State of Finance in India Report

2021-22

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STATE OF FINANCE IN INDIA REPORT
2021-2022

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CONTENTS

SECTION 2: SECTORAL OVERVIEW

ACKNOWLEDGEMENT

We are happy to present the first edition of the State of Finance in India Report which comes after our struggles against the multiple waves of COVID-19 in the past two years. The pandemic also laid bare many pressing matters in the economic landscape of the country that we attempted to address as we reshaped the edition to unravel those questions.

We are grateful to our authors who were able to contribute to the edition despite the constraints of their time and the immediacies of the health emergency. We thank them for their patience and also apologise for the delay that the many phases and faces of the pandemic forced upon us.

We are also grateful towards our publisher, Yoda Press for bringing this together with rigour and grace and materialising this. We particularly thank Arpita Das, Ishita Gupta and Chitraksh Ashray for navigating the course towards the publication.

We would also like to thank Anirban Bhattacharya who coordinated this edition, helping in conceptualising the Report, patiently following up with each author at all stages, as well as liaising with Yoda Press.

INTRODUCTION

Economic development is actively influenced and informed by the reforms and regenerations in financial systems. India is no exception to this. The economic narrative of India is integrally linked to the hyper financialisation of the global economy and the unbridled growth of its prime movers, namely, the financial institutions, actors and markets. While the basic tenets of the global economic order still affirm allegiance to principles like shared welfare, synchronised stability and universal environmental sustainability, the emerging economies like India are fast plummeting into a neo-liberal crisis, manifested best in its financial instability and unequal living standards. This makes it important to deliberate and debate on the role played by finance in the economic development of India as only a systematised financial model can promote sustainable economic growth in the country by bolstering actual investments in constructive capital generation.

It is essential in these times to think through the kind of authority wielded by the global and local financial markets over the economic ecosystem of India to be able to analyse the (non) prioritisation of equitable growth and distributional goals in the country that could have ensured the majority a respectable living standard. The economic experiences of India, like many other emerging economies, have been shaped and reshaped by the permutations and combinations of financial flows within the international markets and across borders. Both the rise in the flow of capital during the good times and the sudden reversals of the demanding times have had deep seated repercussions on the developmental patterns of the country; along with pushing the country in to an arena of international competition by opening up the indigenous financial markets to global reach, the globalisation of finances has also engineered financial crises in India, thereby threatening the survival of a vast majority within a highly disproportionate financial ecosystem.

The State of Finance in India Report 2021–22 seeks to initiate a dialogue on the effect and influence of financialisation and policy changes on the economic growth of India wherein the leverage of private capital has soared substantially over the years in comparison to the bargaining power of labour. Such a state of affairs has undoubtedly placed the concept and intent of "growth" in India at the mercy of imprudent resource extraction and heightened energy consumption, thereby widening the gap between the rich and the poor in the country. The report also seeks to demystify the world of finance by demonstrating the very

concept of finance as the driving force that steers development models in the country.

Towards that end, the report is a first of its kind that expands the domain of finance and economics beyond the confines of ivory tower experts and invites writings from a cross section of academics, policy makers, activists, social practitioners and of course eminent economists who engage with the questions from ground. Given that finance and money touch and shape our lives in more ways than one, this ensemble of authorship gives the report a certain multidimensional character that allows us to explore the concerns of the day in a much broader as also deeper sense. Wearing a critical, alternative and bottom-up lens while looking at finance and economy, the compilation stands out as it gives us an opportunity to critique the mainstream/ dominant view in a language and form (each piece is no more than 2500 words on average) that is accessible to a larger audience. The report is a result of the combined efforts of Centre for Financial Accountability, the Economic Research Foundation and Focus on Global South. The editorial board comprises C. P. Chandrashekhar, Jayati Ghosh, Shalmali Guttal, Nitin Sethi, Joe Athialy, Bhargavi Rao and Benny Kuruvilla.

This, the first edition of the State of Finance in India report, comes at a juncture when the people and the economy are still in the long shadow of the pandemic. The viral waves in fact also played a role in interrupting the process of compilation of the report. The theme in focus in this edition is in fact The Viral Waves and the Aftermath. The shelf-life of news these days is such that public discourse has "moved on" from even the biggest humanitarian crisis of recent history, and with that we have forsaken, rather squandered, the opportunity to take the right lessons from the crisis for a more resilient future. As such, this edition gives us the right amount of distance from the peak of the tragedy to take a holistic view of the fractures and failures that precipitated the crisis and the misplaced priorities of the public finance that we witness. Some of the key learnings (or unlearnings) that emerged in the aftermath of the pandemic were in the areas of the dismal public health, the digital divide in education, the vulnerable informal sector, and the importance of deepened social protection and universal rights. The analysis in the sections also attempts to unravel the particular vulnerabilities of the marginalised sections in terms of caste, tribe, gender and minorities. Under "In Focus", we have authors contributing to all of the above with insights from the ground giving us a sense of the urgent relook needed at our public finance.

The theme "In Focus" would change every year, the next edition being on Climate Finance. But this is followed by a second segment called Sectoral Overview. Herein the attempt would be to highlight from a critical point of view of finance and economy, the developments at the given point in time across a broad stroke of sectors. There would be some sectors that we would like to cover in each of our editions, namely, banking, agriculture, infrastructure, energy, labour, health, education, social security, marginalised sections and international finance. Commentaries highlighting and analysing specific aspects of the developments under these segments may give a reader a quick grasp over the present contentions in the sector from a people's perspective. Over and above in some of the editions we would also try to cover at least a few from among the areas of taxation, fintech, defense, share market, climate concerns, commons and local governance.

The lead article in every edition would be a bird's eye view of Indian finance written by the editors. In this edition Prof Jayati Ghosh and Prof C. P. Chandrasekhar wrote this overview of the

state of finance in India by locating the present exigencies and crisis within broader adherence to the neoliberal macro-economic trends set in motion since the last three decades that have contributed towards rendering the Indian financial sector extremely vulnerable and fragile.

Because questions around finance touch almost every aspect of our lives and future, we believe it should not be treated as a domain left to the experts alone. We need participative deliberations and debates about the financial choices being made on our behalf. At a time when fundamental economic issues are either obscured or are distorted or simply drowned under loud rhetoric which is far from ground reality, there is a need to carry on with our interventions, our discussions and keep building spaces that can hold critical thinking on the myriad ways in which the very character of finance, its ebbs and flows are shaping the lives of millions in this country. The State of Finance in India is a small effort towards that direction.

A BIRD'S-EYE VIEW OF INDIAN FINANCE

C. P. Chandrasekhar and Jayati Ghosh

The period of COVID-19 pandemic has been devastating for the people of India and for the Indian economy. The pandemic brutally exposed and exacerbated existing inequalities of class, occupation, gender, caste and region. It also brought into sharp relief the major flaws in the country's recent development trajectory, which had resulted in falling investment and stagnating mass consumption demand, falling employment, poor human development indicators and persistence of extensive undernutrition. While much of this was the result of the accumulation of past economic policies and processes, various government policy actions over this period affecting both finance and the real economy did little to alleviate these problems; rather, prior problems were aggravated by state policy and acts of both commission and omission.

This year's report traces how these processes played out in terms of macroeconomic and sectoral trends and their impacts on different sections of people. In this introductory chapter, we provide a brief appraisal of financial policies in India, relating to both financial intermediation and public finance.

THE FINANCIAL SYSTEM AND POLICIES

As 2021 drew to a close, there was a sense that the Indian financial system was at a tipping point. The structure moulded with policy initiatives beginning at Independence and culminating in bank nationalisation in 1969 was not only under strain but well under way to being dismantled by a neoliberal state. The Independence-to-nationalisation policy journey had put in place a structure that, until the 1990s, successfully mobilised a dominant share of the nation's financial savings, allocated it in ways that ensured that the distribution of credit across sectors and segments of the population became progressively broad-based and inclusive, and regulated financial institutions in ways that ensured relative stability. The financial framework was a central instrument of the state's development policy. A crucial component of this was that it built and relied on diverse institutions—such as banks, development banks, nationalised insurance agencies and refinancing channels—that were each subject to different degrees of state support and regulation. There were silos separating commercial banks, financial units focused on long-term finance and markets allowing for speculative activities.

This structure is now under threat. The neoliberal agenda of restoring corporate (as opposed to state) control over the nation's financial savings means 'fixing' something that was not broken. The financial system has been forced to begin an unfortunate return journey from the heady environment of nationalised banking to the

predatory and crisis-ridden context that prevailed in the early 1950s.

A number of developments resulting from the pursuit of the neoliberal agenda have combined to bring about this retrogressive transition.

The first is the weakening of the fiscal powers of the state. These fiscal powers should enable the state to provide direct financing of investment, by mobilising resources through taxation and additionally supporting expenditure through borrowing. Such borrowing would be expected to be serviced in the future with enhanced tax revenues and additional resource mobilisation. However, the neoliberal agenda has been eroding the tax base of the state, with its commitment to "incentivising" private investment with lower tax rates and subsidies and concessions of various kinds. It has stuck to fiscal conservatism, even when there is no economic logic to this—which means that the government has chosen to rein in its fiscal deficit. The result is that investment in areas such as infrastructure that, in the early post-Independence years, were expected to be funded by the state can no longer be driven by a proactive fiscal policy. This not only constrains such investment but implies that, to the extent that it occurs, such expenditures will have to be supported with credit flowing through intermediaries populating the financial system outside the fiscal realm.

The second was the neoliberal decision to obliterate the segment of the pre-existing financial system consisting of public development banks and state-sponsored, specialised long-term financing institutions supported with concessional credit or implicit/explicit state guarantees aimed at ensuring access to low-cost finance. These were the institutions within the financial framework that were expected to meet a part of the requirements of finance for capital intensive projects with long maturities, especially such as were undertaken by risk-averse private investors. The official Narasimham Committees of the 1990s, focused on privatising India's largely public financial sector, had recommended that these institutions be shut down or converted into commercial banks to ensure a level playing field for the private sector banks it believed must come to dominate the financial sector. In the years that followed, leading development finance institutions (DFI) were allowed to set up banking subsidiaries into which the DFIs were reverse-merged. In other cases, such as the Industrial Finance Corporation of India, the institution was stripped of its development financing role.

The third development consisted of moves to liberalise banking while the system was still largely under state ownership. Banks were allowed greater flexibility to invest in or lend to the retail market for personal loans, to sensitive sectors such as stocks and commodities and to areas like infrastructure characterised by long maturities, significant illiquidity (since exposures cannot be easily wound down) and higher risks. Moreover, strong exposure limits to individual borrowers or sets of borrowers belonging to the same business group were formally and informally relaxed. These changes not only whetted the appetite of banks to move to new areas but also the government started to nudge banks they still controlled to lend large sums to corporates investing in areas like infrastructure, even though this would involve significant maturity, liquidity and risk mismatches given the substantial dependence of banks on short-term deposits for their loanable funds.

Global policy shifts facilitated the liberalisation-induced transformation of banking. Those shifts have ensured that large foreign capital inflows have been, thus far, the norm in the years since the early 2000s. Foreign investment inflows (portfolio and FDI), that amounted to $6-8 billion a year during 2001-03, rose to $15-20 billion a year during

2003-06, $30-60 billion during 2006-14 and $40-70 billion during 2014-19. With an open capital account, India has been a major "beneficiary" of the surge of cross-border flows of capital triggered by the easy money policies adopted by developed countries' central banks, especially after the 2008 financial crisis. The resort to quantitative easing and setting near-zero interest rates saw cheap capital seeking high returns in emerging markets, with India receiving an exceptionally large share. The surge in inflows resulted in a spike in domestic liquidity, reflected in a sharp rise in the deposit base of the banking system that triggered a credit boom. That only intensified the diversification in lending to the retail market and the corporate sector, especially to corporates investing in infrastructure.

The fourth development of relevance was the mistaken plan to make liberalised equity and bond markets, with flexible rules favouring the participation of foreign institutional investors, mutual funds and retail investors, an important source of long-term finance. That has not worked, except perhaps for a few very big players. Many years after that plan was implemented, stock exchanges largely remain sites where shares are traded in secondary markets, with the market for new finance through public offerings open only to large, well-established firms, except in periods of speculative frenzy that culminate in a market collapse. On the other hand, corporate bond markets remain underdeveloped, showing some buoyancy only in periods where the flow of liquidity into markets is too large to be accommodated in the secondary equity segment.

Finally, having reduced its own fiscal flexibility, the government chose to adhere to a neoliberal macroeconomic stance in which the principal lever for macroeconomic management was a monetary policy, as opposed to a fiscal policy. Measures to infuse liquidity, drive credit growth and keep interest rates down were seen as the best devices to address any downturn, including in situations like the contraction induced by the COVID-19 pandemic and the brutal lockdowns that were the government's response. Instead of substantially enhanced government expenditures to finance transfers to and budgetary support for the worst affected, special liquidity windows to banks to fund targeted sectors, with limited guarantees, were the favoured instruments in relief and revival packages.

This combination of developments precipitated tendencies that have significantly increased the fragility and vulnerability of India's financial sector. Though the credit boom led to an acceleration in GDP growth, many projects undertaken by corporate groups with the large volumes of finance that were made available failed to deliver expected profits and the revenue streams needed to meet the debt servicing commitments that large-scale borrowing implied. This tendency was, however, not the focus of public attention for long since, having unleashed this trajectory, the government and the banks sought to tide over the problem by restructuring bad debts and treating them as standard rather than stressed assets. The restructuring involved some combination of concessions such as an extension of the duration of the loan, reduction of the applicable rate of interest and conversion of part of the loan into equity. But in most cases, even such restructuring did not help, and the loans reappeared as stressed debt. But because of lax norms, a significant share of such debt was not recognised as such till the Reserve Bank of India stepped in and issued stricter guidelines, resulting in a spike in non-performing assets (NPAs) starting in 2015.

Once recognised as NPAs, these debts had to be provided for, with attendant implications in terms of losses on the banks' books that eroded bank capital. In time these loans were "technically" written off and fully provided for, though they were still slated for recovery through the multiple

mechanisms available for the purpose—Debt Recovery Tribunals, proceedings under the SARFAESI Act and finally, the Insolvency and Bankruptcy Code. But recovery rates in most cases were pathetic, with banks forced to take large haircuts, either in their own settlement efforts, proceedings under the company law tribunals or the operations of Asset Reconstruction Corporations. Some of the losses and erosion of capital resulting from this were covered by the government's recapitalisation drive. But given the government's self-imposed fiscal conservatism, there were limits to such recapitalisation, and in time the drive lost all momentum. Banks burdened with bad debt—provided for or otherwise—found themselves vulnerable and weakened.

The tendency of the government and, for long, the Reserve Bank of India to bury the bad debt problem also had a behavioural effect. 'Entitled' corporates began to believe that it is their right to be spared when defaulting on debt. As former RBI Governor Raghuram Rajan (2005) was pushed to admit: "Regulatory forbearance, where RBI makes it easy for banks to 'extend and pretend', is not a solution. Since no other stakeholder—such as the promoter, tariff authorities, tax authorities, etc.—contributes to resolution, the real project limps along, becoming increasingly unviable. …Also, some large promoters take advantage of banker fears about assets turning non-performing to extract unwarranted concessions without any sacrifice in the value of their stake. Regulatory forbearance, therefore, ensures that problems grow until the size of the provisioning required to deal with the problem properly becomes alarmingly large—which then prompts calls for yet more forbearance."

It was at a time when bank balance sheets were damaged by these developments that the COVID-19 crisis struck. Given the government's tendency to privilege monetary over fiscal measures, as noted earlier, the government's policy response emphasised the provision of credit to a range of sectors hurt by the crisis. Since the crisis that affected these borrowers adversely has persisted to varying degrees, the probability of defaulting on the debt service payments due on the enhanced credit flow has increased. Not all of the special-purpose loans the public banks were called upon to deliver were guaranteed. And even in the instances they were, delays in monetising the guarantee in case of default are inevitable given the fiscal position of the government. Since the rules on when the debt would be considered non-performing had been loosened, given the impact of the crisis, it is still not clear how much more damage bank balance sheets have suffered. But by all accounts, another spike in NPA levels seems inevitable.

In time, not only are banks vulnerable, rendering the financial system fragile, but they are unable to sustain the credit boom on which growth rode. A credit crunch and contraction follow. The banking system is unable to play the role assigned to it either before or after liberalisation. The problem does not stop with the banks. Regulatory forbearance affects non-bank financial companies (NBFCs) as well. The NBFC crisis stems from two different sources. First, as happened in the case of IL&FS, there is the possibility that projects that were funded with borrowing went bad or did not deliver the returns they were expected to generate. Things worsened when, in order to prevent these loans from going bad and affecting the solvency of the institution, more loans were advanced, either to the defaulting firm or to others who moved those funds to the potential defaulter in the form of investments or payments so that the loan could be serviced. The NBFC, in turn, in order to remain in business and service the loans which helped finance these projects, borrowed more. The spiral of debt had to unwind.

The problem partly was that being implicitly government-sponsored, IL&FS not only received

financial support from other public institutions like the LIC but was also seen as being government guaranteed. Banks not only lent to infrastructure directly but to such institutions and through them indirectly to infrastructure. Unfortunately, investments in infrastructure have proved to be extremely bad bets for multiple reasons. IL&FS had to crash and it did.

The second source of trouble, which seems to be relevant to failed housing finance company DHFL, is that even when the projects financed by the NBFC may not be going bad, the fact that it is using short-term borrowing to provide long-term loans to its clients requires it to roll over its own debt, or borrow again, to sustain its operations while repaying old loans that fall due. If for some reason the market is unwilling to roll over loans and advance additional loans for expansion, the NBFC faces a liquidity problem. Being tied into long-maturity assets, it does not have the money to repay its own loans, leading to default. The credit crunch resulting from the banking problems can cause trouble for the NBFCs.

What about fraud? It cannot be denied that it played a role in IL&FS. But in a financially liberalised world, identifying where bad practices favoured by liberalisation end and fraud begins is difficult. If, for example, a financial institution which is heavily exposed long-term to a group or a project is faced with potential default that can have extremely bad repercussions for its own books of accounts, should it lend more to the entity concerned or let it default? If rules and monitoring do not prevent further lending, many managers may choose the soft alternative of keeping the project alive and prevent default, in the hopes that matters would improve. It is another matter that in a climate like that, some managers, looking for illegitimate gains or even their "performance-related" payment prospects, may choose to indulge in fraud. The causes of the crisis run deep, and the use of words and phrases like "fraud", "liquidity shortage" and "environmental factors" only conceal the fact that deregulation and liberalisation explain India's own financial meltdown.

The vulnerability stems not only from failure. Success may also be riding on increased vulnerability, as in the case of the unprecedented boom in India's stock markets till recently, which occurred alongside a real economic contraction or recession and high unemployment. The very same liquidity surge, driven by foreign capital inflows, has kept the market buoyant, with valuations at levels that cannot be justified even by optimistic projections of growth in future earnings. With cheap money policies in the developed countries expected to end, bringing to a close the opportunity to borrow cheaply in developed country markets and invest for high returns in emerging markets, an outflow of capital may ensue. That would unwind the stock boom that is bound to have ripple effects on the country's currency and financial markets.

