for comprehensive amendments to criminal laws in consultation with all stakeholders," Ms. Irani told the Rajya Sabha in a written reply to a query from CPI member Binoy Viswam on whether the Centre had taken a position on inclusion of marital rape as an offence under the Indian Penal Code.

Ms. Irani's comment comes at a time the Delhi High Court is hearing a clutch of petitions seeking criminalisation of marital rape and the government is soon expected to present its arguments. Its lawyers had earlier sought more time to formulate its stand on the ground that the issue needed wider consultations.

The petitions have sought striking down of the exception to Section 375 of the IPC, which says forcible sexual intercourse or sexual acts by a man with his own wife, the wife not being 18 years, is not rape.

> To condemn every marriage in this country as a violent marriage and to condemn every man in this country as a rapist is not advisable in this august House
>
> **SMRITI IRANI, MINISTER FOR WOMEN AND CHILD DEVELOPMENT**

When the CPI MP asked if the government had taken note of the contradiction in Section 3 of the Domestic Violence Act and Section 375 of the IPC, Ms. Irani, in her oral reply, said, "To condemn every marriage in this country as a violent marriage and to condemn every man in this country as a rapist is not advisable in this august House."

Section 3 of the Protection of Women from Domestic Violence Act, 2005 provides a definition for domestic violence, which includes physical, sexual, verbal and emotional abuse.

The National Family Health Survey-4 (2015-16) shows that 7% of ever-married women experienced spousal sexual violence. Among ever-married women aged 15-49 who have ever experienced sexual violence, 83% report their current husband and 9% report a former husband as perpetrators.

To a question from CPI(M) member John Brittas seeking a timeline for the amendments, Minister of State for Home Affairs Ajay Kumar Mishra said, "The legislation of such laws is a complex and lengthy exercise, given the spectrum of divergent views of stakeholders. The entire process is a long drawn out one and no time limit can be fixed or given for this legislative process."

Stating that marital rape should be granted immunity, otherwise the institution of marriage would be destroyed, BJP member Sushil Modi said it was difficult to prove when a woman had consented to sexual intercourse and when she had withdrawn her consent.

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Process on to amend criminal laws: govt.

To this, Ms. Irani said his opinion was reflected in the 172nd report of the Law Commission of India and also in the report of the Standing Committee related to Home Affairs in 2013.

The 172nd report of the Law Commission in 2000 said it was "not satisfied that [marital rape] exception should be recommended to be deleted since that may amount to excessive interference with the marital relationship."

The 2013 J.S. Verma Committee, formed in the aftermath of Nirbhaya gangrape, recommended making marital rape a crime, but this was not part of the Criminal Law (Amendment) Act passed in 2013 and a Parliamentary Standing Committee on Home Affairs formed to examine the ordinance before the passage of the law said, "the entire family system will be under great stress" should marital rape be criminalised.

This is the stand that the NDA government too has continued to take. In 2017, when the Delhi High Court was hearing the matter, the government, in its affidavit, submitted that it had to be ensured that marital rape doesn't become a phenomenon that destabilises the institution of marriage and an easy tool for harassing the husbands. It added, "What may appear to be marital rape to an individual wife, it may not appear so to others."

In Delhi High Court on Wednesday, advocate Karuna Nundy, arguing for petitioners RIT Foundation and All India Democratic Women's Association, said marital rape exception reduced a wife's sexual desire and consent to a nullity and that if the court found a provision in law to be unconstitutional, it must be struck down.

(With inputs from Soibam Rocky Singh)

Electoral bonds worth ₹1,213 cr. sold in January

It is double the figure of April 2021

DAMINI NATH
NEW DELHI

Electoral bonds worth ₹1,213 crore were sold by the State Bank of India (SBI) in January, with most of them (₹784.84 crore) being encashed in the New Delhi branch, pointing towards national parties, while the Mumbai branch sold the most (₹489.6 crore worth), according to a Right to Information reply this week.

This comes as campaigning for the Assembly polls in Goa, Manipur, Punjab, Uttar Pradesh and Uttarakhand is in full swing, after being announced on January 8.

RTI activist Kanhaiya Kumar, whose query the SBI responded to on Monday, said the amount of bonds sold this time had been the highest before any Assembly poll since the scheme began in 2018. In fact, the value of bonds sold in the 19th tranche, from January 1 to 10, was nearly double of that sold in the run-up to the last set of Assembly polls in April 2021 (₹695 crore).

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Electoral bonds worth ₹1,213 cr. sold in January

While the New Delhi branch was used to encash the most bonds, electoral bonds worth ₹117.12 crore were sold there. The RTI reply showed that bonds worth ₹227 crore, ₹154 crore and ₹126 crore were sold in the Chennai, Kolkata and Hyderabad branches respectively.

After New Delhi, the Kolkata branch had the most electoral bonds encashed (₹224 crore) followed by Chennai (₹100 crore). States where elections are going on had smaller amounts of bonds encashed – ₹50 lakh in Chandigarh, ₹3.21 crore in Lucknow and ₹90 lakh in Goa.

The scheme, started in 2018, enables Indian citizens or companies to buy the bonds from 29 SBI branches in denominations of ₹1,000, ₹10,000, ₹1 lakh, ₹10 lakh and ₹1 crore to be used as anonymous donations to political parties. Since the last set of Assembly polls in Tamil Nadu, Kerala, West Bengal, Assam and Puducherry in April 2021, bonds worth ₹150 crore were sold in July 2021 and ₹614 crore in October 2021.

Children's share in 2022 Union Budget plummets to 11-year low

Allocation for child health has decreased by 6.08%

SPECIAL CORRESPONDENT
NEW DELHI

Children in the country received the lowest share of allocation in the Budget in 11 years, according to an analysis by the NGO, HAQ-Centre for Child Rights.

The total allocation for children in Union Budget 2022-23 is ₹92,736.5 crore, against an allocation of ₹85,712.56 crore in the last Budget.

Though this is an increase of 8.19% in absolute terms, it is not proportionate to the increase in the total expenditure in the Budget.

The share of the Budget for children is a meagre 2.35% of the Budget for the next fiscal, which is a reduction of 0.11 percentage points from this fiscal, says HAQ. This is the lowest share children have received in the last 11 years.

The allocation for child health has decreased by 6.08%. It has dropped from ₹3,727.57 crore in 2021-2022 to ₹3,501.11 crore for the next fiscal. One of the most important child health schemes, the NRHM-RCH Flexi Pool, has observed a reduced allocation of 8.22% at ₹3,174.57 crore in Budget 2022-23.

The share for children is a meagre 2.35% of the Budget for the next fiscal.

Development schemes

As far as child development programmes are concerned, they have seen a drop of 10.97% in allocation for the next fiscal at ₹17,826.03 crore. These include supplementary nutrition and anganwadi (day care) services.

The share of child education in the overall Budget 2022-23 has witnessed only a marginal increase of 0.3 percentage points from 1.74% in the current fiscal to 1.73% for the next fiscal. However, in absolute terms, the allocation has increased by 15.04% with ₹69,835.72 set aside, notes HAQ.

Though the Finance Minister announced a 'One class, one TV channel' programme from 12 to 200 TV channels to enable States to provide supplementary education in regional languages for Classes 1 to 12, studies have shown this is a difficult mode of learning for children.

Schemes for the protection and welfare of children clubbed under the Mission Vatsalaya of the Ministry of Women and Children received ₹1,472.17 crore. This is 65% more than this fiscal, but below the allocation of ₹15,000 crore in 2019-2020, before the scheme was restructured.