Overall, the Indian financial system is indeed at a tipping point. The solution the government is seeking to the prevalent fragility is to wash its hands of the financial sector through the privatisation of banks and insurance companies. But with banks burdened with bad debt and markets expected to slip, selling out the public financial sector may not be easy. Financial instability with collateral damage in the real economy is inevitable, with signs of the latter already visible.

PUBLIC FINANCE

Matters are rendered worse by the conservative fiscal stance of the state. It is known that economic activity in India had been slowing down much before the disruption caused by the pandemic. The massive impact that demonetisation and GST had on smaller and informal units was one major cause, affecting informal employment and livelihoods and

leading to declines in mass consumption as wages and self-employed incomes were suppressed. This was an important reason for declining investment along with the financial factors mentioned above. It was ironic—but predictable—that the strategy to deliver more profits to corporates by suppressing wages ended up reducing total profits by shrinking the market. The focus on large companies also left out the small and medium enterprises that provide the bulk of employment in the country; they also suffered a lot due to demonetisation and the GST imposition. After 2011, both labour force participation and employment fell relative to the working-age population. Real wages started decelerating from 2015 onwards and declined from 2017. The systemic problems in agriculture worsened, which meant that cultivators fared even worse than casual rural wage workers.

In such a context, it could have been expected that the government would adopt a more proactively expansionary fiscal stance to counter the recessionary tendencies in the economy. Unfortunately, public spending was not increased to counter the decline in demand elsewhere; rather, tax rates for corporations were lowered in the (vain) hope that this would cause private investment to revive. And the obsession with reining in the fiscal deficit meant that the loss in tax revenues resulting from such concessions was countered by restraining public spending.

This unjustifiable conservatism persisted throughout the pandemic, worsening the impact of the health emergency and imposing long-term costs on the Indian people. Indeed, the Indian government's fiscal reticence has made it a significant outlier in the world. Advanced economies have gone all out in terms of expanded public spending. Their governments quickly abandoned the (flawed) arguments about the dangers of large fiscal deficits when large capitalists realised that they would also suffer from the closures and downturns created by the spread of the coronavirus. Even governments in developing countries constrained by external debt overhang and fear of capital flight increased their spending despite declining revenues, both to provide some relief and social protection to their populations and to shore up domestic demand that would otherwise collapse completely. While their additional spending was only a tiny fraction of that in the rich world, and not even very much in relation with their GDP, it was nevertheless, on average, a notable increase over the immediate past.

Not so in India, unfortunately. The Indian government is one of the few in the world that voluntarily reduced its total spending in this crisis period. And it did so even though it was not constrained by sovereign debt concerns or conditionalities imposed by multilateral organisations. The central government is so obsessed with the need for fiscal discipline, no matter what the context or requirements of particular exigencies, that any reduction in total revenues causes it to cut down on its spending.

It was entirely predictable that the questionably harsh yet ineffective lockdown in mid-2020 and the spread of the second wave from early 2021 would severely impact economic activity. This obviously led to declining revenues for the government: in 2020-21, total receipts of the government fell by more than 30%, although tax revenues fell by only around 22%. This lower impact on tax revenues was partly because of the revenues from enhanced levies on petrol and diesel that the centre did not share with state governments and partly because large companies continued to flourish and even benefited at the expense of smaller companies in this period. Even though the economic and health crises clearly warranted higher public expenditure, the Indian government actually spent Rs 5,300 crore less in the pandemic year 2020-21 than in the previous year. This was notwithstanding the claims

made in the various relief packages announced over the year. For example, the Atmanirbhar Abhiyan package of May 2020 was claimed to amount to an additional Rs 10 lakh crore, or 10% of India's estimated GDP. Obviously, this was nothing more than a smoke and mirrors exercise, as the government cut down on other (often crucial) areas of spending to compensate for small increases, such as in the rural employment programme (Ministry of Finance, n.d.).

Since then, as the economy was allowed to open, central government spending has remained low even though revenues have been much more buoyant, driven by an increase in direct tax receipts of 84% compared to the previous year. This increase could reflect a bigger cause for worry: a dramatic increase in economic inequality. Income concentration has been rapid and extreme, with the top 10% and even 1% grabbing larger shares of the pie. Meanwhile, micro and small enterprises have been closing in droves, and self-employed people have been losing their incomes, with their market shares being taken over by large companies that pay more direct taxes. Restrained spending and rising revenues have led to a significantly lower fiscal deficit, which seems to have been the government's primary aim, regardless of the economic cost to the citizenry.

To this must be added the implications of fiscal centralisation, which also had severe consequences since state governments are largely responsible for providing essential public services to the citizens. While the initial lockdown was imposed without any consultation, state governments were made responsible for implementing it as well as for essential public health measures and all the measures required to deal with the economic effects of the lockdown, but they were completely strapped for cash. The central government provided very little by way of additional resources and avoided its constitutionally mandated requirement to share tax revenues with state governments by classifying new taxes as cesses and surcharges on existing tax rates and central fuel taxes, all of which do not need to be shared with the states. After invoking the centralising National Disaster Management Act to declare a national lockdown, the centre left the state governments to deal with the additional health spending and the measures required to deal with the increased economic distress as best as they could. Not only did the central government refuse to spend more itself, it also forced the state governments to base their additional required spending on borrowing that would be difficult to repay. The centre even refused to pay the full dues that it owed to the states, resulting from a prior agreement negotiated in 2017 when the introduction of a national Goods and Services Tax deprived state governments of their own revenue-raising powers. When it became evident that all this was completely unfeasible and would lead to major humanitarian crises, in late July 2020, state governments were allowed to borrow more—but knowing that they would have to repay later with little or no help from the centre.

This is bad news for the macroeconomy. The impact may be temporarily disguised by the greater profits made by some large corporates and rising asset values driven by growing inequality, but soon enough, the overall impact of low public spending on depressed domestic demand and inadequate infrastructure will be felt. Low spending also affects the public provision of essential goods and services.

The pattern of public spending is an indication of the extent to which citizens' rights are met by the state. Some of the starkest indicators relate to central government spending on programmes that directly provide employment, food access, health and education. Most countries increased spending on both health and education during the pandemic, which created more demands on health services and required large investments to compensate

for school closures and enable the sudden shift to online learning. Not so in India (Government of India, n.d.) Health spending by the central government has remained pitifully small and even fell in nominal terms in the first half of this year compared to last year. (Note that it is around half of the spending of the Ministry of Home Affairs—truly remarkable in a country where state governments are supposed to be responsible for security.) Education spending by the Ministry of Human Resource Development fell sharply during the pandemic instead of increasing and still remains at less than two-thirds of pre-pandemic spending, meaning that we are effectively denying a generation of children and youth their right to education. The spending on women and children, which provides essential nutrition to mothers and infants, was similarly cut and remained well below pre-pandemic spending. Spending on agriculture fell this year in the teeth of the ultimately victorious farmers' struggle. In the peak of the first wave, spending on MGNREGA increased—but this has been short-lived. But labour market conditions are still terrible in rural India, and the total spending on this has fallen sharply in the current year. Spending on public provision of food appears to have increased in the current year, but this is really a statistical artefact: it reflects the fact that the central government finally paid up some of the longstanding dues it owes to the Food Corporation of India from previous years.

The consequences of these financial and fiscal developments are the concern of this report. Individual chapters in the report provide a much more detailed examination of the implications of these policies and processes for various sectors and segments of the population.

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SECTION 1

In Focus: The Viral Waves And Their Aftermath

Public Health

HEALTH SYSTEM STRENGTHENING THROUGH PUBLIC FINANCING IN INDIA

A Priority for Civil Society Advocacy Efforts in a Post-COVID-19 World

Philip Mathew

The COVID-19 outbreak in India has been a major disrupter for the economy and a rude wakeup call for the Indian healthcare delivery system. The desperate scenes which unfolded on the streets in front of major private hospitals and in the intensive care settings of public hospitals, showed an underfunded and inefficient healthcare system on its knees. At the peak of the second wave in April-May 2021, there were shortages of almost everything—right from hospital beds to oxygen to essential medicines required to treat severe cases of COVID-19.[1] A few months down the line, the government was audacious enough to declare that there was no shortage of oxygen even during the peak of the pandemic.[2] This takes away even the remotest possibility of fixing accountability issues or having a critical evaluation of the policies adopted at different stages of the pandemic. However most public health experts see the entire fiasco as the sign of a deeper malaise, which is the chronic lack of investment in our public healthcare system.

The World Health Organization's Global Health Expenditure Database can give us a broader picture of the nature of investments in our healthcare system.[3] India's Current Healthcare Expenditure (CHE) is around 3.5% of its Gross Domestic Product (GDP) which is down from 4.2% in the early 2000s. Compare this with other members of the BRICS grouping—Brazil spends around 9.5%, China 5.3%, South Africa 8.5% and Russia 5.3%. If we look at the per-capita CHE (Current Health Expenditure in Purchasing Power Parity), it is more than $1,500 in Brazil while it is as low as $275 in India. Even though there is no global consensus on the minimum threshold for healthcare spending in a country, it can reasonably be assumed that India is not spending enough when compared to similarly placed countries. Another disturbing statistic is the government's domestic general healthcare expenditure as a proportion of CHE. The latest figures show that it is around 28%. It was as low as 18% in 2004, before rising rapidly to almost 29% in 2011. Since then, it has either fallen or stagnated and is much lower than the global average of 59.5%. All of this indicates one thing—we have failed to invest adequately in improving our healthcare delivery system.

The southern states have always performed well in terms of most governance parameters,

including indicators which assess the robustness of healthcare delivery like Infant Mortality Rate, Maternal Mortality Rate, Under-5 Mortality Rate and Health Workers per 1000 population.[4] The last time National Health Accounts were published, it showed that southern states have been spending more money on health than most other parts of the country. This is reflected in Total Healthcare Expenditure (THE) per-capita, Government Healthcare Expenditure (GHE) per-capita and Out-of-Pocket Expenditure (OOPE) per-capita. The official case-fatality rates for COVID-19 infections have also been consistently lower in southern states than the rest of the country.[5] Besides, most of the southern states of India did not see the kind of desperation scene that was seen on the streets of the Hindi heartland. Though this evidence is purely anecdotal and most of the states have been notoriously efficient in undercounting COVID-19 deaths, it is indeed a pointer towards a better-equipped healthcare system moderating the impact of the pandemic. There are several factors which affected the death rates in the COVID-19 pandemic and the comparison between states may not be logically possible based on one indicator alone. But largely, we can assume that access to healthcare during the peak of the pandemic was determined by the overall healthcare spending in that state.

Once we reasonably conclude inadequate healthcare spending as a significant risk factor for poor access to healthcare and probability of death during a pandemic, we need to assess the reasons for this chronic lack of investment. India has a three-tier system of healthcare delivery, which places enormous importance on primary care.[6] The Primary Health Centres (PHC), which are supposed to serve a population of 30,000 in rural areas and 20,000 in Tribal areas or hilly terrains, form the mainstay of the primary healthcare system. These centres are supposed to provide promotive, preventive, curative, rehabilitatory and palliative healthcare services, and deal with the various dimensions of health. Those who designed the system had also envisaged sub-centres, which cater to the healthcare needs of small habitations up to 5,000 in population. Having said that, even 75 years post-Independence we are yet to fully operationalise these PHCs across the country. It is estimated that India has a vast network of more than 200,000 government run PHCs. However, if we look at the services other than the Maternal and Child Health (MCH), these PHCs account for only 11% of the total outpatient services in rural India, indicating their non-functional or dysfunctional status in many parts of the country. The utilisation of services from these PHCs and their functionalities tend to be better in southern and north-eastern parts of the country. But there are several studies and reports indicating their dire conditions such as lack of staff, drug shortages, poor oversight, low quality of services etc. in many of the north Indian states. However, the root cause of these problems could be the lack of real public pressure on the government machinery to improve service delivery. If the services at the PHC are deficient, the public seek out other forms of healthcare services. In most parts of the country, there is a large system of informal practitioners who take care of the needs of a certain section of the population. These informal practitioners may not be qualified in any way to deliver healthcare, but they satisfy the demand for medical attention. We also have a large network of traditional practitioners and Ayurveda, Yoga, Unani, Sidha and Homeopathy (AYUSH) doctors who deliver good quality healthcare services. In a country where the rise in the price of onions has pulled down governments, healthcare issues have almost never featured as an election issue anywhere. Therefore,

the political capital available for healthcare issues is abysmally low except in times like these. This is probably the reason why government spending on healthcare is stagnant at around 1.3%, when the National Health Policies in 2002 and 2017 recommended it to be raised systematically to 2% and 2.5% respectively.[8]

Another facet of our healthcare system is the concentration of these facilities in urban areas, especially in the private sector. In most of the populous states, the private healthcare facilities far outnumber the public ones. The Centre for Disease Dynamics, Economics and Policy (CDDEP) estimated that more than 60% of the healthcare facilities in the country are privately owned and that only around one-third of these are situated in rural areas. It means that 65% of India's population who live in villages have access to only around one-third of the healthcare delivery facilities.[9] Therefore, the actual brunt of chronic underspending in the publicly owned healthcare facility is finally borne by the rural poor. Having been physically and economically deprived of access to essential healthcare services, the overall productivity of this demographic group will come down further. This sets in motion a vicious cycle—poor health contributing to lower productivity, which further disrupts the household food security and access to healthcare. Catastrophic Health Expenditure is defined as the out-of-pocket expenditure on health that accounts for over 10% of the annual household expenditure. Traditionally, Catastrophic Health Expenditure was higher in richer households in India, but these numbers have been rising rapidly in low-income households since the last one decade, something which can push people back into poverty.

The lack of access to healthcare is most evident among the country's most vulnerable groups. Even some of the government documents like the 12th Five Year Plan published by the erstwhile Planning Commission of India acknowledges it. It lists out groups like internally displaced people, nomadic tribes and de-notified tribes as the most vulnerable.[10] Other observers have even suggested that all the scheduled castes and scheduled tribes and women are among the vulnerable in the Indian context. These groups generally have lower access to healthcare services and the utilisation rates tend to be poor. The choices available to them are low and the financial access to healthcare services may be poor. Studies have shown that provisions for free medicines and laboratory investigations significantly increase healthcare utilisation rates in public health facilities, showing the importance of tackling issues of financial access. These access issues among the vulnerable groups have become more glaring when it comes to major illnesses than minor conditions such as acute illnesses, musculoskeletal pain, etc. The treatment rates tend to be more or less similar between different socio-demographic groups in the case of minor illnesses, while the disparity in health seeking behavior is quite significant for major illnesses like cardiovascular disease, diabetes, etc. We can safely hypothesise that this discrepancy is due to the differences in access, both physical and economic, that is starkly present in these groups.

The solution to most of these issues is increased government spending on healthcare, focusing more on the improvement of primary healthcare.[11] Some studies have shown that more than one-third of the demand for curative services can be handled by primary healthcare. The promotive and preventive services rendered through PHCs are also cost effective, even when we consider a range of outcome indicators. A robust primary healthcare system should be complemented by a well-functioning referral system. Therefore, geographically accessible and adequately equipped secondary and tertiary

health services should be made available throughout the country. This should be funded by tax revenues and not any forms of insurance which come with co-payment riders and the probability of rejection of claims. A Beveridge model, in which healthcare is financed and provided by the government, should be the right system for developing countries like India. With this model, the likelihood of market failure is low and the government can effectively control the tariff structures. Any insurance system, which requires registrations, periodic renewals, co-payments, etc., are inherently biased against the most vulnerable sections of society. There are several innovative financing options proposed for developing health systems, which include social impact bonds, healthcare focused investment funds, micro-credit schemes to stimulate demand for healthcare services, etc. But none of this can replace the impact of increased investments by the government into the health system. In an ideal scenario, this government investment would come from general taxation or specific cess/tariff imposed on specific goods or services. Besides, the increased investment should not happen through a mission or project mode. We have seen a rapid increase in government spending on healthcare after the launch of National Rural Health Mission (NRHM) in 2005. But the increases plateaued out by 2011–12, once the mandate of the mission was temporally completed.[12] We have seen in the past that there is a definite shelf life for initiatives managed in project mode.

The political declaration of the United Nations' High Level Meeting on Universal Health Coverage (UHC) laid down an ambitious roadmap to achieve UHC by 2030.[13] It recognised that Health-for-All is an integral part of the UN's 2030 Sustainable Development Agenda and stated that, "health is an investment in the human capital and social and economic development, towards the full realisation of the human potential." The declaration called for resilient, accountable and people-centered health systems, which are capable of maintaining the highest levels of quality and equitable access. The declaration acknowledges the critical role of the governments in ensuring UHC and calls on governments to prioritise health in public spending. Though this was a pathbreaking document, this has been largely forgotten after the outbreak of COVID-19. Several important reports prepared in the light of COVID-19, speak the language of securitisation and conveniently push the health system strengthening narrative into the background. The Independent Panel on Pandemic Preparedness and Response and the G20's High Level Independent Panel calls for establishment of structures which look at global health security. Though there is a lot of favourable text on health system strengthening, these reports lack any solid recommendations on increasing the investments in healthcare delivery structures in Low-Middle Income Countries (LMICs). The global policy community cannot allow the narrative around pandemic preparedness to be dominated by health securitisation. Rather, it is in the interest of LMICs to actively seek out a global consensus on channeling greater investments to advance the UHC agenda. A holistic approach in which UHC and health systems strengthening is highlighted as the cornerstone for pandemic preparedness, may be the only pathway in which there is a direct benefit to low-resource settings. There is no place for under-funded piecemeal approaches like the Pradhan Mantri Jan Arogya Yojana, which aims to cover 100 million underprivileged families in the country through a health protection scheme.[14] This is to be implemented in collaboration with the states, with the central government contributing

60% of the finances. But if we look at the allocation for this flagship scheme for 2020-21, it was a paltry 6400 crore. Even after accounting for the contribution from states, the overall allocation for the health of a family is as low as Rs 1,000 per year for a health protection of 5 lakhs. It also carries all the baggage of traditional insurance models—rejection of claims, irrational selection of hospitals, registration issues, etc.

The third international conference on Financing for Development came out with the Adis Ababa Action Agenda in 2015.[15] It called for nationally appropriate spending targets for investments in public services, including healthcare. The agenda reiterated the importance of investing in health system strengthening and affirmed the right of World Trade Organization members to take advantage of the flexibilities in Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement. Cohesive, nationally-owned, sustainable development strategies, supported by integrated national financing frameworks will form the core of Agenda 2030, as per the Adis Ababa Action Agenda. Though this important policy document did not lay down any specific threshold for healthcare spending, the broad call was to increase the money allotted for health strengthening in national budgets. That leaves the question of how much is adequate spending? Can we have a target, at least for advocacy purposes in country contexts? The Abuja Declaration of 2001, in which the Heads of States of African Union countries committed to spending at least 15% of their national budgets on healthcare, may be the only document with an international consensus.[16] But it's troubling to note that only two countries have managed to achieve the ambitious target by 2018.

It is a fact that South Asian governments spend less on health, education and social assistance, as compared to their peers in other regions. Though this region has experienced strong economic growth since the 1990s, the focus has been on infrastructural improvements and defense modernisation and not on social sector spending. Even in countries like Bangladesh, which has done very well in several health and social indicators in the last two decades, the social sector spending is way behind what we see in South-East Asian Countries or Latin America. This is probably a reflection of the poor importance accorded to health and social development, in the rapidly transforming political landscape of South Asia. The relative importance accorded to the health and wellbeing of a person during the time of Nehruvian socialism, has been more or less replaced by the individualism propagated by votaries of capitalism. Even in the vast networks of public healthcare facilities, several states in India have been very enthusiastic in designing systems for collecting user fee or co-payments. Most of these changes have been under the insistence of the Bretton Woods twins or other neo-liberal international financial institutions. This argument for "minimal government, maximum governance" falls flat when we look at the market failure which happened during the initial phases of the COVID-19 outbreak. Erratic supply of essential medicines, instances of mediocre quality treatment given at private institutions and overcharging for services show that market forces cannot be a solution for all governance issues. There is a need for strong government intervention, either as a regulator or service provider, in low-resource settings. This should be complemented by increased public spending in the social sector. As an immediate action, India should be able to raise the spending on health, education and social assistance to at least 10% of GDP by 2025. This will also help to cushion the socio-economic impact

of COVID-19 and ensure that people do not fall back into poverty. We can also assume that it will increase human productivity and make a conducive environment to harvest the demographic dividend that a young population has to offer.

In some states like Kerala, the utility of grassroot workers like Accredited Social Health Activists (ASHAs) and Angawadi workers was quite evident during the early phase of the COVID-19 outbreak. When the government system was in disarray, these workers were the vital link between the public and the formal health system. They were crucial in educating the public about the disease, providing intelligence to the health system and identifying beneficiaries for government schemes during the pandemic. The UHC system suitable for a country like India would be based on strengthening this system of community health extension workers and improving the service delivery in PHCs. For this purpose, we need more resources in the healthcare system, right from training of healthcare professionals to making the supply chains resilient. But the take-home message is that there is no UHC without a strong PHC.

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THE COVID-19 VACCINE STORY

The Abandonment of Process and Protocol, and the Demise of the Scientific Method

D. Jacob Puliyel

Twenty-fourth August 2021 marks a milestone for vaccine science in India. On this day, the world's first DNA vaccine, developed indigenously, was given emergency use authorisation (EUA) by the Drug Controller General of India (DCGI). It is also perhaps the second time in the history of modern medicine that a drug manufacturer has been granted this approval without publishing any evidence from Phase III trials in peer-reviewed literature.

Conventionally, a killed or attenuated form of the infectious agent is used to make vaccines. Its effect is relatively short-lived because activated lymphocytes destroy the pathogen-infected cells, limiting the duration of the effectiveness of the vaccine. DNA vaccination, on the other hand, involves the injection of a piece of DNA that contains the genes for the antigens of the virus. This enters the host cell nucleus, and it is hoped that it remains as an episome without getting integrated into the host cell DNA. The inserted, cloned DNA will direct the synthesis of the antigen it encodes. The immune system is activated by this antigenic stimulus. The manufacturers call it "plug-and-play" technology. The plasmid DNA platform used to facilitate the entry of viral DNA into the host nucleus can be adapted to deal with mutations in the virus quite easily. As no infectious agents are used, they are not capable of precipitating the infection it is meant to protect against, the way live attenuated vaccines do oftentimes.

The reason this has not been used in humans previously, in other parts of the world, is because of the huge risks involved (World Health Organization, 2007). The worst of these risks may not be evident till many years later. It is for this reason that the world has exercised great circumspection with the use of this technology.

The expression of a foreign antigen, in the long run, may result in an undesired immunopathological reaction. Anti-DNA antibodies can result in diseases likeSystemic Lupus Erythematosus (SLE). We also know that the antigen expressed in the new COVID-19 DNA vaccine (spike protein) has biological activity and could cause thrombosis (Kowarz et al., 2021). However, the injected DNA may not remain an episome, it may integrate with the host's chromosome, causing a permanent mutation of the person's genome. Germline alteration can be

caused by integration into reproductive tissue. This can affect fertility and reproductive function. There are also considerations of embryo-foetal and perinatal toxicity.

If, on account of pure fortuitousness, we avoid a great human tragedy with the use of this vaccine, one hopes the lesson we learn is not that due process and protocol are redundant or unnecessary!

INDIA'S FIRST VACCINE

This is the second vaccine developed entirely in India. India's first fully indigenous vaccine is Covaxin. It is a killed vaccine using beta-Propiolactone to inactivate the virus. It was developed by Bharat Biotech in collaboration with the Indian Council of Medical Research (ICMR). Bharat Biotech was given the COVID-19 virus strain for making the vaccine by the ICMR around 9 May 2020 (ICMR [@ICMRDELHI], 2020). Within two months of providing them with the virus strain, the Director-General of the ICMR Balram Bhargava wrote Bharat Biotech a letter dated 2 July 2020. It said that the vaccine would be launched on 15 August 2020 and that the project was being watched by the "topmost level of the government". He warned that if the investigator did not begin recruiting trial participants within a week, it would be "viewed seriously".

That tryst with destiny did not happen as scheduled for the 74th independence day of the country, but by December that year, Bharat Biotech applied for regulatory approval without publishing efficacy data in any peer-reviewed journal. The approval was given on 3 January 2021 (Press Information Bureau Government of India, 2021). Vinod K. Paul, a paediatric doctor and member of the government's think tank, NITI Aayog, commended the Atmanirbhar programme for developing the vaccine in record time. Even before the safety tests were complete, the DCGI claimed Covaxin was "110%" safe.

On 30 March 2021, the Brazilian drug regulator, Anvisa, conducted an onsite evaluation because the country had plans to place an order to buy the Indian vaccine. Anvisa noted serious problems with the manufacturing process—they were not sure that the SARS-COV-2 virus was completely killed and that it was free of microbial contamination. This suggests that one ran the risk of getting COVID-19 from the vaccine itself or developing bacterial sepsis. Furthermore, Anvisa noted that there was no standardisation of potency from dose to dose (G1, 2021).

There were also allegations of corruption and bribing (Wikipedia, 2022). The Brazil government decided to drop its plan to buy 20 million doses of Covaxin.

This is a risk with triumphalism in science.

VACCINE EVALUATION

All vaccines have to be tested for safety (they must not cause more serious adverse effects than the disease they are supposed to prevent) and efficacy (that they are effective in preventing the disease being targeted). We will discuss each separately. For this discussion, it is important to view this from an international perspective.

Vaccine safety issues

Antibody-Dependent Enhancement (ADE)

Antibodies produced against the virus are generally protective and control viral infection. However, we now understand that some antibodies, paradoxically, help the virus, and the presence of

these antibodies make for a more serious disease (Tirado & Yoon, 2003).

The mechanism for this is not clearly understood, but neutralising antibodies are usually protective. When the levels of neutralising antibodies are low, other antibodies, called binding antibodies, begin to manifest, and this causes serious disease. The binding antibodies don't eliminate the virus but merely stimulate a 'panic button' in the immune system. The resulting unregulated cytokine storm can overwhelm the body and result in multiorgan dysfunction (MODS) and even death.

In the past we've seen this phenomenon with other vaccines, such as the vaccine for the Respiratory Syncytial Virus (RSV). Vaccinated children had more severe bronchiolitis than unvaccinated children (Fulginiti et al., 1969). Some studies during the 2009 H1N1 pandemic had shown people with previous vaccination against influenza fared worse than the unvaccinated (Lansbury et al., 2017).

The quadrivalent live attenuated dengue vaccine Dengvaxia evoked a good antibody response in recipients, but the vaccinated had a more serious disease when exposed to the virus in the next dengue season. Coronavirus is notorious for causing ADE. ADE has been reported in both SARS-CoV and MERS-CoV (Lee, 2020).

Spike Protein as Pathogen

Existing use of the spike protein is to stimulate immune protection. It has been suggested that the spike protein is a toxin, and if it gets into the blood, it can cause blood clotting and bleeding problems, namely Vaccine-induced Thrombotic Thrombocytopenia (Barnes et al., 2021) and also heart problems (myocarditis) (Tercatin, 2021; Lei et al., 2021; Hippisley-Cox et al., 2021).

These have been reported among the vaccinated.

VACCINE EFFICACY

Waning Immunity

The United States Food and Drug Administration (FDA) had stipulated that a COVID-19 vaccine's efficacy must be at least 50% for approval (U.S. Department of Health and Human Services et al., 2020). The AstraZeneca vaccine was said to have 63% efficacy, and the vaccines of Pfizer and Moderna were said to be 95% effective. However, The British Medical Journal (BMJ) reports that the protection with the Pfizer and the AstraZeneca vaccines wanes rapidly

(Iacobucci, 2021).[c] Peter Doshi, a senior editor with the BMJ, notes that in Israel, which has used the Pfizer vaccine, protection from infection and symptomatic disease was 64% in the early part of July, and it dropped to 39% by the end of the month (2021). According to his analysis of a preprint by Pfizer, the rapid fall of efficacy was noticed even before the Delta virus became widespread (Thomas et al., 2021).

Viral mutation and immune escape

At the beginning of the COVID-19 vaccination programme, virologist Geert Vanden Bossche (2021) warned that mass vaccination during a pandemic was inadvisable, as the vaccine could drive the virus to mutate and make the vaccines ineffective – a phenomenon called an immune escape. This is now realised with the international spread of the Delta strain of the virus, which has resistance to the present-day vaccines (Callaway, 2021).

Person-to-person spread

As predicted by virologists like Geert Vanden Bossche, the virus has evolved vaccine-resistant mutations like the Delta strain. According to the

CDC (2022), a high amount of the Delta variant was seen in the unvaccinated people as in fully vaccinated people. The vaccine is, however, said to protect against serious illness.

This ability of the vaccinated to spread the disease demolishes one of the main justifications for enforcing vaccine mandate—the need to protect the vulnerable. The unvaccinated are no more a risk to others in society than the fully vaccinated.

SERIOUS DISEASE AMONG VACCINATED INDIVIDUALS

On 18 August 2021, President Joe Biden announced that persons who received the Pfizer and Moderna vaccines would be given a third dose eight months after they had been given their second dose (Subramanian, 2021). Hilariously, he has updated it to five months now (Mendez, 2021)!

Intriguingly, he made the announcement even before the FDA had evaluated the need for this extra dose. Ostensibly, this decision was taken to stymie the spread of the highly contagious Delta coronavirus variant. This, however, does not ring true because it is known that the vaccine does not prevent person-to-person spread, and in any case, the Delta variant is resistant to the vaccine.

Rochelle Walensky, the Director of the Centre for Disease Control (CDC), was more forthcoming with the truth when she admitted that vaccine protection was waning. She said that data from Israel showed an increased risk of severe disease among those vaccinated early (Reuters, 2021).

This leads one to speculate that AED may have set in. As the neutralising antibodies produced by the vaccine wane, binding antibodies are causing the dreaded disease enhancement. This has probably created panic in the US government, which led it to announce the need for the third dose before approval by the FDA. A study published recently in the Journal of Infection lends credence to the COVID-19 ADE theory (Yahi et al., 2021). It is hoped that more booster doses will boost the levels of neutralising antibodies, and these antibodies will prevent binding antibodies from causing serious disease on exposure to COVID-19. This is what PE Fine (1997) describes as a salesman's dream and an epidemiologist's nightmare. There is, as yet, no evidence that repeated boosters can keep AED at bay.

VACCINE MANDATES

Another interesting feature of this COVID-19 pandemic is the threat of vaccine mandates. Vaccination certificates (vaccine passports) are being demanded as a condition of employment and travel (India Today, 2021; Mai-Duc & Chapman, 2021; Schneider et al., 2021)

The vaccine under Emergency Use Authorisation is not considered a fully licenced vaccine butan experimental vaccine. In the absence of a licenced vaccine, such mandates violate the Helsinki Declaration (1996). Article 25 decrees "The participation of persons capable of giving informed consent to medical research must be a voluntary act. No person capable of giving their informed consent can be involved in a search (experiments on humans—an explanation not in the original quote) without giving their free and informed consent."

FDA LICENCED VACCINE

On 23 August 2021, the FDA approved a Pfizer COVID-19 vaccine called Comirnaty (O'Shaughnessy, n.d.). This approval was given when only 13 months of its two-year trial period had been completed. Approval was given without convening the FDA's "Vaccines and Related Biological Products Advisory Committee (VRBPAC)"—a body of independent experts that

was set up to ensure that data from COVID-19 vaccine trials are reviewed in a transparent, deliberative manner (Shah et al., 2020). The committee will be presented with a fait accompli at its next meeting.

Now that the vaccine had been fully licenced, it was felt that it could be mandated legally (Lovelace, 2021).

Kennedy and Nass (2021) note that the FDA approval statement mentions that the licenced vaccine Comirnaty was in short supply while the old Pfizer-BioNTech COVID-19 vaccine approved under EUA was available for use interchangeably with the licenced Comirnaty. However, the old vaccine was still under EUA.

Pfizer licenced vaccine Comirnaty is subject to strict product liability laws, and persons injured by the vaccine can sue for damages. People who take the vaccine labelled Pfizer-BioNTech COVID-19 have very limited protection in the event of serious adverse events under EUA rules. Kennedy and Nass argue that the FDA's rush to licence Comirnaty knowing full well that the approved drug cannot be used, being in short supply, is a cynical scheme to encourage vaccine mandates and to enable Pfizer to quickly unload inventories of vaccines (Pfizer-BioNTech COVID-19) which the Delta variant has rendered obsolete and which is known to have caused numerous serious adverse effects.

LACK OF TRANSPARENCY

Real data is not being made available. The incidence of adverse events is not being reported faithfully (Nambiar, 2021). Vaccines have been approved without publishing any Phase 3 data in peer-reviewed journals. Regulators seem to be colluding with vaccine manufacturers to keep the public in the dark by not insisting on publicly reviewable data on safety and efficacy.

The BMJ has gone a step further and argued that journal publications are not sufficient in themselves. They are asking for "release of underlying data from clinical trials to allow for independent verification of results, assessment of heterogeneity of treatment effects for specific subgroups, and facilitate the formation of new research questions" (Tanveer et al., 2021).

Insisting on raw data implies a distrust of peer-reviewed literature. This is justified in the light of recent events when widely trusted, high-profile medical journals had to admit to publishing non-verifiable data (Mehra et al., 2020) and the non-disclosure of conflicts of interest by prominent authors (Editors of The Lancet, 2021).

SCIENTIFIC METHOD

The biggest casualty in this pandemic is the scientific method. The scientific method involves the generation of the hypothesis that the author tries to falsify himself. Only if it proves impossible to falsify does he accept the truth of the hypothesis and publishes it to his peers. His peers must necessarily challenge the findings and try to independently falsify the premises and inferences. In this way, by challenging and verifying findings, science can self-correct and makes slow but steady progress. All forms of censorship and everything that retards the open exchange of ideas saps the very essence of scientific enquiry. Assuming that any one authority or organisation has a monopoly on truth against which all other opinions must be "fact checked" is an anathema to science.

The WHO, however, has a contrary view (Pan American Health Organization & World Health Organization, n.d.).

It believes that the COVID-19 outbreak has been accompanied by what it calls "a massive infodemic: an overabundance of information—some accurate and some not—that makes it hard for people to find trustworthy sources and reliable guidance when they need it". It has spent effort and money to combat this by censoring social media and the press. There seems to be no room for scientific views that challenge the accepted truth (Corbett, 2021). They are ignored, undermined, and suppressed. Scientists are afraid to speak up. Doctors like Pierre Kory, a highly published and renowned critical care specialist of the Front Line COVID-19 Critical Care Alliance (FLCCC), have had to resign their hospital appointments for not towing the official line on treatments for COVID-19 (McGinley, 2021).

"Scientists shouldn't be censoring themselves," says Alina Chan, a Harvard scientist who has contributed to unravelling the COVID-19 origin mystery. "We're obliged to put all the data out there. We shouldn't be deciding that it's better if the public doesn't know about this or that. If we start doing that we lose credibility, and eventually, we lose the public's trust. And that's not good for science." It would cause an epidemic of doubt, and that wouldn't be good for any of us (Jacobsen, 2020).

We urgently need to restore the sanctity of process and protocol and revitalise the scientific method if we are to survive this and other pandemics. Pandit Jawaharlal Nehru famously said, "Who lives if India dies? Who dies if India lives?" We may well say: Who lives if science dies? Who dies if science lives?

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Education

CONFRONTING THE PANDEMIC

Response and Recovery for Dalit and Adivasi Students

National Campaign on Dalit Human Rights (NCDHR)

INTRODUCTION

The arrival of the complex and virulent COVID-19 virus in March 2020 led to chaos and confusion on a global scale. It has decidedly altered the way we live and engage with society and our surroundings. In India, the outcomes were deeply varied and starkly unequal. Many people were held hostage at home, learning and adapting to new tools, while millions were left without jobs, food, shelter, health care and money. The crisis has also led to mental anguish including stress, anxiety, fear, anger, depression, and in many cases, suicidal thoughts, especially amongst the students.

The education sector has faced enormous challenges since the lockdown. In response, educational institutions have introduced remote learning and the use of online learning modules and television. For several students from underprivileged backgrounds this was a new barrier in a system that was already fraught with discrepancies and discrimination, especially for those from poor families. AISHE data clearly indicates that lack of financial resources is one of the main reasons why Dalit and Adivasi girls and boys are either unable to enter institutions of higher education or are forced to drop out in the middle of their studies (MHRD, 2019).

The Government of India has instituted several schemes and programmes to promote higher education amongst SC/ST students. The Post Matric Scholarship (PMS) scheme is the largest available scholarship for them. The PMS provides financial assistance at the post-matriculation or the post-secondary stage to enable students to complete their education. In addition to covering basic tuition, the PMS offers a maintenance allowance, reimbursements for non-refundable compulsory fees charged by institutions, a book bank facility and other charges. However, the PMS is fraught with systemic and fiscal challenges. The scheme is poorly designed, opaque in its operations, unaccountable, and suffers from a shortage of funds. The COVID-19 pandemic has significantly disrupted the higher education sector, which is one of the critical pathways towards reducing the economic gap between marginalised communities and dominant groups. COVID-19 has increased the existing disparity in accessing education, and will do so further. It has exposed students from these communities to many more challenges like poor access to digital infrastructure, lack of

financial resources and space, lack of livelihood opportunities and social protection. The pandemic has pushed many students towards informal employment, increasing their vulnerability.

It is in this context that the National Campaign on Dalit Human Rights (NCDHR) and Dalit Arthik Adhikar Andolan (DAAA) initiated a survey-based study to identify the challenges faced by Dalit and Adivasi students in accessing higher education during the COVID-19 crisis and subsequent lockdown. The study covered 10,190 students from marginalised communities across six states.

The study examined four particular questions:

a. What are the specific challenges faced by SC/ST students in accessing scholarships, particularly the PMS, and other facilities like hostels and mess during the COVID-19 crisis?
b. What are the definite challenges faced by SC/ST students in accessing online classes during the pandemic?
c. What are the explicit impacts of COVID-19 on SC/ST students in terms of access to livelihoods and continuation of their education?
d. How differently did this pandemic affect the most marginalised groups, namely women, transgender persons and persons with disability (PwDs)?