Budget moots tweaks to GST law to tighten input tax claims

Suppliers' failure to remit taxes could result in credits being blocked

SPECIAL CORRESPONDENT
NEW DELHI

Amendments to the GST law mooted in the Finance Bill could stretch businesses' cash flows and lay the onus on taxpayers to accurately report input tax while filing returns, as the Bill seeks to scrap the provisional input tax credit (ITC) option.

The changes proposed in the Central GST Act sections relating to input tax credits aim to restrict such credits unless suppliers have remitted their share of taxes. While the provisional input tax credits are being scrapped, specific restrictions will apply for availing all input tax credits.

For instance, input tax credits from newly registered taxpayers may be restricted for a prescribed period, as would credits from any existing taxpayer that had fallen short on paying their dues. Most of the tweaks, aimed at plugging tax leakage and deterring businesses from wrongfully availing ITC, were approved by the GST Council last year.

In a bind: 'Excess ITC could lead to demand notices, while suboptimal ITC could hit firms' cash flows.' ▪ B. JOTHI RAMALINGAM

Tax practitioners, however, caution that any failure to accurately report input tax credits could lead to demand notices from authorities, even though firms are not in a position to ensure their suppliers pay taxes on time.

'Added pressure'

"Doing away with the provisional ITC concept puts added pressure on businesses to accurately report ITC each month," said Archit Gupta, founder and CEO of tax portal Clear. "Excess ITC could lead to demand notices and penalties, while suboptimal ITC could hit cash flows."

Khaitan & Co. partner Abhisek A. Rastogi pointed out that the system of two-way communication between the supplier and recipient to ensure matching of respective returns is also being omitted.

Creating jobs by increasing capex

The thrust on capital expenditure is laudable, but it comes with some caveats and risks

ANANTH NARAYAN

PTI

If we had to look for one single metric that held the key to us achieving our immense economic potential as a nation, creation of gainful jobs, particularly for our underemployed youth and women, would perhaps be a strong candidate.

Data from the International Labour Organization (ILO) suggest that India's employment to population (over the age of 15) ratio has steadily dropped from 55% in 2005 to 43% in 2020. In 2020, it was 52% in Bangladesh, 63% in China and 73% in Vietnam. Specifically, women form just 20% of India's workforce, while they comprise between 30% and 70% of the workforce in the other three countries. Further, CMIE data suggest that across manufacturing and services, India lost nearly 1 crore jobs between December 2016 and December 2021.

Amidst a global and domestic context muddied by the COVID-19 pandemic, Finance Minister Nirmala Sitharaman, and indeed the entire administration, has their job cut out, trying to enable creation of sustainable jobs over time. In the 2022-23 Budget speech, she went all-in on allocating ample money towards productive infrastructure investments as the way forward.

Momentum in tax collections

Before we get into that, let's start with some good news. Data released by the Controller General of Accounts (CGA) shows that for the first nine months of the current fiscal year 2021-22 (FY22), the Centre's revenue receipts across taxes and dividends already stood at ₹17.3 lakh crore, just shy of the full year budget of ₹17.9 lakh crore. There are many factors that contribute to this remarkable outcome. First, higher income tax and Goods and Services Tax (GST) collections are on the back of a robust performance of India's organised sector, amidst increased formalisation of the economy. Second, the government deserves full credit for the conservative Budget projections of last year, even as it enhanced credibility by coming clean on expenditures hidden in off-balance sheet in the books of the Food Corporation of India. Put together, for the first time in many years, notwithstanding the pandemic and the intense hurt amongst the unorganised sectors, tax collections for this fiscal year will end well ahead of the original Budget projections.

This Budget, therefore, revised up FY22 Central revenue receipts to ₹20.8 lakh crore, nearly ₹3 lakh crore higher than the original Budget. Given the momentum in tax collections till December, notwithstanding the Omicron wave, actual revenue receipts may exceed even this number by an additional ₹0.5 lakh crore-0.7 lakh crore. All this will more than make up for the projected shortfall in the government's disinvestment Budget for this year.