A sample population of about 10,190 people was taken into consideration for the study across six states. An online rapid assessment survey of the sample population was done across the states of Andhra Pradesh, Bihar, Jharkhand, Odisha, Tamil Nadu and Uttar Pradesh. For conducting the study, 240 SC/ST student volunteers were identified (40 SC/ST students from each designated state). Out of the total respondents, 65% were from the SC community and 28% were from the ST community and the rest were from OBC, religious minorities and other groups. 45% of the respondents were male and 55% were female. These student volunteers have been associated with NCDHR state teams for over a year, continuously engaging on issues pertaining to improper implementation of PMS in their respective states. In order to have an intersectional perspective, interviews and discussions were also conducted with students from the transgender and PwD community to understand the specific challenges faced by these groups during the COVID-19 crisis.

POST MATRIC SCHOLARSHIP: CONTEXT AND ISSUES

The Post Matric Scholarship scheme, launched in 1944, is one of the best centrally-sponsored schemes under the Scheduled Caste Sub Plan (SCSP) and the Tribal Sub-Plan (TSP) fund. By enabling access to higher education, it has the potential to bridge socio-economic gaps faced by the communities it is aimed at. The PMS is a massive scheme, covering about 62 lakh students across the country. They come from the poorest of poor households, with an annual income below Rs 2.50 lakh. The data from the All India Survey of Higher Education (AISHE) shows an increase in the number of enrolled students in the last five years. In 2014-15, the students belonging to the SC community had a share of 13.5% and those belonging to the ST community had a share of 4.8%. By 2018-19, this had increased to 15% for SCs and 6% for STs. In absolute terms, their numbers amounted to 55.67 lakh SCs and 20.67 lakh STs. However, there is no disaggregated data on the particularly vulnerable tribal group (PVTG) and transgender communities in AISHE data for 2018-19. In all years except 2018-19, the utilisation under the PMS scheme has exceeded allocation, implying that allocation falls short of demand. For instance, in 2017-18,

the utilisation exceeded allocation by Rs 66 crore (Rs 3,414 crore were utilised where only Rs 3,348 crore were allocated). Similarly, in 2019-20, the utilisation exceeded the allocation by Rs 21 crore. A utilisation rate above 100% implies inadequate funding in meeting the growing needs of eligible students across the country.

A performance audit report by CAG (2020) states that only 70% (Rs 10,350 crore) of the demand of Rs 14,775 crore proposed by the MoSJE was approved by the Ministry of Finance during 2012-17. For 2018-19, the MoSJE received only Rs 7,750 crore against the demand of Rs 11,027 crore to the Ministry of Finance. The department has informed this has led to a squeeze in the proposed outlay of some schemes and adversely affected the PMS scheme for SCs. The continuous shortfall and accumulated outstanding arrears under the PMS-SC was brought to the notice of the Union Government by several parliamentarians and members of the standing committee reportedly. The unstarred question 2315, dated 2 January 2018 reveals that more than Rs 8,000 crore is outstanding. The starred question 216 dated 2 January 2018 also reveals the same, which is quite unsatisfactory. There have been constant fund cuts towards PMS-SC: 33% in 2017-18, 30% in 2018-19 and 40% in 2019-20. As a result, there were pending arrears of the PMS-SC fund with the Ministry of Finance over the years. Various parliament debates affirm this.[1] As a result, many students faced severe challenges in continuing their studies. Many were asked to vacate their hostels in engineering colleges, and many dropped out.

RESULTS AND DISCUSSION

As the COVID-19 health crisis unfolded, and socio-economic systems collapsed around the world, education systems were swift to react and adapt. In order to protect learners and educators, governments shut down schools and other physical learning spaces. According to a UNESCO report, over 320 million students in Indian schools and colleges were adversely affected. The pandemic pushed the world to reinvent to cope with the "new normal". It precipitated a tectonic shift in education: from the confines of classrooms to online platforms that enable remote learning. However, the unequal provision of learning modalities during the lockdown would add to existing inequities in the longer term.

A majority of Dalits reside in villages with little or no digital access. According to the Socio Economic and Caste Census (SECC) of 2011, 74% of India's Dalit population resides in rural areas. The pandemic has aggravated the consequences of the prevailing digital divide. In a country with stark social divides, the pandemic has brought visibility to and reinforced centuries of discrimination and exclusion faced by the marginalised communities. This study affirms that. Online education has exposed students from the marginalised communities to another layer of exclusion. These students have no access to books, internet connections or smartphones. Moreover, there exists multi-layered poverty in SC/ST families, forcing students to join daily-wage work in the fields in rural areas and in the construction sector in urban areas. Many of them were unable to access government scholarships, as admissions for the new academic year were challenging throughout the pandemic.

Similarly for the other marginalised groups, like women, persons with disabilities and transgender persons, the pandemic has been relatively difficult in terms of access to online education and livelihood. Our survey highlighted that the students from these groups were disproportionately impacted by COVID-19 due to lack of information,

1 unstarred question no- 2315, dated 02.01.2018, starred question no-216 dated 02.01.2018

unavailability of resources and inadequate social protection measures, severely affecting their access to education.

KEY STUDY FINDINGS AND ANALYSIS

Access to online education during COVID-19

- About 50% of the students in the income group of Rs 20,000–40,000 per year were unable to access online classes.
- 51% of the students surveyed couldn't avail of the online classes due to the unavailability of android phones/laptops and 22% didn't have access to internet facilities in villages.

Accommodation:

- As for the accommodation, more than 56% of the students pay up to Rs 3,000 as their accommodation (hostel, PG and rented place) and around 51% of the students pay their monthly mess charge of up to Rs 3,000, therefore non-payment of the PMS would risk them to vacate their premise or run into financial debt.
- Out of the total surveyed students who live away from their families 45% are facing difficulty in paying rent and other bills. About 42% of them were women respondents.
- Out of the total surveyed SC/ST hostellers, about 61% of SC and 68% of ST students did not receive any relaxation in paying the hostel fees during the pandemic.
- 48% of the total surveyed students informed that they were unable to pay the college fees during the pandemic and 69% of them were not getting any relaxation in paying the college fees. About 70% of them were women respondents.
- It was found that about 68% of the students surveyed will not be able to continue their studies because of lack of income and food insecurity as a result of the COVID-19 outbreak.

Scholarships:

- Out of the 68% (56% in the income group of Rs 20,000 annually) students who are entitled to government scholarships pertaining to higher education, 51% are accessing the PMS.
- 32% of the students are not availing of any scholarship because of a lack of awareness regarding the scholarships and the process of availing them.
- Out of the total students surveyed 54% did not know whom to reach out to in the government for information regarding the PMS and other government entitlements.
- 93% of the students didn't receive any information/updates about the entitlements/ Post Matric Scholarship from the media, especially during the COVID-19 pandemic.

Employment:

- About 22% of the SC and 29% of the ST students of the total respondents were forced to take up employment during the COVID-19 pandemic, with women

constituting 21% of them. 48% of them had to take up manual labour during this time.

Disability:

- 26% of the total PwD students were forced to take up employment during the pandemic.
- 33% of the PwD students were facing difficulty in paying their rent and other bills during the pandemic.
- 41% of the total PwD students surveyed were not aware of the public entitlements available to them.
- 20% of the PwD students were planning to discontinue their studies post pandemic.

RECOMMENDATIONS

The study highlights the recommendations for strengthening access to higher education for students from the marginalised communities during the critical situation of COVID-19, these recommendations are as follows:

Increase access to government entitlements, particularly Post Matric Scholarships (PMS): The PMS amount should be released immediately and disbursed amongst the students who couldn't avail it during the pandemic and also to those who have dropped out of their studies. A mandatory awareness campaign about the PMS and other entitlements should be made by placing kiosks and posters in universities and colleges. There should be a help desk to file scholarship applications in colleges and universities, especially for those students who are facing challenges. A 50% reservation for SC/ST women should be made in all scholarship schemes offered by the state and the union governments. A dashboard should be created to monitor the disbursement of scholarships to all student beneficiaries with instant updates. There should be a government helpline for providing information regarding scholarships to the students. A grievance cell concerning the scholarships and other government entitlements should be instituted by the nodal ministries. There should be a penalty for those officials in nodal ministries who deliberately neglect releasing funds. MoSJE and MoTA should give course-wise disaggregated data of students for a clear assessment while preparing due estimates of the PMS programme in every financial year.

Increasing access to online education: Special emergency allowance to enable access to technology (internet), laptops and online libraries should be provided by the state governments. In the tribal areas which are devoid of electricity and internet, the government should take measures at the local level to start centres where students can access online classes with facilitators and counsellors. The government should provide technological training to SC/ST students, especially women students, to access online education during the pandemic. Students should be given digital learning kits for easy access to classes. Universities/colleges should ensure easy availability of study material in both printed and recorded forms. Girls from SC/ST backgrounds should be provided smartphones and internet plans to access online classes as their education is compromised and less prioritised during the pandemic. The PMS should be calculated for the entire year and must be released to the students to address the issues of livelihood and online access.

Financial assistance and social security: Special long-term financial assistance should be given to the students who lost their parents during the pandemic to complete their higher education. To

ensure that students are not forced into taking up employment for survival needs during the pandemic, all Dalit and Adivasi students should be covered under the access to universal basic health care and income security. The PMS should take into account accommodation costs. Its guidelines need to be revised to include the accommodation costs as well as the basic allowance according to the tier of the city or town a college/university is based in. A contingency budget should be introduced to meet the emergency needs of the SC/ST students during emergency situations like COVID-19.

Focus on students with disability and transgender students: There should be an effective implementation of scholarships for SC/ST students with disability and transgender students. COVID-19 relief packages including financial assistance, insurance policies and access to medical facilities should be provided for the students with disabilities. Accessibility of online classes along with the provision of accessible study material for students with disabilities should be ensured. SC/ST hostels should be made accessible for students with disabilities, with mandatory PwD reservation. COVID-19 relief packages for transgender students should be provided, which should include financial assistance, insurance cover and free access to education. Transgender students should be provided with support and documentation to access government entitlements. An equal opportunity cell with proportionate representation of Dalit, Bahujan and Adivasi students with disabilities should be set up in all colleges to address student grievances. Disaggregated data specifically on people with disabilities and transgender students should be provided with a special drive to ensure their enrolment numbers in higher education increase.

CONCLUSION

It is essential to note that India is still in the throes of COVID-19. In many states a second lockdown was announced, once again disrupting an economy and society that was limping back towards capacity. Mirroring how crises play out in an unequal society, yet again SC/ST groups endured the worst of it. Students from these communities were robbed twice, firstly from social security and secondly from their aspirations and dreams to secure their future. The study was carried out under unprecedented circumstances and therefore the sample was limited. It would be fair to say that the representation provides us with an accurate understanding of the larger issues at hand. Education of students in disadvantaged communities has become a casualty of the pandemic, especially those pursuing higher education. Many have been forced to support their families by taking up part-time or full-time employment to supplement household income. This report attempts to quantify the aspirations of Dalit youth and the price they had to pay through the lockdown and the pandemic. It has been highlighted that about 75% of students would like to continue their education despite all odds and hope that the government will listen to their woes and ensure the smooth functioning of the PMS and other scholarships.

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Informal Sector

SMALL NO MORE

Beyond the COVID-19 Relief Package for MSMEs

Sangeeta Ghosh

A complete picture of the impact of the ongoing pandemic on micro, small and medium enterprises (MSMEs) is difficult to assess. The last point of data that even the Annual Report of the Ministry of MSMEs relies on is the NSSO survey of 2015-16 that estimated the presence of 63.4 million MSMEs in India. The MSMEs have historically been of immense importance to the Indian economy, in generating employment, output and exports. Yet, it is a sector that is vulnerable and can quickly become unstable and unviable, particularly in the presence of external shocks. Demonetisation in 2016, the imposition of Goods and Services Tax (GST) in 2017 and the ongoing COVID-19 pandemic since 2020 have affected the survival and presence of many of the MSMEs, but there is little one can do to get a reasonable estimate of their exit, decline or growth.

Independent surveys conducted during the pandemic by researchers and industrial bodies, government reports, as well as newspaper reports, have borne testimony to the havoc the pandemic has caused to the survival of small businesses. Many businesses had to shut down, scale down or sell everything where possible, leading to massive job losses and wage cuts. While the pandemic affected most sectors of the economy, with demand deficiency and unprecedented supply chain disruptions, the adverse impact on small businesses has been disproportionately large due to the pre-existing vulnerabilities of the sector that only got accentuated during the pandemic. Functioning on thin margins and limited resources, these enterprises lack the deep pockets that allow enterprises to withstand months of disruptions in the functioning of their businesses. A special relief package for MSMEs is a big part of the Rs 20 lakh crore COVID-19 relief package for the economy. We will examine these relief measures in detail to see if they succeeded in providing the much-needed relief to MSMEs, comment on the gaps and try to understand what needs to be done for the survival of this sector.

A CHANGE IN DEFINITION

The most impactful and controversial change that the *Atmanirbhar Bharat Abhiyan* (Special Economic Package for COVID-19 Relief) did for MSMEs was a change in their definition. As of 1 July 2020, the criteria to define MSMEs is a composite one based on investment and turnover in a 1:5 ratio that allows the turnover for micro, small and medium

enterprises to be 5, 50 and 250 crores respectively, with the exclusion of export turnover for both the manufacturing and service sector.

A large proportion of MSMEs function in the informal sector, where 84% of the estimated 63.4 million MSMEs do not hire a single hired worker (they are called own-account enterprises). Thus, this sector is literally one where the daily livelihoods of a vast majority of people are generated. Many of them are sole proprietorships or partnership firms. Further, the NSSO survey found that 99.5% of the unorganised units are in the micro category as per the erstwhile definition of MSMEs. The micro sector with 630.52 lakh estimated enterprises provides employment to 1,076.19 lakh persons and accounts for around 97% of total employment in the unorganised sector. The new composite criterion expands the micro category to an investment size of Rs 1 crore (from the erstwhile Rs 25 lakhs) and a turnover of Rs 5 crore (excluding exports). Where a dedicated policy directive was required to help the most vulnerable enterprises amongst the MSMEs, the possibility of focussed attention to this sector is diluted in terms of understanding the sector's requirements of working capital, credit leveraging capacities, lack of documents for credit, market access, technological upgradation and much more.

Being classified as MSMEs provides enterprises with some handholding by the State, making them eligible for certain benefits. These include priority lending from banks, collateral-free loans, mandatory sourcing of 25% of procurements by the central government from micro and small enterprises (MSEs) and a slew of other targeted benefits. Thus, the change in the MSME definition has widened the ambit of this targeted priority sector to include much larger enterprises (Ghosh, 2020). A newspaper reports that data from GST turnovers show that 99% of the businesses present in India may now be MSMEs! (Sidhartha, 2020) While threshold revisions to adjust for inflation should be a routine task, enlargement of the universe of a targeted priority sector, at this critical juncture when the expansion of business is difficult to visualise for most lines of business, is a move that can only take away the targeted benefits from smaller enterprises to extend them to much larger enterprises.

There had been deliberations over defining MSMEs by the turnover criteria alone when the MSME Development (Amendment) Bill 2018 was introduced in the Lok Sabha. With GST in place, turnover was seen as an easier and more transparent way to define MSMEs. This was met with stiff resistance on the grounds that the turnover thresholds were too high and would expand the group to include much larger units (Sinha, 2018). This resistance was stifled during the pandemic to go ahead with the expansion. Thus, mandatory public procurement from MSMEs is now open to much larger enterprises who will be better positioned to compete for public tenders than the erstwhile smaller businesses. While the government has claimed that the definitional changes respond to the fear of the MSMEs outgrowing the investment thresholds and thus losing benefits, the increased limits at this juncture only allow the bigger units to come under the MSMEs' ambit to avail benefits, including those offered during the pandemic.

LIQUIDITY INFUSION MEASURES FOR A LIMITED NUMBER OF BENEFICIARIES

One of the big challenges that MSMEs face is access to credit. There is a lot of literature that points out the various reasons why MSMEs are unable to leverage their credit needs for expanding business. One of the first things that the government granted as a relief measure was collateral-free automatic loans to the tune of Rs 3 lakh crore under the

Emergency Credit Line Guarantee Scheme (ECLGS). However, the only firms eligible for collateral-free loans at concessional rates were those that already had an outstanding loan as of February 2020. These would amount to around 45 lakh firms, that is, only around 7% of total estimated MSMEs, who could borrow 20% of their outstanding credit as of February 2020.

It is well recognised in the literature that in spite of the government's attempts to treat MSMEs as a priority lending sector, factors such as access to proper documents required by the banks, lack of knowledge about the requisite paperwork, lack of collateral, etc., are the chief reasons that act as an impediment for the MSMEs in getting institutional credit. For these enterprises, the ECLGS meant nothing. For smaller enterprises, who were in grave need of liquidity to tide over the immediate cost of business operation—paying rent, electricity bills, salaries of employees and workers, bank loans, the cost of perishable raw material—the ECLGS was again of little or no value. It was indeed of no surprise that the ECLGS 1.0 that was started for five months in May 2020 had few takers. Only after extending the ECLGS for subsequent months and enlarging the ambit to surpass the already broadened definition of MSMEs to include many other sectors as well as individuals (under ECLGS 2.0 and 3.0), Rs 2.54 lakh crores was disbursed till July 2021. The ECLGS 4.0 extends the credit guarantee scheme to traders as well. Clearly, the MSMEs targeted for the credit guarantee scheme gave it a miss despite being in a dire need of funds. On the one hand, enterprises that already had an ongoing loan were wary of taking more loans when demand was drying up; on the other, enterprises that needed some liquidity were not eligible for these loans.

Similarly, while the announced Rs 20,000 crores of subordinated debt for stressed MSMEs would have provided some relief and been much appreciated in normal circumstances, it was observed that very few MSMEs availed of the scheme. The equity infusion measures that could be helpful for MSMEs in the long term failed to provide the immediate relief that these enterprises required. Funds to provide equity infusion for MSMEs too would be a long-term measure to help finance MSMEs and were not of immediate help in the COVID-19-ravaged economy. In view of this, the Parliament Standing Committee 2021 also observed that "the stimulus package announced by the Government for the economic revival from the Pandemic hit economy has been found to be inadequate as the measures adopted were more of loan offering and long-term measures instead of improving the cash flow to generate demand as immediate relief" (Parliament Committee Report, 2021, p. 10). Overall, the government opted for supply-side fixes when there was global recognition that a demand-side fix was required.

ADDRESSING DELAYED PAYMENTS

An important step that was of immediate help to the MSMEs was the repayment of dues owed to them by the central government and the private sector that were to the tune of Rs 5 lakh crore (Magazine and Sasi, 2020). On 13 May 2020, the government promised to pay the MSMEs their dues within 45 days. While this measure has yielded some positive results and outstanding payments have been released by some public sector units (PSUs) to MSMEs, many PSUs have still not released the payments. As of January 2021, 21% of the total dues that were recorded online (please note that not all dues are recorded) were still pending (Parliament Committee Report, 2021, p. 15).

Since MSMEs run their businesses on thin margins and with limited resources, delayed payments from other enterprises, including larger firms and PSUs, impact their working capital significantly. This is a major problem that has only accentuated with the pandemic. Delay in payments can severely handicap a small enterprise from paying bills and salaries, repaying formal and informal loans and running their business. While there is a provision for 1% penalty on delayed payments, in practice, the penalty clause is seldom invoked. This encourages the defaulting entities to flout the prescribed timeline easily. Strict measures are hence required to ensure the enterprises are paid their dues on time.

PROTECTING THE WORKERS

The hastily announced pandemic-induced lockdown stranded migrant workers and left them without work, wages, shelter and food; the plight of the workers walking barefoot with their families back to their villages was a sight that will remain etched in our memories. One can only hope that this will open up spaces to look at urban governance in a way that considers informal, migrant work and workers a part of the civilised society (Aajeevika Bureau, 2020). There was a half-hearted order from the government to all enterprises to pay full wages to their "employees" for the period of the lockdown or face prosecution. The Supreme Court passed an order that units that do not pay full wages to their workers during the lockdown cannot be prosecuted (Rautray, 2020). To be going out of business and being prosecuted was not a fair measure, the courts held. Moreover, and more importantly, a vast majority of MSMEs employ contractual, piece-rate paid labour. It would not be difficult for the employers to decline wages as workers do not even have adequate papers to show an association with the enterprise. A public provision for at least a partial wage guarantee for informal MSME workers for the period of the lockdown could have helped the employers pay part of the wages. The Ministry of Labour and Employment announced some benefits for workers through social security schemes run by the Employees' Provident Fund Organisation (EPFO) and the Employees' State Insurance Corporation (ESIC) (*Press Trust of India*, 2021). Again, these are available to a small percentage of people employed. The street vendors, too, were offered collateral-free working capital loans of Rs 10,000 under the PM SVANidhi scheme for a one-year tenure. An interest subsidy at 7% per annum is credited to the street vendor's account on timely early repayment (Srivastava, 2020). A full-fledged consorted effort to reach out to the most vulnerable workers was not carried out which led many out of the workforce.

THE WAY FORWARD

The thrust of the government policies with regard to MSMEs has been towards registration, formalisation (via taxation) and digitalisation. While the registration of small enterprises is an important tool in order to reach them, the problems MSMEs face at the ground level in terms of documentation and paperwork need to be addressed. Adequate handholding of local nodal bodies is required as it needs to be understood that the owners of these enterprises are often self-employed people who have limited resources at their disposal. The aim to "formalise" enterprises via GST, get them registered and submit invoices digitally has made their lives more vulnerable and caused severe distress to comply with the new taxation regime. Rather than apps and acronyms,

what small businesses need is for their pre-existing problems to be addressed effectively.

To help small businesses a concerted effort needs to be made to increase effective demand in the economy. Without adequate demand in the economy, the survival of small businesses will be difficult. This will also spiral out to bigger enterprises and could lead to a further deterioration of the twin balance sheet crisis that is sure to emerge if demand does not revive. Eminent economists have recommended a universal basic income to help people meet their basic requirements and generate demand. A much more serious effort to revive the economy in general is required.

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WORKERS ON THE EDGE

Mrinalini Jha

COVID-19 and the subsequent containment measures had a catastrophic impact on the state of Indian economy in the first year of the pandemic. The nationwide lockdown imposed in the country in March 2020 was amongst the most stringent lockdowns in the world.[1] With 73% of the economy making a livelihood through informal employment, and within them, roughly 34% engaged in daily wage work, the lockdown meant an overnight disappearance of their jobs with little surety of the duration for which the lockdown will last. Consequently, the impact of the lockdown on both employment and incomes was well apprehended.

Efforts were made by various institutes and civil society organisations to document the economic brunt of the pandemic on workers and households in the first year of the pandemic. This was done through several purposive surveys. The Centre for Sustainable Employment at Azim Premji University has compiled 76 such surveys on its website. However, to get a sense of the all-India impact of the pandemic, Consumer Pyramids Household Survey (CPHS) released by the Centre for Monitoring Indian Economy (CMIE) has been the only source of a nationally representative household survey data for the pandemic year.

JOBLESSNESS

CMIE-CPHS estimated that the unemployment rate was 7.76% in February 2020, which shot up to 23.52% in April 2020. March 2020 is commonly understood as the beginning of the pandemic in India and also the month when the first nationwide lockdown was announced and implemented. The fall in employment in April 2020 has been estimated to be equivalent to a loss of approximately 12 crore jobs.[2] Subsequently, as the lockdown curbs were relaxed, there was a rapid rise in employment indicating a V-shaped recovery. The recovery, however, remained incomplete even after the first wave of the pandemic. The employment rate was around 39% in the first quarter of 2020 (Jan–Mar). After sinking to about 32% in the second quarter (April–June), it rose, but only to hover at around 38% in the third quarter (July–September), before stagnating over the next two quarters. The employment rate thus did not return to the pre-pandemic levels after the first wave and, in fact, right up to the arrival of the second wave (April 2021).

As the economy bore the brunt of the devastating second wave of the pandemic, the unemployment rate saw a rise again, and it peaked at 12% in May 2021. That month alone saw a loss

1 https://ourworldindata.org/grapher/covid-stringency-index

2 https://cmie.com/kommon/bin/sr.php?kall=warticle&dt=2020-05-05%2008:22:21&msec=776

of more than 1.5 crore jobs. This is the second highest loss in jobs after what was witnessed in April 2020; interestingly enough, it is more than the 1.23 crore jobs lost in the month of demonetisation (November 2016).[3]

INFORMALISATION

The post-pandemic economy also saw a further informalisation of employment as there was an influx of labour into self-employment. At the end of 2019,[4] the most secure form of employment[5] accounted for nearly 11% of the total workforce. By the end of 2020,[6] close to 30% of these permanent salaried workers were engaged in self-employment, while 13% of these workers were not a part of the workforce anymore. Further, at the beginning of 2021,[7] around 26% of these permanent salaried workers (for whom information is available subsequently) were engaged in self-employment. The full impact of the second wave of the pandemic and the corresponding partial lockdowns would be evident in data collected after April 2021. However, since the relevant data starting May 2021 was not available at the time of writing this chapter, the detailed results remain limited up to April 2021.

In normal (pre-pandemic) years,[8] the permanent salaried workers experienced the least amount of flux, with around three-fourths of the labour force continuing to remain in the same status. Between 2019 and 2020, however, about 50% of the permanent salaried workers moved to other kinds of employment. 34% of the permanent salaried workers in 2019 turned to self-employment in 2020, indicating increased levels of informality. In fact, self-employment emerged as a prominent fallback employment in the face of job losses (State of Working India [SWI], 2021).

WOMEN AND YOUTH

The impact of the pandemic on employment was also gendered. Deshpande (2021) uses CMIE-CPHS data to report that the average employment in the pre-pandemic period of January–March 2020 was 40.3 crores. This fell to 28.2 crores in April 2020. The gender breakup of this total all-India figure indicates a higher loss in absolute employment for male workers, which is not surprising given their significantly higher workforce participation.[9] However, female workers suffered a greater *proportionate* fall in employment. Between the pre-pandemic period[10] and April 2020, more than 1.5 crore women lost jobs, accounting for 40% of women workers, in contrast to the 29% of male workers who lost jobs over the same period.

The significance of the above statistic becomes evident when viewed together with the following estimates by Abraham et al. (2021). Their study reports that conditional on being in the workforce prior to the pandemic, women were seven times more likely to lose work during the nationwide lockdown as compared to men. Furthermore, conditional on losing work during the lockdown,

3 https://www.cmie.com/kommon/bin/sr.php?kall=warticle&dt=20210601180645&msec=766

4 September–December 2019.

5 CMIE-CPHS reports employment arrangements under four headings: permanent salaried, temporary salaried, daily wage workers, and self-employed. Permanent salaried is considered to be the most secure form of employment.

6 September–December 2020.

7 January–April 2021.

8 Between 2018 and 2019.

9 Average workforce participation rate for males was 67% in January 2020, based on CMIE-CPHS. The corresponding number for females was 9%.

10 January–March 2020.

women were 11 times more likely not to find work subsequently. These findings were based on the effect of the lockdown during the first wave of the pandemic.

While the above results are drawn from CMIE-CPHS, the payroll data released by the Employees' Provident Fund Organization (EPFO) for the fiscal year 2020–21 also provides evidence for a disproportionately adverse impact of the pandemic on women workers with a sharp fall in the net payroll enrolment for workers younger than 29 years of age.[11]

Along with the above illustrated disproportionate impact of the pandemic on their economic participation, women also struggled on other economic and social fronts which got aggravated during the pandemic. They faced additional mobility restrictions,[12] increased domestic liabilities, including but not restricted to unpaid care work,[13] and the shadow pandemic of increased incidents of domestic violence.[14]

In the age distribution of the workforce, the younger workers seem to be amongst the worst affected. A report by the International Labour Organization (ILO) and the Asian Development Bank (ADB) reported that 41 lakh youth (15–24 year olds) lost their jobs in the first year of the pandemic. Payroll data released by the EPFO for the fiscal year 2020-21 also highlights that the younger workforce (aged 25 years or below) was indeed the worst affected by the pandemic.

Close to 69% of workers in the age group of 15 to 24 year olds lost their jobs either during the lockdown or the post-lockdown period. Further, 33% of the workers in this age group who lost jobs during the lockdown remained unemployed for the rest of the year 2020 (SWI, 2020). These young workers also compete with the fresh entries of the young cohort in the labour market in the two consecutive years (2020 and 2021). In addition to the direct costs of losing employment, this group also suffers on account of the lost experience and training in the market.

MIGRANT WORKERS

The onset of the pandemic brought to the fore the deplorable plight of millions of migrant workers, especially in the big cities. There is little debate regarding the ill-preparedness behind the announcement and imposition of the nationwide lockdown in March 2020, leaving the affected to fend for themselves. The circular migrants of India, estimated to be around 400 million, bore the harshest, most severe brunt of the lockdown. Their struggles ranged from attempting to return to their homes with nearly no government support or empathy, to being quarantined in camps with sub-human living conditions (as was covered extensively in the media), to being unsuccessful in reaching home and remaining stranded far away without food or money. They tried to cope with the situation by selling whatever little assets they owned, borrowing from all potential sources—friends, relatives, moneylenders—and cutting back on their food intake. Just as the situation began improving towards the end of 2020 and the beginning of 2021, with the economy opening up and employment opportunities becoming available, and many migrants moving back to their place of work, the second wave of the pandemic began creating havoc, both in the form of an unparalleled health crisis and a severe aggravation of the economic crisis resulting from the first wave. The

11 https://theprint.in/economy/indias-younger-workers-worst-hit-by-pandemic-women-far-more-vulnerable-epfo-data-shows/671115/

12 Nikore (2020), Sharma (2021).

13 Deshpande (2021), Chauhan (2020).

14 Kapoor (2021).

second wave hit the migrant population on the back of an unprecedented historic struggle which they had survived primarily by sinking further down the morass of poverty and indebtedness. Owing to the ambiguity over the duration of the lockdown announced and the poor and inadequate social protection offered by the government after the first wave, there was again a mass exodus following the second wave, with over 8 lakh migrants leaving Delhi for their hometowns and ancestral villages during the second wave of the pandemic.[15]

The migrants faced an unenviable dilemma of choosing between the poor livelihood opportunities available at home and the uncertain job prospects upon moving out. These workers move to cities seeking better sources of livelihood. However, as the pandemic and the imposed lockdown hit their livelihood acutely, it created a sphere of uncertainty regarding the duration for which they would be rendered unemployed. An important underlying understanding here is of the socio-economic background of these workers. They typically do not have much savings and rely on their daily or contractual employment to buy food, pay rent and cover other basic expenditures. With no official, credible announcement about the end of the lockdowns, a major worry with staying back revolved around covering the minimal cost of survival in the place of work. Additionally, especially during the first round of lockdowns in 2020, there was much obscurity around the spread of the virus itself, and the rural areas of the country, which often are their place of origin, seemed to be protected from the spread. These two factors together contributed to the mass migrant departure witnessed in 2020. It was estimated that close to 1.14 crore migrant workers moved to their places of origin.[16] The figure being centred primarily around the six migration-origin states.[17]

The post-lockdown months witnessed a phenomenal rise in demand for jobs in the rural areas. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), often referred to as "perhaps the largest and most ambitious social security and public works programme in the world,"[18] offers at least a 100 days of guaranteed employment to each registered household. The work offered under MGNREGA is of unskilled, manual nature, and while the pay varies across states, the highest comes close to Rs 300 for nine hours of work (Kerala). MGNREGA has been critical in offering a safety net to the rural population during the pandemic. The official database reports that between April 2020 and November 2020, the number of person-days of work generated under the Act increased by 43% as compared to the same period in the previous year. This steep increase in demand for MGNREGA jobs indicates the dearth of alternate jobs (given the low wages associated with these jobs). It also explains the expectation of a drop in the incomes of the migrants.

Gulati et al. (2021) report findings from a telephonic survey of close to 3,000 migrants from the states of Bihar, Chhattisgarh, Jharkhand, Odisha, Uttar Pradesh and West Bengal. The survey finds that these migrant workers suffered a

15 https://www.hindustantimes.com/cities/delhi-news/over-800k-migrants-left-delhi-after-lockdown-announced-govt-101621636995573.html

16 https://www.financialexpress.com/opinion/an-antidote-for-indias-second-wave-migration-dilemma/2286736/

17 Uttar Pradesh, Bihar, Jharkhand, Rajasthan, Odisha, and Madhya Pradesh.

18 Ministry of Rural Development 2012, https://web.archive.org/web/20130921125532/http://nrega.nic.in/netnrega/writereaddata/Circulars/MGNREGA_SAMEEKSHA.pdf

drop of 85% in their household incomes during the first phase of the lockdown in 2020.

Another survey conducted by the Yale university tracked 5,000 migrants in north and central India from April 2020 to February 2021. The study found that the migrant workers who came back to the urban places of work earned an average of 85% of their pre-pandemic incomes. Among workers who continued to remain at home, earnings were only 23% of their pre-pandemic earnings. Their findings also show that even among the migrant population, gender played an important role in determining income. The incomes of female workers remained lower than their male counterparts, irrespective of whether they came back to the urban areas or stayed behind.[19]

Note that all the above-reported data on income losses is of the aftermath of the first wave of the pandemic. With the low savings and high indebtedness of the migrants following the first wave, the impact of the second wave of the pandemic on the migrant population is bound to be even more severe.

Pradhan Mantri Garib Kalyan Rojgar Abhiyaan (PMGKRA) was launched in June 2020 to improve employment and livelihood opportunities for the migrant population returning to their place of origin. The programme identified 116 high returnee-migrant districts. The demand for work in these PMGKRA districts increased by 57% in April 2021 compared to April 2019. Additionally, demand remained highly inflated even in the months of May and June—55% over May 2019 level and 66% over June 2019 level, respectively.[20] According to a survey conducted by a labour rights organisation, Aajeevika Bureau, weekly earnings in Gujarat dropped by 30% during the partial lockdown of the second wave.[21] Additionally, 60% of the migrant households that were interviewed said that they were left with cash and dry ration for less than 15 days.[22] Secondary data from the months of the second wave of the pandemic is still coming in which will contribute to our understanding of the second wave's impact on the earnings and welfare of migrant workers.

The Stranded Workers Action Network (SWAN), with a presence across the country, has been running a helpline to support stranded migrants since March 2020. They released three reports during the first wave of the pandemic and one report after the second wave. Even a cursory look at their findings impresses upon the urgency of assistance and relief measures required. Their first report, describing their interactions with the migrant workers within twenty-one days of the nationwide lockdown, informed that 50% of the workers had rations left for less than one day, 96% had not received any rations from the government and 70% had not received any cooked food. Additionally, 78% of them had less than Rs 300 left with them. According to the latest report they released, 57% of the roughly 8,000 workers who called the helpline, for whom data were available, said their families had less than two days of ration left.

19 https://indianexpress.com/article/india/study-migrants-who-returned-earned-five-fold-of-those-who-stayed-back-7291771/

20 https://www.financialexpress.com/opinion/an-antidote-for-indias-second-wave-migration-dilemma/2286736/

21 28 April 2020–11 June 2020.

22 https://scroll.in/article/998278/india-failed-its-migrant-workers-again-during-the-second-wave-of-covid-19

The relief measures announced by the government in terms of the Covid relief package certainly helped but also remained inadequate in many respects. The Pradhan Mantri Garib Kalyan Yojna (PMGKY) is appropriately built on both food rations as well as cash transfers.

While the ration transfer was helpful, there remained uncertainty regarding their effective reach as exclusion from these relief measures remained common. Cash transfer, on the other hand, has been criticised for being derisory. The social security pensions for the elderly, widows, and differently-abled have been stagnating since 2006 at Rs 200 per month. Under the PMGKY, a one-off grant of Rs 1,000 was offered, but the monthly pension amount remained unchanged. In general, the cash transfer amount of Rs 500 per month in women-owned Jan Dhan accounts in a family is extremely low, and it is impossible for an average family to sustain themselves on this amount.

Both Azim Premji University Covid Livelihood Survey (CLIPS) and India Working Survey (IWS) find that the Public Distribution System (PDS) coverage far exceeded the coverage by the Jan Dhan Yojana. While close to 90% of the households had a ration card, only around 50% had a woman-owned Jan Dhan account. The pandemic, thus, again builds the case for an urgent need to have a more reliable, substantial and comprehensive social security system to ensure close to a universal reach of the target population.

Within the PMGKY however, the survey findings show that the efficacy of the PDS (conditional on households having a ration card) and the Jan Dhan Yojana (households with a woman-owned Jan Dhan account) was similar. The IWS reports that 65% of the ration card holders received some PMGKY allocation, conditional on having a ration card, and around 60% of the households received one or more transfers, conditional on having a woman-owned Jan Dhan account.

Food distribution under PMGKY was extended till November 2021, as was the cash transfer scheme. The amount of cash transfer, however, remains the same at Rs 500. All kinds of social protection measures by the state and central government, PDS, MGNREGA, cash transfers, worker welfare boards, provident funds, food distribution, etc., were critical in cushioning the shock of the pandemic. However, none of these schemes could reach all of its eligible population as the coverage remained patchy. In addition to improving the coverage of and increasing the assistance offered through the existing schemes, another proposal has been to introduce a state-level urban employment guarantee scheme.[23] MGNREGA has played a vital role in mitigating the income and livelihood impact of the pandemic, especially for the returning migrants. This experience further makes a case for introducing an urban employment guarantee scheme stronger.

CONCLUSION

By one and all of the relevant yardsticks, the COVID-19 pandemic of 2020 triggered a dual health and economic crisis that, following the second wave of 2021, continues with a vengeance. In economic terms, the hardest hit were naturally the working masses of India. As a result, there has been a significant increase in poverty and inequality, as was only to be expected. With depleted reserves, heavy indebtedness and joblessness, the workers are visibly trapped in a vicious cycle. In addition to the sharp, dramatic losses in incomes and livelihoods, there has been a rise in hunger, indebtedness,

23 https://cse.azimpremjiuniversity.edu.in/focus-areas/

gender disparities on the domestic front, along with the build-up of a significant education deficit. Perhaps the relatively hidden, indirect impact of the pandemic has been on the younger workers in the labour force. They have suffered in terms of employment as well as experience; the corrosive social, economic and psychological results of which will unfold only over the long haul. Everything cries out for massive state intervention without delay. State support, both in terms of higher spending as well as greater assistance, is imperative in pulling the economy back and restoring, if not improving, the welfare of its citizens.