Despite the much higher revenue receipts than budgeted, the overall FY22 fiscal deficit is projected to end at ₹15.9 lakh crore (6.9% of GDP), higher than the Budget Estimates of ₹15.1 lakh crore. Additional spending towards food and fertilizer subsidies, increased allocations towards the National Rural Employment Guarantee Scheme and export incentives, and a clean-up of the books of Air India prior to its sale all contributed towards increased expenditures.

Going forward, however, a sustained momentum in tax collections will provide additional degrees of fiscal policy freedom to the Finance Minister as she tries to foster domestic jobs and output. She has chosen to back investments into capital expenditure as the way to achieve this.

For the next fiscal year FY23, she has increased her capital expenditure budget - or investments into productive capital creation - to ₹7.5 lakh crore, 24% higher than the FY22 revised estimate of ₹6 lakh crore. Alongside she has pencilled in just 1% increase in revenue expenditure, i.e., into items such as salaries, pensions, interest, and subsidies. In this regard, she is continuing a trend that she started in last year's Budget. Between FY11 and FY21, capital expenditure averaged just 12% of the government's overall expenditure. For the current FY22, that ratio increased to 16%, and for FY23, the Finance Minister has proposed to take it to 19%.

The intent and commitment behind this strategy is clear and laudable. The expectation is that sustained investment in roads, railways, freight corridors, power, renewable energy along with initiatives such as Production-Linked Incentives (PLI) and other enabling legislation, will create the conditions for drawing in private sector investments into manufacturing, and foster job creation and sustainable growth.

The key lies in execution

But as with everything else, this strategy does come with a few caveats and risks.

First, not all the headline capital expenditure is indicative of fresh greenfield investments. The ₹0.5 lakh crore of clean-up of Air India's books this year counts as capital expenditure. Similarly, for FY23, the government has set aside ₹0.8 lakh crore to partly clean up the books of NHAI and BSNL. Nevertheless, the transparency this brings about is still very welcome.

Second, while there is a visible thrust on hard capital expenditure, the outlays towards critical areas such as education, healthcare and urban infrastructure remain subdued. One would think investments in these areas are equally, if not more critical, than hard infrastructure alone.

Third, the thrust on capital expenditure has resulted in notably higher fiscal deficit numbers than expected. Notwithstanding the intent and commitment, such high fiscal deficits can put pressure on interest rates and the Reserve Bank of India, even as it raises the risk of inflation, higher current account deficits, and the attendant threats to financial stability.

Ultimately, the key lies in execution. The Finance Minister has provided ample funds for the infrastructure thrust. It is up to the entire administration - Central, State, and local - to ensure that the funds are utilised in a timely fashion, and result in delivery of world-class infrastructure. Alongside, ease of doing investments have to be continually addressed, especially around key areas such as land acquisition, contract enforcement, and policy stability. Sustained investments in manufacturing and value-added services hold the key for the growth of small businesses, jobs, and our economic well-being.

Ananth Narayan is Associate Professor (Adjunct), Finance, and Head of Public Policy, SPJIMR

Expect States to fully tap ₹1-lakh cr. loan corpus: FM

'States can pitch own priority projects for interest-free loan'

VIKAS DHOOT
NEW DELHI

Finance Minister Nirmala Sitharaman said the Centre is open to considering States' own priority projects to avail of funds from the ₹1,00,000 crore interest-free, 50-year loan, even if they don't strictly fall under the focus areas specified in the latest Union Budget.

"We'll accept any project but more so, if they are all within the broad framework of PM Gati Shakti that seeks to make sure that every project will have optimum utilisation of the context," she said to a query from *The Hindu*. "If I want an airport in my constituency, are there industries or residents around it, is there some economic activity going on," she said, indicating that there must be some economic rationale and synergy for such projects to be considered.

Nirmala Sitharaman

As per the Budget, the loans could be availed of for projects related to the PM Gati Shakti programme, digitising the economy, building rural roads and reforms relating to urban transit, building laws and town planning.