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HOUSEHOLD INCOME, HUNGER & INDEBTEDNESS

Dipa Sinha

Even before the health impact of the COVID-19 pandemic was felt across the country in terms of rising infections, hospitalisations and medical expenses, increased food insecurity and falling household incomes were experienced by many. This was primarily a result of the economic shock caused by the national lockdown imposed by the union government in March 2020. It is widely acknowledged that the national lockdown of 2020 was one of the strictest lockdowns across the world, and the jury on whether this even helped contain the spread of the virus is still out. Many Indians are yet to recover from the economic consequences of the national lockdown and what followed—both in terms of the spread of the coronavirus infections in multiple "waves" reaching remote rural areas as well as the hugely inadequate response by governments towards mitigating the economic distress and taking steps towards reviving the economy.

While we discuss the state of household incomes and hunger in India currently, it is also important to locate it within the context of the pre-pandemic situation. It is obvious that the devastating impact on people's lives is also because of the precarity observed in the labour markets in India, with most people working in informal employment, often below minimum wages. This was further exacerbated by a slowing economic growth over the last four years, increasing inequality, stagnant rural wages and declining expenditures by the state on social security. Therefore, the situation of hunger and malnutrition had already begun to deteriorate before the onset of the COVID-19 pandemic. For example, the National Family Health Survey 5 (NFHS-5) data for 2019, available for 22 states, show that in most states there has either been a worsening or stagnation in the prevalence of child malnutrition (measured by indicators such as stunting, wasting and underweight) (Sinha, 2020).

Before any recovery from the severe economic downturn faced by the country following the national lockdown could occur, the second wave of the pandemic in early 2021 brought along with it another round of lockdowns and curfews. This caused further economic distress which was exacerbated by the spread of infections to rural areas and consequent rising health expenditures. This chapter looks at the impact of these on household incomes, hunger and food security. There is very little nationally representative data available to provide a clear picture of any of these, especially after the second wave. Hence, this chapter relies on data arising from a number of field studies and news reports.

STATE OF HOUSEHOLD INCOME

The impact of the pandemic on national incomes globally is well known. There has been a slowdown in economic growth across the world, with estimates indicating that global economic growth in 2020 reduced to an annualised rate of -3.4% to -7.6% (Congressional Research Service, 2021). According to national incomes estimates in India, the economy contracted by 7.3% (in real terms) during the financial year 2020-21, and it is estimated that in 2020 the number of people that are poor (who live on less than $2 a day) in India has increased by 75 million, and that the middle class has shrunk by 32 million (Kochhar, 2022). Based on Consumer Pyramids Household Survey (CPHS) data, Dhingra and Ghatak estimate that "rural poverty increased by 9.3 percentage points and urban poverty by over 11.7 percentage year-on-year from December 2019 to December 2020" (Dhingra & Ghatak, 2021). The State of Working India report estimates that an additional estimated 230 million people fell below the national minimum wage poverty line. It is further seen that there is a large increase in informal work and monthly earnings of workers fell on an average by 17% during the pandemic, with the loss of income being higher amongst poorer households (Azim Premji University, 2021).

The Hunger Watch report, which included respondents from 11 states across the country, focused on marginalised and vulnerable groups, found that the incomes of 62% of the households in October 2020 were lower compared to those pre-pandemic (February 2020). Amongst those whose income was reduced, about one in four respondents reported that their incomes were half of what they earned before the national lockdown (Right to Food Campaign & Centre for Equity Studies, 2021). All available surveys point to massive income losses during the lockdown and a lack of recovery until the end of 2020 (Drèze & Somanchi, 2021). For instance, a UNDP study covering over 10,000 women migrant workers found that their individual income fell by about 53% from February to July 2020, following which there was some recovery despite which the individual incomes in November 2020 were 24% lower than in February 2020 (Guha-Khasnobis & Chandna, 2021).

Although there is not much income data available for 2021, based on high unemployment rates following the second wave (FE Bureau, 2021) and the fact that full recovery had not taken place by the end of 2020, one can say that the negative impact of the pandemic on the incomes of the poor and middle classes has continued.

STATE OF HUNGER

The slowdown in the economy, increased unemployment and fall in incomes have obviously impacted food security and hunger. According to the State of Food Security and Nutrition Report (SOFI) 2021, around 118–161 million more people were facing hunger in 2020 than in 2019 across the world. Nearly one in three people in the world (2.37 billion) did not have access to adequate food in 2020—an increase of almost 320 million people in just one year (FAO et al., 2021). Based on the data given in SOFI, Vaishali Bansal estimates the number of moderate to severe food-insecure people in India increased from 43 crores in 2019 to 52 crores in one year, i.e., the prevalence of moderate to severe food insecurity increased from about 31.6% in 2019 to 38.4% in 2021 (Bansal, 2021).

The various field surveys conducted towards the end of 2020 also show increased food insecurity and hunger. Amongst the Hunger Watch respondents, 53% reported that their consumption of rice/wheat had decreased in October 2020 compared to March 2020, and for about one in four, it had

"decreased a lot." In the case of consumption of dal/pulses, 64% of respondents reported a decrease, of which about 28% said that it had "decreased a lot." The corresponding figures for consumption of green vegetables were 73% and 38%. It can be seen clearly that the quantity and quality of people's food consumption were affected. While there has been an overall decline in the consumption of food items, the consumption of more expensive items such as pulses, vegetables, eggs and non-vegetarian foods has been more affected. The study by Azim Premji University also found that 60% of the households were eating less in October-December 2020 compared to pre-lockdown.

Based on Centre for Monitoring Indian Economy (CMIE) data, Drèze and Somanchi report that expenditure on nutritious food items such as fruit, eggs, fish and meat declined dramatically, with the CPI-deflated food expenditure in the bottom per-capita expenditure quartile being just 51% for fruit, 58% for eggs, and 38% for meat and fish during the national lockdown (April–May 2020) when compared to 2019 averages. Although there has been some recovery post lockdown, people reported consuming less and poorer quality food even by the end of 2020. Along with reduced incomes and increasing unemployment, the price of food items as well as support available from public services influences the state of food security of a household. Price data collected from various urban centres during the first half of 2020 indicated a disproportionate increase in prices of non-staples compared to staple foods as a result of COVID-19-related disruptions. This had an impact on household food expenditures as well as dietary diversity. It has been estimated that 8–32 million Indians were at risk of not being able to afford nutritious food in the initial 21 days of the lockdown due to declining incomes and food price inflation (Gupta et al., 2021). The recent increases in the prices of non-staples, especially edible oils, could once again be expected to have a similar effect.

Such seemingly short-term food insecurity and hunger impacts can also have more long-lasting effects on malnutrition amongst children. A Lancet paper based on estimates applied to 118 low-income and middle-income countries (LMICs) suggests a 14.3% increase in the prevalence of moderate or severe wasting amongst children younger than five years due to the predicted country-specific losses in Gross National Income (GNI) per capita caused by COVID-19. They estimate that this would translate to an additional 6.7 million children with wasting in 2020 compared with projections for 2020 without COVID-19. Further, when the projected increase in wasting in each country is combined with a projected yearly average of 25% reduction in coverage of nutrition and health services, it was estimated that there would be 128,605 additional deaths in children younger than five years during 2020 (Heady et al., 2020). With disruption in Anganwadi, mid-day meals and nutrition rehabilitation centre (NRC) services in India since early 2020, along with already high baseline levels of undernutrition and poor diets, one can expect that there could be a more long-lasting impact on malnutrition in India unless steps to mitigate it are undertaken. While these services were supposed to continue in some modified form (take-home rations/cash transfers) to provide nutritional support during the pandemic, many surveys, including the Hunger Watch, found that any benefits under these schemes were inadequate, irregular and had many exclusions.

STATE OF INDEBTEDNESS

With more than 80% of the labour force being in the informal sector, and given the situation of reduced incomes as well as food insecurity, many people were forced to borrow even for basic survival

expenses during the pandemic. Further, during the second wave, the burden of health expenditure was also high due to the increased spread of coronavirus. As is well known, India has one of the highest out of pocket expenditures burden, with about two-thirds of the people accessing private health care. Public spending on health is also amongst the lowest globally, at around 1.2% of the GDP. Moreover, even those who were slightly better off than the absolute poor before the pandemic were facing difficulties by the time the second wave hit the country, as they had already experienced a year of slowdown and distress.

Although not much data is available, field reports suggest that there has been an increase in indebtedness and savings have been depleted (Pathi & Arthur, 2021). Based on the preliminary estimate of household financial savings released by the Reserve Bank of India (RBI) for lakhs of households in the country, it is seen that the COVID-19 pandemic has led to a decline in financial assets such as bank deposits, pension money, life insurance funds and currency holdings (Mathew, 2021). The household debt to GDP ratio, which is based on select financial instruments, has been increasing steadily since the end of March 2019. It rose sharply to 37.9% at the end of December 2020 from 37.1% at the end of September 2020 (Reserve Bank of India, 2021).

The Hunger Watch survey found that even before the second wave, in November 2020, 45% of the respondents reported that their need to borrow money for meeting food expenses had increased. In the UNDP survey, it was found that about 26% of the respondents who were in debt in February 2020 continued to be so in December 2020 and an additional 7.7% who were not in debt earlier also had to take loans by December 2020. A small survey conducted in Uttar Pradesh by Reuters after the second wave found that household incomes had slumped by nearly 75% on average and almost two-thirds of the households had taken debt. Further, they discovered that borrowing had risen by three times since the pandemic hit in March 2020 (Ahmed & Sharma, 2021). Another study by the Foundation for Agrarian Studies (FAS) also found that 35% of the respondents availed loans after the lockdown, and of these, only 10% availed formal sector loans. 16% had also sold different types of assets during the pandemic (Niyati & Vijayamba, 2021). Such findings are also corroborated by the Azim Premji University (APU) studies which found that the way households coped was by cutting back on food intake, selling assets, and borrowing informally from friends, relatives and moneylenders. In their COVID-19 and Livelihoods in India Phone Survey (CLIPS), over 84% of those who had borrowed money said that they did so to meet food, health and other daily expenditures (Azim Premji University, 2021).

CONCLUSION

The available evidence clearly shows that the pandemic has had a devastating impact on the lives and livelihoods of people. It has resulted in widespread food insecurity and hunger with possible long-term impacts on malnutrition. Further, most studies and reports also show that those belonging to socially excluded groups have been the worst affected. The Hunger Watch Survey, for instance, found that a much larger proportion of respondents who belonged to the Dalit, Adivasi and particularly vulnerable tribal groups (PVTG) said that their consumption of nutritious food had "become worse" or "much worse" compared to others. A Dalberg study on the impact of COVID-19 on women from low-income households found that women faced

disproportionately larger job and income losses as well as poorer recovery compared to men due to the slowdown in 2020 (Dalberg, 2021). The CLIPS survey by APU found that the amounts borrowed by poorer households were a much higher multiple of their pre-pandemic incomes compared to the amounts borrowed by better-off households. Therefore, the impact of the pandemic in terms of economic distress has been quite skewed, resulting in even greater vulnerability amongst marginalised groups such as Dalits, Adivasis, women and the poor.

As discussed in other chapters, the government's response to mitigate this impact has been quite inadequate. Going forward, what is required is a recognition of the situation of hunger, economic insecurity and indebtedness that most people in the country are currently facing as a result of the cumulative effect of the two waves of COVID-19 and related lockdowns, curfews and overall economic slowdown. Other than the macro-economic interventions required to put the economy on a path of job-creating growth, steps across various fronts would be needed to help people recover from the current crisis. Existing welfare schemes need to be strengthened and expanded to address the consequences of the economic slowdown on malnutrition and general health. Some additional steps would include universalising the public distribution system (PDS); expanding the nutrition basket provided through the PDS; enhancing allocations for mid-day meals and integrated child development scheme (ICDS) for including eggs, milk and fruit; giving recognition to frontline health workers; increasing the amount given as social security pensions and maternity entitlements and so on. What is equally important is for the government to start collecting nationally representative data on the impact of the pandemic on food insecurity and malnutrition.

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GENDER AND INFORMALITY IN THE NEW NORMAL TIMES

Dr Sonia George

INTRODUCTION

While conditions of economic precarity and work insecurity have characterised the lives of the people in the country's informal economy, the global pandemic and the unforeseen lockdowns that were enforced from March 2020 have only served to expose, exacerbate and deepen these precarities and vulnerabilities. Compared to the first wave, the second wave thwarted people's lives and livelihoods with acute conditions of joblessness, dislocation, economic vulnerability and poverty, with the least support from the government. It has affected the common working population more dreadfully than the first wave. The economy, which was experiencing a protracted slowdown, has also undergone severe repercussions through worsened situations of shutdowns and job losses. The first wave of the pandemic caused massive unemployment and a dramatic fall in incomes (Azim Premji University, 2020). The mass exodus of the migrant workers wigwagged the mainstream media into the struggles of the informal economy workers. Domestic workers, home-based workers, street vendors, waste pickers and other self-employed workers were compelled to leave their workplaces in the midst of the pandemic. Many surveys and studies have revealed the realities of increasing informality and severity of poverty amongst these workers. A ray of hope endures as the Supreme Court of India has progressed by issuing clear directions to the government to complete the survey of the migrants and informal workers in the country by December 2021.

International Labour Organisation (ILO) has estimated that the number of workers vulnerable to the lockdown could reach 364 million or more, including those in casual work, self-employment and unprotected regular jobs (lacking social protection coverage)[1] (ILO Rapid Assessment Survey, 2020). The onus of the crisis on women was so awful that apart from the livelihood crisis, many women were overburdened with the household along with the economic and physical outrages from their intimate partners (UN Women, 2021).

INDIAN LABOUR SCENARIO

India's employment scenario, where most workers (more than 93%) represent the informal sector, triggers a wide range of concerns. It is a quantified

1 South Asia Decent Work office of the ILO in Delhi has done a rapid assessment survey of the impact of COVID-19 and the crisis on employment

fact that around 50% of the GDP is generated from the informal economy. But the dominant labour narratives are centred around the formal workforce that appropriates the realities of the informal sector. A state structured to focus on the concerns of an industrial working class considers prefixed employment relations with a prominent presence of employers. According to the sectoral estimates of the latest Periodic Labour Force survey (PFLS) (2017-18) of the National Sample Survey Office (NSSO),[2] 5.25 million workers were employed as domestic workers (of which 3.4 million were women). The Ministry of Housing and Urban Poverty Alleviation data show that more than 10 million people are registered as street vendors. As per the 2017-18 survey of the NSSO, there were 43.27 million home-based workers in India. Many researchers, trade unions and other groups working in the field have raised apprehensions on the methodology of statistical inputs on the way it captures the informal workers who are in unconventional jobs, a large chunk of which are women. For example, the different estimations of domestic workers vary from 5 million to 90 million as per various studies (Neetha, 2008). It draws light to the abstract nature of workers. The labour bureau under the Ministry of Labour and Employment of India announced its plans to begin fieldwork for two of its intended labour surveys in early 2020—for domestic workers and migrant workers by February 2021—which are targeted to be finalised by October 2021 (Magazine, 2020).[3] Consequently, the Supreme Court's intervention in the post-lockdown conditions of the informal economy and also the situation of reverse migration has pressurised the central government to have a complete data collection of the informal sector and migrant workers, estimated to be around 40 million. Following this, the government initiated an e-shram portal on 26 August 2021 for the informal sector workers. The claim is that such a portal will ease the registration of the majority of workers. Without elucidating the vastness and complexities of the informal economy, such an exercise will be in vain.

PANDEMIC EXPOSED REALITIES OF THE INFORMAL SECTOR

The COVID-19 pandemic has shaken the so-called normal situation of people irrespective of the social fabric of the society. The International Monetary Fund (IMF), in its World Economic Outlook which was released in October 2020, clearly mentioned that COVID-19 will cause lasting damage to the living standards enjoyed by most people across the world. It cautioned that the crisis unleashed by the pandemic would lead to job losses and bankruptcies, rendering several sectors of the economy unviable. Many studies conducted to assess the impact of the pandemic on workers have already begun to reveal the scale of the loss in jobs, livelihoods and income and increase in the levels of hunger, indebtedness and housing precarity since the beginning of the pandemic, especially for marginalised communities (Lahoti et al., 2020; Sapkal et al., 2020). The Centre for Monitoring Indian Economy's (CMIE) survey predicts the disproportionate burden that the informal sector will face post-pandemic (2021). A survey by Action Aid India across 21 states in May 2020 during the third phase of the national lockdown found that 78% of all informal workers surveyed lost their livelihoods during the lockdown (Sapkal et al.,

2 This data has been extracted from the PFLS survey (2017-18) in the context of COVID and also the introduction of New Labour Codes where most of the informal workers are not clearly defined.

3 The panel appointed by the labour ministry has been asked to collect data on domestic workers, who roughly constitute 3% of the workers according to the Labour Ministry official.

2020). The easing of lockdown restrictions led many workers to get back to work, but in actuality, unemployment and underemployment remained high. The second round of the study conducted in August and September 2020 by Action Aid has shown that 48% of the informal sector workers have lost their livelihoods completely while 42% had to continue with lesser working hours and wages consequently. The labour force participation has also dipped to a low level following the second and third phases of the lockdowns. Among the 100 million people who lost their livelihoods during the first wave of COVID, more than 15 million were out of the workforce by October 2020 (Azim Premji, 2020). Adding to this, another 10 million lost their jobs in the second wave (CMIE, June 2021).

DOMESTIC WORK: OTHER HOMES AS WORKSPACE

Domestic workers were part of one of the first sectors who were ousted from their work with the spread of COVID-19 due to the fear of them inadvertently being virus carriers. In the experience of domestic workers, the pandemic has widened caste-based practices of discrimination that were already prevalent in the sector to be made more openly and practised in the name of "social distancing".[4] Domestic workers who returned to work after the first and second phases of the lockdown were mostly permitted only in the premises of the houses to do outwork but not their usual household responsibilities (ILO, 2021). When the sudden lockdown-imposed restrictions threatened the livelihood of more than 50 crores informal sector workers, the state massively failed to support them in such a situation. The Stranded Workers Action Network (SWAN) study reports that after 32 days of lockdown, about 82% migrant workers (out of 12,248) had not received rations from the government and 68% (out of 9,743) had not received any cooked food (SWAN, 2020). Even though men account for over 80% of all internal migration for work, between 2001 and 2011, female migration more than doubled from around 4.1 million to 8.5 million (Mazumdar & Neetha, 2020). Yet, the issues particular to migrant women labourers remain largely ignored in policy and programme interventions. The dominant narratives of the political, social and economic systems have developed certain mandates which could situate the gender, class and caste according to its whims and fancies. It is essential to understand the pre-existing structural vulnerabilities before redefining the normal or holding the new normal situations (Basole, 2021). While the mainstream labour discourses always focus on the rights of the formal sector workers, including minimum wages, social security, fixed employment relations, etc., the majority of the informal workers are beyond the reach of any such framework. Unconventional workspaces, like other people's homes, differ from permanent workspaces. In this space, security vanishes with the outbreak of such a pandemic which is evident from the realities of the workers (ILO, 2021). While understanding the new normal, these workspace anomalies have to be analysed inordinately. Invisible employment relationships with visible employers sometimes void the workspaces as such.