The Minister exuded confidence that States would use the entire ₹1-lakh crore corpus. "States have very good capacity to execute such projects. The ₹10,000 crore we had offered with similar conditions in this year, we raised it to ₹15,000 crore as the response was so good," she said.

Greater capital expenditure is the highlight of the Budget

'FM has focussed on sustaining growth momentum'

NIRMAL JAIN

This Budget has made some very effective announcements to accelerate growth as we come out of a prolonged pandemic which has weighed on growth significantly.

We have seen GDP growth rate at above 9% and need to sustain that momentum. Then, it will result in higher income for everyone, higher consumption leading to higher earnings growth as well. The higher-than-expected capital expenditure (capex) is the highlight of the Budget. Also, there is no bad news as such, which is a positive. Here are some takeaways:

Capex and deficits

For FY22, the revised estimate for capex stood at ₹6 trillion, but excluding the one-time Air India charge, it would have been closer to ₹5.5 trillion. Against that, the capex is slated to rise almost 35% to ₹7.5 trillion in FY23. This is the major theme of the Budget.

In terms of deficits, it is not just the fiscal deficit that is being cut from 6.9% in FY22 to 6.4% in FY23. This will be supported by revenue deficit tapering from 5.1% budgeted for in FY22 to 3.8% in FY23. The Centre wants to borrow less to fund revenue spending, which is a good signal.

Primary deficit (excluding interest) was 20 basis points (bps) higher than budget estimates for FY22 at 3.3%, but is estimated to dip to 2.8% in FY23. The path appears to be towards a gradual taper of deficits.

It is not that central fiscal deficit is being replaced with State fiscal deficits. The consolidated deficit is expected to come down to 10.4% in FY23 from 10.9% in FY22. In addition, States have leeway to expand their deficit to 4% of GSDP compared with 3% stipulated by the Finance Commission. States also get ₹1 trillion as interest-free, 50-year loans. In a nutshell, there will be a lot more onus of deficit creation in the hands of the States.

Despite the projected reduction in fiscal deficit to 6.4%, borrowings are going to be higher. In fact, from ₹12.1 trillion in FY22, borrowings are expected to rise to ₹14.95 trillion in FY23. This was one reason why bond yields on the 10-year benchmark rallied to above 6.8% post the Budget announcement. Pressure on long-term yields will stay and it must be ensured that not too much devolves on the Reserve Bank.

While the gross market borrowing is higher than expectations, there is a trade off. We got a higher GDP print of 9.2%. So, maintaining the momentum has a positive impact on jobs and cascading impact on many other sectors. At any point, a Finance Minister will have a trade-off between maintaining higher economic growth and worrying about inflation. The current bond yields, though inching up, are in a comfortable range. If we go back to the earlier crisis of 2008 or the taper tantrum of 2011, bond yields were hovering much higher at about 8%.

At any point, a Finance Minister will have a trade-off between maintaining higher economic growth and worrying about inflation. Bond yields, though inching up, are in a comfortable range

COMMENT

Muted disinvestments

Unlike the last two years when disinvestment revenues were the theme of the Budget, FY23 has underplayed this theme altogether. For example, against the ₹1,75,000 crore estimate for disinvestment in FY22, the revised estimate is ₹78,000 crore and has been further scaled down to ₹65,000 crore for FY23.

What can be inferred is that the Centre may push through a much smaller LIC IPO this year and BPCL may be just about the only big highlight in FY23.

(The writer is founder and chairman, IIFL Group)

‘Green bonds’ target carbon neutrality

To help India achieve net zero by 2070

SPECIAL CORRESPONDENT
MUMBAI

Union Finance Minister Nirmala Sitharaman on Tuesday announced plans to issue sovereign ‘green bonds’, a concept catching up globally, to move towards carbon neutrality.

“As part of the government’s overall market borrowings in 2022-23, sovereign ‘green bonds’ will be issued for mobilising resources for green infrastructure,” she said.

“The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy,” Ms. Sitharaman said. “The ‘green bond’ market is globally expanding at a fast pace, and this will help India access long-term funds at competitive rates. This will also improve the ESG climate in the country,” said Suman Chowdhury, Chief Analytical Officer, Acuité Ratings & Research.

Industry reactions

Reacting to the provision in the Budget, Sumant Sinha, Chairman & CEO, ReNew Power Pvt. Ltd. said, with this India has laid the groundwork for its ambition to be a net zero country by 2070. “It is great to see that the government has very firmly put energy transition and clean energy at the heart of India’s economic growth and looks to address some of the most challenging aspects of this transition,” he said.

“Sovereign ‘green bonds’ are also very welcome, which can help mobilise financial resources for distribution companies as well as for clean energy investors,” he added.

Digital rupee to arrive in new fiscal, to use blockchain tech.

‘It will lead to a cheaper currency management system’

SPECIAL CORRESPONDENT
MUMBAI

In a big ‘no’ to cryptocurrencies, the digital rupee will be introduced in India during the financial year 2022-23, Union Finance Minister Nirmala Sitharaman said on Tuesday while presenting the Union Budget.

“Introduction of Central Bank Digital Currency will give a big boost to the digital economy. Digital currency will also lead to a more efficient and cheaper currency management system,” Ms. Sitharaman said.

“It is, therefore, proposed to introduce the digital rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23.”

Digital currency will lead to a more efficient currency management system.

“Digital rupee is one of the most-awaited announcements. It is important to understand how other crypto assets will be taxed and whether there will be any specific benefit given to the digital rupee,” said Pranay Bhatia, partner and leader, tax and regulatory services, BDO India.

“With no deduction for cost, tax rate at 30%, tax on mining/gifting and no offset of loss against income from other sources, the Finance Minister has given the much-needed clarity on crypto transactions. However, tracking such transactions in the absence of a central regulator may be challenging,” he noted.

General Studies Paper I	
A	History of Indian culture will cover the salient aspects of art forms, literature and architecture from ancient to modern times;
B	Modern Indian history from about the middle of the eighteenth century until the present-significant events, personalities, issues;
C	Freedom struggle-its various stages and important contributors / contributions from different parts of the country;
D	Post-independence consolidation and reorganization within the country;
E	History of the world will include events from 18th century such as industrial revolution, world wars, re-drawal of national boundaries, colonization, decolonization,
F	Political philosophies like communism, capitalism, socialism etc.-their forms and effect on the society
G	Salient features of Indian Society, Diversity of India;
H	Effects of globalization on Indian society;
I	Role of women and women's organization;
J	Social empowerment, communalism, regionalism & secularism
K	Salient features of world's physical geography;
L	Geographical features and their location- changes in critical geographical features (including water bodies and ice-caps) and in flora and fauna and the effects of such changes;
M	Important Geophysical phenomena such as earthquakes, Tsunami, Volcanic activity, cyclone etc.
N	Distribution of key natural resources across the world (including South Asia and the Indian subcontinent);
O	Factors responsible for the location of primary, secondary, and tertiary sector industries in various parts of the world (including India);
P	Population and associated issues;
Q	Urbanization, their problems and their remedies
General Studies Paper II	
A	India and its neighbourhood- relations;
B	Important International institutions, agencies and fora- their structure, mandate;
C	Effect of policies and politics of developed and developing countries on India's interests;
D	Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.
E	Indian Constitution, historical underpinnings, evolution, features, amendments, significant provisions and basic structure;
F	Comparison of the Indian Constitutional scheme with other countries;
G	Functions and responsibilities of the Union and the States, issues and challenges pertaining to the federal structure, devolution of powers and finances up to local levels and challenges therein; Inclusive growth and issues arising from it;
H	Parliament and State Legislatures - structure, functioning, conduct of business, powers & privileges and issues arising out of these;
I	Structure, organization and functioning of the executive and the judiciary, Ministries and Departments;