The UN women study has exposed that for domestic workers, 80% of whom are women, the situation has been fraught with misery. It is alarming to see that around the world, an astounding 72% of domestic workers have lost their jobs (UN Women, 2020). Even before the pandemic, paid domestic work, like many other informal economy jobs, lacked basic worker protections like paid leave, notice period or

4 Many of the domestic workers have shared these experiences in meetings and interactions.

severance pay. Most of these workers get carried away by the frivolous emotional bond they develop with their employers. One of the SEWA members who was working in a house for more than ten years revealed the reality of the sector.

"I had been looking after the entire house for the last 10-11 years. Every day I used to go in the morning, finish all their daily needs and return home. As the news came about the spread of Corona, one evening when I was leaving the house, my employer told me not to come until they called again. They gave me my salary for the number of days I worked with a little ex gratia. Ever since then I had been expecting their call. After four months they asked me to come for two days a week for outer work. I became relieved as I felt that I would get at least eight days of work in a month. They never offer anything extra than my workdays wages. During the second wave also, the same story was repeated. It was very difficult as my son also lost his job in the textiles."[5]

In the IWWAGE-SEWA study, of the total live-out domestic workers (542) surveyed, the majority worked in 1-2 households (61%), and 30% worked in 3-4 homes before the lockdown. After the lockdown, many domestic workers lost work with multiple employers and a majority of them now work in only one household (56.5%). The survey of domestic workers by the National Domestic Workers Movement too found that 46% of the sample faced housing insecurity in the immediate aftermath of the lockdown (IDWFED, 2020). In urban cities like Delhi, most of the migrant domestic workers who had settled with their families were forced to go back to their hometowns.

Women workers bear the brunt of all such ruthless discrimination at work. Women earn less than men, but they are the sole earners in many of these households. The reality is that the economies and societies are built upon the essential, often undervalued and unpaid labour of women and girls. Women are the ones who tolerate the burden of the calamities as they are more likely to lose their source of income and less likely to be covered by social protection measures. The data from the latest PLFS survey reflects this. According to the survey, while rural men earn Rs 9,657, rural women only earn Rs 3,922. In cities, men earn Rs 16,265, but women make only Rs 6,586.[6] These kinds of disparities are reflected in most of the informal work sectors. The average monthly income for domestic workers was lower than average (Rs 5,700) before the lockdown and was reduced further to Rs 4,800 in the post-lockdown period. COVID-19 has evidently exposed the structural negligence of the hierarchy (SEWA, 2021). Apart from survival needs, the sudden loss in incomes were also felt in other aspects of domestic workers' lives. The RMKU-IIHS study found that there was an indirect impact on communication, health and education for one in four domestic workers. Out of pocket expenses like following-up on vaccinations and health visits, mobile recharges that are critical for accessing relief and maintaining livelihoods, and the payment of their children's school fees were delayed (Chowdhury, Bhan and Sampat, 2020). Skills and efficiency are also influenced by the existing patriarchal norms that are deeply rooted in oursociety. These structural inequalities are evident across every sphere, from economy

5 SEWA is organizing domestic workers on a large scale towards their rights. During the pandemic most of the domestic workers have shared the same situations about loss of work and the hardships they face in their lives.

6 The data is extracted from the PFLS survey(2017-18) of the NSSO

to health and security to social protection (ILO, 2021). In times of crisis, when resources that are being tapped informally are strained and the state institutional mechanism has limited capacity to substitute for this, women and girls face disproportionate impact with far-reaching consequences that are further amplified in the contexts of fragility, conflict and emergencies.

The precarities and vulnerabilities experienced by domestic workers through the lockdown periods were made worse by their lack of access to adequate social safety nets. The Action Aid study revealed that the enrolment of domestic workers in government schemes was comparatively low. Only 60% of domestic workers had a ration card, of whom two-thirds were able to access the Public Distribution System. Their enrolment in other schemes was negligible, only 3% were enrolled in the Integrated Child Development Scheme (ICDS), 10% in the Ujjwala Yojana, 19% in the Jan Dhan Yojana, and less than 6% were getting any form of pension (Sapkal et al., 2020). Most of the migrant workers have no access to ration cards and are thereby denied the COVID-19 relief entitled to them by different states.

GENDERED NEW-NORMAL REALITIES: A BLEND OF PAID AND UNPAID CARE BURDEN

The UN Women and UNDP study titled "From insight to action" says that the pandemic will dramatically increase the poverty rate for women and widen the gap between men and women who live in poverty. It says that the poverty rate that was expected to decrease by 2.7% in 2019–2021 will now increase by 9.1% due to the pandemic and its fallout. The pandemic has worsened the already deteriorating women's workforce participation. India has one of the lowest female labour force participation rates in South Asia. The labour force participation for women dropped to 20.3% in 2020 (World Bank Data, 2020).[7]

Care work within the households is mostly the responsibility of women. Even before COVID-19, women spent an average of 4.1 hours per day performing unpaid work, while men spent 1.7 hours, which expressly says that women did three times more unpaid care work than men worldwide. The period of the lockdown saw an increase in women's unpaid care work burdens. The closure of schools and daycares has led to months of additional work for women. For women working from home, this has meant balancing full-time employment with childcare and schooling responsibilities. The responsibility of caring for sick and elderly family members often falls on women.

A survey conducted in Delhi in April 2020 by the Institute of Social Studies Trust indicates that 66% of informal women workers from sectors such as home-based work, domestic work, street vending, etc. experienced an increase in household domestic chores during the height of the lockdown (Chakraborty, 2020). But they earn less, save less and hold much less secure jobs. Women are disproportionately represented in many of the industries hard hit by COVID-19, such as food service, retail and entertainment. The UN study reveals that 40% of all employed women—510 million women globally—work in hard-hit sectors, compared to 36.6% of employed men. Women who are poor and marginalised face an even higher risk of COVID-19 spread and fatalities. A profound shock to our societies and economies, the COVID-19 pandemic underscores society's reliance on women both on the front line and at home, while simultaneously exposing structural inequalities across every sphere. While the overall

7 There are various sources including the PFLS survey, Gender Equality Index, World Bank which reflects the same situation.

job recoveries were on a steady increase post April 2020, it has been skewed in terms of gender. The Centre for Monitoring Indian Economy (CMIE)[8] data for October and November 2020 show that there has been a dip in the job recovery figures for women. The labour force has shrunk by 13.5 million, which is 6.8 million men (2%) and 6.7 million women (13%) compared to November 2019. This shows that 13% of women had fallen out of the labour force, and they were neither employed nor looking for a job (CMIE data, October–November 2020).

An increase in domestic violence is yet another aftermath of the outbreak indicated by many studies all over the world. According to UN Women, globally, 243 million women and girls aged 15–49 have been subjected to sexual and/or physical violence perpetrated by an intimate partner in the previous 12 months (UN Women, 2020). This rise in gender-based violence was referred by UN Women as "shadow pandemic". The National Commission of Women (NCW) in India has received 13,410 complaints of crimes against women between March–September 2020, of which 4,350 were of domestic violence (Nikore, 2020).

FORMALISING THE INFORMAL: A MEANS TO RESILIENCE?

The lived realities of the informal workers have exposed the gendered nature of the sector through its uncertainties, vulnerabilities and the ineptitude of the system and the governance process to respond to such emergencies. This is not a temporary nature of the response but a result of the systemic fallout which completely ignores the vast majority of workers contributing to the country's economic sustenance. The rising informalisation tendency of the workforce is recognised as a major challenge that the pandemic and its aftermath have posed (Breman, 2020; Surbi Keshav et al., 2021). This points to the challenge of formalising the informal economy in a country like India. Measuring the productivity of the informal workers and also their contribution to the economy demonstrates the exceptional performance of the informal workers.[9] The labour of the informal sector naturally endures beyond the normative space of the formal sector based on an industrial class society. The transitions in the pre-existing industrial base have to be analysed with a new lens of political economy. Productions have become more decentralised with homes or neighbourhoods becoming the putting-out centers. The growth of the care economy with increasing demands for childcare and elderly care subsidises the care economic expenditures of the country through the unpaid or underpaid services of women.

The plight of the people on the margins has gone out of control of the welfare state, throwing them more to the peripheries. A one-way approach to recovery and resilience mechanisms in the economy will undermine the pre-existing structural characteristics of the economy mucked in gender and caste-based discrimination (Sapkal et al., 2020). These inequalities have easily conflated and pushed the real contributors out of the dominant development framework, which is only natural with a capital-controlled state economy. Economic stimulus packages like Atmanirbhar Bharat and the subsequent additions to it by the government reveal

8 CMIE provides monthly data and analysis of different aspects of Indian economy. It is accepted as a reliable data source. The data generated at different periods have been used in this analysis.

9 Measuring economic contribution plays a significant role in the recognition of the informal economy workers. Various national data shows the contributions of different sectors in the informal economy at the same time various other sectors are not included in the assessment methods.

the futility of such an exercise. It has no direct relief schemes to support the loss of livelihood of the majority of the workers in the country or nothing to ensure the basic entitlements like food, health care or cash support for the vulnerable and discriminated population. The interest subvention or the collateral-free loans that the government has announced are all the responsibility of the banks to offer more loans to the MSME operators, which in the actual sense is going to increase the debt crisis of the people. The numbers have been artificially overblown to create an illusion that something big has been offered to the affected lot. The government has linked the benefits of the package with loans being offered by various banks.

The demand for the inclusion of the informal economy workers in the legal audacity of rightful entitlements has finally ended in pushing them again through the amalgamation of 29 labour laws into four codes. Sectors like domestic work still face issues of vividness for their inclusion in the code. It is the need of the time to discuss these work situations where new forms of employment relationships operate. The new-normal worker has to be located in this complex space of work, its conditions and relations. Decent work promulgates the truthful existence of these workers who are the majority. Recovery points towards the complex issues of economy, poverty, joblessness, livelihood issues—mechanisms that enable the stability of humankind to withstand such unexpected crises. While doing so, we have to understand the structural limitation of the past which propagates market fundamentalism, patriarchy and casteism. That is vital in evolving a developmental strategy which would be sustainable and inclusive in real terms. The process of building a resilient world of hope has to be inclusive. In all the recuperating attempts, women and other marginalised sections should get their rightful place.

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What wasn't and what could be

NATIONAL RELIEF PACKAGE

What Was and What Wasn't

Dipa Sinha, Amrita Johri, Anjali Bhardwaj

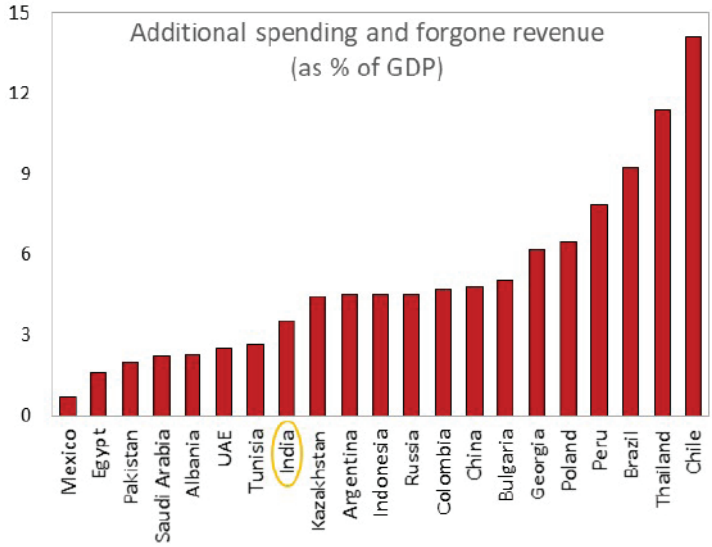
The COVID-19 pandemic has had a devastating economic impact across the world, resulting in slowdowns, job losses, a high burden on health expenditures and an uncertain future. Keynesian policies, including expansionary fiscal spending by governments, are a strategy that most recommend. Even in the United States of America, the recent "American Jobs Plan" (Biden plan) which includes increasing expenditures on infrastructure development as well as strengthening public services, creating jobs, expanding employment and increasing wages in the care economy, along with increasing tax collection from corporates and the rich is being discussed (*FACT SHEET: The American Jobs Plan*, 2021). In India, however, the government at the centre continues to have a fiscally conservative response, with most of the measures that have been announced so far being on the supply side.

The Indian economy was already facing an economic slowdown before the pandemic, and this was made worse after the response to COVID-19 in the form of a stringent national lockdown that caused an overall slump in economic activity, supply chain disruptions and a collapse in consumption demand. The lockdown announced at a four-hour notice by the Prime Minister was completely oblivious to the lived reality of crores of people across the country who, while being the backbone of the economy, have no access to a guaranteed social security system or savings to fall back on. With 90% of the workforce in India employed in the unorganised sector and many being daily wage workers and migrant workers, the stringent lockdown meant a sudden cessation of all income. Far from being able to observe "social distancing" or "work from home", the economic distress and lack of adequate state support forced scores of migrant workers and their families to start walking towards their villages hundreds of miles away, carrying the young on their backs. The heart-wrenching images bore testimony to their economic fragility.

While the response of the Indian government post COVID-19 has been inadequate, it has been argued that it in fact made the situation worse by significantly reducing its public expenditure at a time when spending by households and enterprises was also declining. The total central government expenditure as a proportion of GDP in 2019-20 (13.2%) was lower than in 2018-19 (15.1%) (Chandrasekhar & Ghosh, 2020a). Following the national lockdown, the economy shrank by 24% in the first quarter of 2020 and did not manage to recover in the rest of the year, with the GDP showing a negative 7.3% growth for the financial year 2020-21. The second wave in April 2021 came

with further lockdowns and curfews, as well as a greater burden on health expenditures, resulting in a further onslaught on people's livelihoods.

The Government of India announced a 20 lakh crore (10% of GDP) relief package (Atmanirbhar Bharat Abhiyan) in May 2020. However, it was soon revealed that a very small component of this was additional fiscal outgo while a large part of it was in the form of additional liquidity expected to be injected into the economy as a result of the various monetary policy measures of the Reserve Bank of India (RBI) (Iyer, 2020). Estimates suggested that of the Rs 20.9 lakh core relief package that was announced, the direct fiscal impact came to only around Rs 2 lakh crore (CBGA, 2020). The State of Working India (SWI, 2021) report finds that the direct additional fiscal outlay for COVID-19 related measures in 2020-21 was around 3 to 3.5 lakh crores or around 1.5 to 1.7%.



Source: IMF Fiscal Monitor Database (as of 5 June 2021)

Recent data from the International Monetary Fund (IMF Fiscal Affairs Department, 2021) show that the additional spending and revenue forgone in response to the COVID-19 pandemic in India is only 3.5% of the GDP (as on 5 June 2021), while the average for all emerging market economies (EMEs) is 4.1%. Other emerging economies show much higher additional spending, for example China 4.8%, South Africa 5.9%, Brazil 9.2%, Thailand 11.4% and Chile 14.1%. It must also be noted that all these countries showed higher social sector public spending, especially on health, even before the pandemic. Further, the fiscal response by advanced economies has been even greater, with the average additional spending for advanced economies being 17.3%.

It has been widely acknowledged that India's fiscal response has been conservative, and there is a need for a large stimulus to revive demand and the economy. At this juncture, as argued by Chandrasekhar and Ghosh (2020b), spending less by the government not only adds to the suffering of the people but also worsens the tendency for the economy to contract. Spending on social welfare schemes, such as the rural works programme MGNREGA and the Public Distribution System (PDS) under which about 67% of the population is to be provided foodgrains at subsidised rates, not only provides some immediate relief to people but can also contribute to reviving the economy by enhancing overall demand. Further, expanding and strengthening public services such as education and health could also contribute to the stimulus by both making essential services more accessible as well as providing wage employment to a large number of people engaged in delivering these services. In the sections below, we look at the former—immediate relief provided through food, employment and social security schemes—and how effective they have been.

FOOD SUBSIDY: CLAIM VERSUS REALITY

Relief in the form of subsidised/free rations was part of the relief package of the central government from

the first announcement under the Pradhan Mantri Garib Kalyan Yojana (PMGKY) on 26 March 2020. Many state governments also made arrangements for the distribution of cooked food in urban areas, in some cases due to judicial interventions, and this was also supplemented by various civil society efforts. The images and reports of long queues at these feeding centres clearly showed the demand and need for such a programme. However, with the national lockdowns ending, around June 2020, it was seen that these community kitchens were phased out in most places. In Delhi, for instance, where there were huge crowds at these distribution points (schools and homeless shelters), the feeding stopped in June 2020 and was only revived in May 2021 when curfews were imposed in the city following the second wave. It was also seen that though providing cooked foodwas restarted in many places in 2021, it was for a shorter duration and in fewer locations when compared to 2020. This is despite many surveys showing the continued situation of hunger in the country (Sinha & Narayanan, 2021).

The Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY), a component of the PMGKY, provided an extra 5 kg of wheat or rice and 1 kg of pulses free of cost for people with ration cards under the National Food Security Act (NFSA), covering about 80 crore individuals from April to November 2020 (Cabinet, GOI, 2020). In the wake of the second wave of the COVID-19 pandemic, the scheme was relaunched for a period of six months (from May to November 2021), to ensure food security for the poor and vulnerable (Ministry of Finance, GOI, 2021). However, in 2021, the scheme did not include pulses and also did not address the various gaps in the coverage and implementation that were brought to light through the earlier phase of the implementation of PMGKAY.

While most field surveys show that those who had ration cards did benefit from the additional free grains that were provided, there are a large number of people who are not on the NFSA lists for priority or Antyodaya ration cards but need some form of food support. While there is no data which can give an appropriate number on exclusions, some of the experiences of states in trying to include non-ration cardholders as a part of their COVID-19 relief show that these numbers are high. For example, the Delhi government had introduced a scheme of Temporary Ration Coupons (e-coupons) to help the poor who do not have a ration card to get free ration by applying online with their Aadhaar card details. While there are about 72 lakh beneficiaries of NFSA in Delhi, nearly 70 lakh such coupons were given under this scheme (*Economic Survey of Delhi 2020–21*, 2021) after the Delhi High Court ordered the government to universalise the scheme for the benefit of all in need on a petition by the Delhi Rozi-Roti Adhikar Abhiyan (*Delhi Rozi-Roti Adhikar Abhiyan v. Union of India and ors*, 2020). It can be safely assumed that all those who applied under this scheme were those in need of state assistance for food, given the opportunity costs of getting rations with e-coupons. The costs of access include the time spent in standing in long queues for 5 kgs of grain per person, the social stigma attached and the poor quality of grains given as well as the difficulties in filling online applications and uploading scanned documents for verification. Despite these issues, almost as many people as those who had ration cards applied for temporary coupons, which shows that the coverage of the NFSA in Delhi was half the requirement.