J	Separation of powers between various organs dispute redressal mechanisms and institutions;
K	Appointment to various Constitutional posts, powers, functions and responsibilities of various Constitutional bodies;
L	Statutory, regulatory and various quasi-judicial bodies;
M	Mechanisms, laws, institutions and bodies constituted for the protection and betterment of these vulnerable sections;
N	Salient features of the Representation of People's Act;
O	Important aspects of governance, transparency and accountability, e-governance- applications, models, successes, limitations, and potential;
P	Citizens charters, transparency & accountability and institutional and other measures;
Q	Issues relating to poverty and hunger,
R	Welfare schemes for vulnerable sections of the population by the Centre and States, Performance of these schemes;
S	Issues relating to development and management of social sector / services relating to education and human resources;
T	Issues relating to development and management of social sector / services relating to health
General Studies Paper III	
A	Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment;
B	Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth;
C	Inclusive growth and issues arising from it;
D	Infrastructure Energy, Ports, Roads, Airports, Railways etc. Government budgeting;
E	Land reforms in India
F	Major crops, cropping patterns in various parts of the country, different types of irrigation and irrigation systems;
G	Storage, transport and marketing of agricultural produce and issues and related constraints;
H	e-technology in the aid of farmers; Technology Missions; Economics of Animal-Rearing.
I	Issues of buffer stocks and food security, Public Distribution System- objectives, functioning, limitations, revamping;
J	Food processing and related industries in India – scope and significance, location, upstream and downstream requirements, supply chain management;
K	Issues related to direct and indirect farm subsidies and minimum support prices
L	Awareness in the fields of IT, Space, Computers, robotics, nano-technology, bio-technology;
M	Indigenization of technology and developing new technology;
N	Developments and their applications and effects in everyday life;
O	Issues relating to intellectual property rights
P	Conservation, environmental pollution and degradation, environmental impact assessment
Q	Disaster and disaster management
R	Challenges to internal security through communication networks, role of media and social networking sites in internal security challenges, basics of cyber security;
S	Money-laundering and its prevention;

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T	Various forces and their mandate;
U	Security challenges and their management in border areas;
V	Linkages of organized crime with terrorism;
W	Role of external state and non-state actors in creating challenges to internal security;
X	Linkages between development and spread of extremism.
General Studies Paper IV	
A	Ethics and Human Interface: Essence, determinants and consequences of Ethics in human actions;
B	Dimensions of ethics;
C	Ethics in private and public relationships. Human Values - lessons from the lives and teachings of great leaders, reformers and administrators;
D	Role of family, society and educational institutions in inculcating values.
E	Attitude: Content, structure, function; its influence and relation with thought and behaviour;
F	Moral and political attitudes;
G	Social influence and persuasion.
H	Aptitude and foundational values for Civil Service , integrity, impartiality and non-partisanship, objectivity, dedication to public service, empathy, tolerance and compassion towards the weaker sections.
I	Emotional intelligence-concepts, and their utilities and application in administration and governance.
J	Contributions of moral thinkers and philosophers from India and world.
K	Public/Civil service values and Ethics in Public administration: Status and problems;
L	Ethical concerns and dilemmas in government and private institutions;
M	Laws, rules, regulations and conscience as
N	sources of ethical guidance;
O	Accountability and ethical governance; strengthening of ethical and moral values in governance; ethical issues in international relations and funding;
P	Corporate governance.
Q	Probity in Governance: Concept of public service;
R	Philosophical basis of governance and probity;
S	Information sharing and transparency in government, Right to Information, Codes of Ethics, Codes of Conduct, Citizen's Charters, Work culture, Quality of service delivery, Utilization of public funds, challenges of corruption.
T	Case Studies on above issues.