The current coverage of priority cards is even less than what is required under the NFSA. While the Act states that 67% of the country's population must be covered with priority ration cards, the coverage as of now is only about 59% (Khera &

Somanchi, 2020). Updating the population data based on the 2021 projected estimates would make another 10 crore people eligible to be included in the NFSA lists. The issue of large-scale exclusions on account of not updating coverage as per the increase in population was also highlighted in a written submission (Suo motu W. P., 2021) by intervenors in the Supreme Court during the final hearings of the suo motu matter regarding distress faced by migrant workers. In its judgment (Bandhua Mukti Morcha v. Union of India & Ors, 2021) dated 29 June 2021, the Supreme Court directed the central government to take steps to redetermine the state-wise coverage under NFSA as per the latest population figures. Such an expansion would allow for the inclusion of many, including those belonging to homeless communities, migrant households and informal sector workers who are currently excluded.

In response to the increased visibility of stranded migrants in the early phases after the national lockdown, the Government of India introduced the Atma Nirbhar Bharat Scheme, under which free ration was announced for two months for 8 crore migrant workers who did not possess ration cards (the calculation was to give to 10% of current beneficiaries as there was no data on migrant workers). This scheme, however, was a non-starter, with only 2.8 crore beneficiaries being identified (Ministry of Consumer Affairs, Food & Public Distribution, 2020). Without going into understanding how best to reach out to migrant workers, the focus of the government shifted entirely to the One Nation One Ration Card (ONORC) scheme as the solution to provide rations to migrant workers. Without going into too much detail, it must be noted here that while the ONORC provides portability of PDS benefits to migrant workers, it does not address the issue of exclusion discussed above. Those who do not have ration cards will not be able to get rations anywhere even after the full roll-out of the ONORC, and in the context of the increasing food insecurity as a result of the pandemic, attention needs to be more on expanding coverage (Sinha, 2020). Further, there is evidence of Aadhaar-based biometric authentication, which is the technology relied on for roll out of ONORC, leading to the exclusion of those unable to authenticate themselves either due to tech failure (electricity, internet connection) or on account of biometric failure caused due to old age, hard physical labour using hands or problems with biometrics during enrolment (Dutta, 2021).

In this context, many have been recommending a universal PDS in which anyone who requires rations can go to the fair price shops and get subsidised rations based on any identification document. The concern that the food subsidy has been increasing at an unsustainable rate is also misplaced. Even after the NFSA, the food subsidy has remained around 1% of the GDP (Sinha, 2021a). The 2021-22 budget showed a larger food subsidy because of two reasons—bringing back into the budget the off-budget adjustments that were made over the previous years and also it was partly a reflection of the additional outgo under PMGKAY. Therefore, there is sufficient fiscal space to expand the PDS, and this is further justified given the fact that, throughout the pandemic, food stocks in the Food Corporation of India (FCI) have remained at levels that are much higher than the buffer stock norms. The carrying costs of the current stocks of over 100 million tonnes of rice and wheat can, in fact, be saved if the foodgrains are distributed to those who need them (Chandrasekhar & Ghosh, 2021).

DIRECT CASH TRANSFERS—LIMITED IN SCOPE

The PMGKY also included some measures of direct cash transfers. Twenty crore women Jan Dhan account holders were to get Rs 500 per month for three months, and beneficiaries under the social security schemes for senior citizens, widows and disabled were given Rs 1,000 for three months. As is obvious, the amount of transfer was very small, equivalent to just a few days of wages for each month, and even this was given for a very short period of time. As mentioned in SWI 2021, cash transfers have been, on average, 40% of GDP per capita in lower-middle-income countries, while in India it amounted to only 12% of GDP per capita.

Under PMGKY, the state governments were also directed to use the funds available under Building and Other Construction Workers Welfare Fund to provide assistance and support to construction workers. The Government of Delhi, for instance, provided Rs 5,000 to registered construction workers and auto/taxi drivers. Different states had such schemes. But across the schemes, there were issues of complex registration processes and low enrolments on account of the inability to furnish necessary documents leading to large-scale exclusions. Further, they were mostly one-time payments while the crisis lasted for over 18 months.

The SWI 2021 recommends a cash transfer of at least Rs 5,000 for three months to as many households as can be reached with the existing digital infrastructure. Another recommendation by Harsh Mander, Jayati Ghosh and Prabhat Patnaik (2020) was to provide every household with Rs 7,000 per month for a period of three months. The issue of cash transfers was also brought before the Supreme Court in the suo motu case regarding distress faced by migrant workers through a petition filed by Harsh Mander, Anjali Bhardwaj and Jagdeep Chokkar (Jain, 2021). While the court directed relief on the provision of dry rations, cooked food and time-bound registration of workers on the issue of cash transfers, it did not give any specific direction, observing that it was a matter of policy to be decided by the state (Bandhua Mukti Morcha v. Union of India & Ors., 2021).

The current cash transfers not only gave small amounts but also suffered from issues of coverage and access (Khera, 2020). Moreover, studies have shown that food transfers reached a larger number of households than these cash transfers. For instance, a World Bank discussion paper (2021) finds that almost 80% of households received at least one social protection benefit, of which 39.5% received only food, 6.1% received only cash and 34.1% received food and cash.

There were other small schemes such as the provision of free gas cylinders for three months. These again were quite limited in scope, and the dramatic increase in prices of LPG cylinders in the past few months have more than undone the support that was briefly provided (Mishra, 2021).

LOOKING BACK, LOOKING AHEAD

This brief review of the COVID-19 relief package in India, with a focus on food schemes and direct cash transfers, shows that there are many gaps in the response so far. The issues of poor coverage and under-resourcing have affected not just the schemes reviewed here but the entire social sector. For instance, while spending under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was higher in 2020-21 compared to the previous year, there are a number of reports of the work provided not being sufficient to meet the demand (Chauhan, 2020). Given that the MGNREGA is a demand-driven

entitlement, this would also be a violation of the legislation. Moreover, the wage was increased by just Rs 20 in April 2020 as a routine increase, which was barely enough to even account for inflation. Similarly, in the case of health and education, the budgetary allocations for 2021-22 have hardly seen any increase (Sinha, 2021b). The budgets for ICDS and mid-day meal schemes actually fell in real terms, not just in the last year but even when compared to 2014-15 (The Wire, 2021). As seen above, the meagre response of the government in the form of the expanded PDS or the cash transfers has reached people even if to a limited extent, and in many cases, they have been the lifeline for people, allowing them to access at least basic food requirements. Hence, strengthening and expanding this welfare schemes base in the country could contribute to providing protection to people during times of crisis.

Quite soon after the national lockdown, there were a number of proposals put forth by independent think tanks, academics and civil society organisations for an employment-oriented and equitable revival plan. Most of these had a few recommendations in common, such as: (1) expand and universalise the PDS, including pulses and edible oils; (2) increase MGNREGA wages, ensure no delay in wage payments and respond to the entire demand for this scheme; (3) introduce an urban employment guarantee scheme; (4) provide cash transfers for at least a few months to all poor households; (5) enhance the quality of food provided through the Anganwadis and school to include eggs, fruits, etc.; (6) enhance the payments under the social security pension schemes and maternity entitlements (Pradhan Mantri Matru Vandana Yojana). Further, there have been specific recommendations aimed at better social protection of workers belonging to specific categories and sectors, such as construction workers, domestic workers, migrant workers, street vendors and so on. Along with these immediate measures, there are a number of other interventions required to move on to an employment-centred growth path. However, even after the second wave and the continued economic slowdown, there are no signs of the central government taking any major steps in this direction.

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THE 'RIGHTS' AND WRONGS OF BUDGETARY MATHEMATICS

MGNREGA and Financial Allocations

Nikhil Dey & Rakshita Swamy

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a landmark legislation with many unique features built into its legal architecture. It is the largest employment programme in the world backed by a legal *guarantee* of providing employment on demand.

Its preamble clearly proclaims that it is "an Act to provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work and for matters connected therewith or incidental thereto."

Every law, programme, scheme or department in the Indian governance framework is limited by its financial allocation. It is, therefore, supply-constrained. The money allocated for it in budget estimates determines its scope. MGNREGA as a programme would also ordinarily be similarly affected by fund flows. However, by law, it is the only programme that is mandated to be demand-driven and, therefore, one that cannot be constrained by fund allocations. Theoretically speaking, regardless of the financial allocations made, the government is mandated to find the resources, increase allocations as per the demand made and provide the consequential guarantee as per the Act. Even the Defence Ministry does not enjoy such a sacrosanct financial situation.

It is not just the preamble or one line in the Act that provides the legal guarantee. The MGNREGA empowers any rural household to demand manual work and secure at least 100 days of work in a year at the wage rate notified by the Central Government. This work is to be provided within 15 days of it being demanded and within a 5 km radius from the home of the person seeking work. A series of additional legal accountability measures have been written into the law, such as mandatory payment of unemployment allowance if work is not provided within 15 days of demand and mandatory payment of "delay compensation" for any wage payment delayed beyond 15 days. Additionally, "labour budgets" are to be formulated to estimate person-days of work to be generated and sufficient labour-intensive work is to be prepared for deploying workers in adequate numbers, even if demand were to exceed the estimated amount. The guarantee is real and detailed in the law.

But political realities and budgetary manipulations emanating from the class bias of policymakers bring supply and demand contradiction into sharp focus. The supply-side controls put in place by the government and its bureaucracy have proved to be a continuous drag on the programme, attempting to circumvent and thwart the intent of the law and its "demand-based" financial security.

As the law was being brought to Parliament, its demand-based guarantee was resolutely opposed by financial experts who believed that social sector spending was a waste. They asserted that its financial requirements would place such an enormous burden on the budget that the Indian economy would collapse. Their alarmist estimates proclaimed that lakhs of crores a year would be required to meet its financial needs and whatever would be spent would be such a waste that it might be better to throw the money out from helicopters to be picked up by the masses than to run a programme guaranteeing employment. The pink papers were replete with articles by the dozens of neo-liberal globalisation, analysing and warning of the dangers from this law.

The truth could not have been more different. NREGA has been an astounding success, saving the people from the failures and fallouts of the very same neo-liberal economic policies that these economists have been advocating. This positive impact has come at the most difficult times and to those households most needy of support. Numerous studies have shown how MGNREGA has been a lifeline to the rural poor. According to the 2011 Census, households of people belonging to scheduled castes and scheduled tribes constitute nearly 30% of the country's population, comprising the poorest sections of the society. Around 40% of the total households employed under the MGNREGA every year belong to SC and ST households (Narayanan & Raja, 2020). As per research conducted using data from the India Human Development Survey, at least 25% of the decline in poverty since 2004-05 for participating households can be attributed to participation in MGNREGA. These households are also less likely to have to rely on moneylenders for loans and more likely to have children with higher levels of education (Desai et al., 2015). A large-scale randomised experiment in Andhra Pradesh indicated that incomes of MGNREGA workers increased by 13% and overall poverty fell by 17% between 2010 and 2012 (Muralidharan et al., 2017). Stefan Klonner and Christian Oldiges showed that the Act had increased consumption among SC/ST households during the lean agricultural season by as much as 30% (Klonner & Oldiges, 2014). Being the first large-scale public programme to pay wages directly to the bank accounts of over ten crore workers spread across 2.5 lakh gram panchayats, MGNREGA resulted in the opening and regular use of an enormous number of bank accounts well before JAM (Jan Dhan, Aadhar and Mobile) had been unrolled. Over half of these accounts were in the name of women MGNREGA workers, thereby giving critical momentum to the objectives of financial inclusion and regular income in the hands of women workers. Ever since its inception, women workers have contributed almost half of the total person-days generated under the programme.[1] For a large number of rural women, MGNREGA is not an alternative, it is their first and only choice of employment.

This trend of women becoming a part of the paid workforce continued through the pandemic, even though a large number of male workers came to MGNREGA work sites for the first time, having lost their jobs in the city. Essentially, MGNREGA

1 NREGA At a Glance Report (Row 16): http://mnregaweb4.nic.in/netnrega/all_lvl_details_dashboard_new.aspx?Fin_Year=2022-2023&Digest=ftWywJ4W7YWkLDX82gF7Mw

has been the place to secure employment when there is no other work available, even more so during the different waves of the pandemic. A total of 7.75 crore households were provided work under MGNREGA in 2020-21. This is an increase of over 41% from the number of households provided with work in 2019-20. Person-days of work generated under the programme in 2020-21 was 53% higher than it was in the previous year. The total number of households who completed 100 days of work under the programme was 80% higher than it was in the year previous to it. All this data comes from the official website of NREGA and clearly evidences the utility of NREGA in enabling rural workers to cope. Unfortunately, instead of building on the positive impact of MGNREGA, in alleviating economic distress on account of the pandemic in 2020, in the budget of 2021-22, the government slashed MGNREGA allocations by almost 34% over the allocations of 2020-21. This comes at a time when the second wave of the pandemic has created even more havoc, with illness and lockdowns threatening the very existence of the poor in the country.

But, how can the government cut back on allocations at a time when demand is so obviously on the rise and the law mandates that the state allocates adequate money to meet demand? In fact, the government has consistently done little more than pay lip service to the demand-driven nature of the Act while using bureaucratic measures to cut back on allocations and, thereby, squeeze demand. The squeeze on cash flows through blatant under-provisioning in the budget and its consequence can be understood by examining the implementation of two critical provisions of the Act:

a. Providing workers with work within 15 days of them demanding it.
b. Paying workers their wages within 15 days of completion of work.

There are at least three major consequences for the rights of workers due to inadequate fund allocation:

INADEQUATE FUND ALLOCATION UNDERMINES THE RIGHT OF HOUSEHOLDS TO EXERCISE THEIR ENTITLEMENT OF 100 DAYS OF GUARANTEED EMPLOYMENT

A guarantee of 100 days of work to every rural household is a meaningless 'guarantee' unless the programme is backed with the funds required to honour this mandate. As the implementation of the programme is triggered only when a job card holder demands work, no government can fully and accurately estimate the extent of funds that should be made available throughout the year so that the state can provide work to all those who demand work under the programme. Logically, with a legal mandate to meet work on demand, the state ought to make adequate provisions for the quantum of funds required to honour the entitlement of providing 100 days of work to every job card. However, since it is true that every household will not demand 100 days of work, MGNREGA has the provision of making a "labour budget" with the understanding that a budgetary allocation for a programme that is demand-driven can only be indicative and must dynamically expand in a timely manner as and when needed.

In reality, however, the government has repeatedly and consistently squeezed the MGNREGA of funds, thereby undermining its effectiveness and capacities. If the implementation of the MGNREGA is dictated by the funds made available for the programme instead of the demand on the ground for work, the entire concept of the programme is turned on its head. Work provided eventually is a function of how much money is at the disposal of the department to pay wages within

15 days. If there is no money, there can be no work provided as there is no money to pay wages. Conversely, this becomes a means by which workers can be discouraged and prevented from registering demand, thereby reducing the scope and guarantee of the law. This is evidenced by the figures cited below sourced from the MGNREGA official website: www.nrega.nic.in ("At a Glance report").

Financial Year (FY) (1)	Number of Households (HH) who worked in the FY (2)	Funds required to provide 100 days of work for 100% of the HH who worked last year (3)	Fund allocation for the FY (as per Budget allocations) (4)	Fund allocation as a percentage of funds required for 100 days of work to all HHs who worked in the FY (5)	Average number of days worked per HH (6)
2018-19	5.27 cr	Rs 1,30,169 crore	Rs 61,815 cr	47%	50.8
2019-20	5.48 cr	Rs 1,28,780 cr	Rs 60,000 cr	46%	48.4
2020-21 (Pandemic Year – 1)	7.56 cr	Rs 2,11,680 cr	Rs 1,10,355 cr	52%	51.5
2021-22 (Pandemic Year – 2)	4.66 cr	Rs 1,27,171 cr	Rs 73,000 cr	57%	25.8

The table above demonstrates how year after year, the budgetary allocation for MGNREGA has been half of what is actually needed to provide a guarantee of 100 days of work to all the job cards registered under the programme. An allocation of half the funds actually required also results in workers being able to exercise only half the entitlement they are guaranteed. Column 6 shows that the average number of days worked by the households who got work under the programme is half of the 100 days they are entitled to. The data above demonstrates the cause and effect of budgetary provisioning. It can be used to understand that budgetary allocations of the programme have a direct and proportionate bearing on the ability of workers to exercise their legal entitlement under the law. This relationship has been used by the Central Government to undermine the most sanctified provision of the law, i.e. to provide 100 days of work for every rural household demanding work. As a result, the NREGA operates without its legal guarantee, as a routine government programme entirely dependent on funds made available to it. The Supreme Court, while hearing a connected matter in 2016,[2] castigated the Central Government on the issue of workers being able to access only half their legal entitlement and stated "a success rate below 50% is nothing to be proud of".

Emergency Funding during the Pandemic

In 2020, as a part of the COVID relief package, the Central Government added an additional Rs 40,000 crores to the budgetary allocation for

2 Writ Petition (C) No. 857 of 2015

MGNREGA, bringing the budgetary allocation of NREGA up to Rs 1 lakh crore, the highest ever allocation made to the programme. This was rapidly absorbed as MGNREGA came to be relied upon extensively by rural workers and migrant workers who had returned to their home states. Another Rs 10,000 crore was added after the revised estimate.[3] However, the data indicates that the additional allocation still only resulted in just about 50 average days of work being provided. Therefore, the additional allocation of Rs 50,000 crore went towards expanding the number of households who got work under MGNREGA, but this sum of money failed to fulfil the entitlement of 100 days of work per household. It is obvious that many more households would have wanted more work than 50 days but did not get it because even the so-called enhanced budgetary allocation was just about half of what was truly required.

2. INADEQUATE BUDGETARY ALLOCATION RESULTS IN RATIONING OF PROGRAMME

A dated acknowledgement receipt is the "key" to kickstarting the rollout of the provisions of the NREGA. As per the Act, when workers are not provided work within 15 days of them demanding it, they are entitled to be paid an unemployment allowance for every day of delay. The provision for payment of an unemployment allowance is what gives life to the legal guarantee of getting 100 days of work as mandated under the law. It establishes the intent of the legislature to ensure the legal entitlement of at least 100 days of work through the inbuilt redress mechanism of payment of unemployment allowance when the legal entitlement is not honoured.

In the absence of adequate funds for giving 100 days of work, there is strong resistance to acknowledging the demand for work with a dated receipt. Implementing agencies understand that these receipts become a legal basis for workers to demand unemployment allowance in case work is not provided within 15 days, making them liable. When workers put pressure and demand a dated receipt, the frontline implementation staff look for ways and means of discouraging workers from applying by allocating work far away, on disputed work sites, or for fewer than the demanded number of days. As an example, workers demanding 15 days of work will be provided with two days of work, just so that they allocate work symbolically and thereby escape the payment of an unemployment allowance.

3. INADEQUATE BUDGETARY ALLOCATION LEADS TO DELAYS IN WAGE PAYMENTS

The payment process under MGNREGA begins with the closure of the muster roll and ends when the worker's account is credited with their wages. As specified, this entire procedure must not take more than 15 days. The process is further divided into two stages as per the rules that govern the soperationalisation of the Electronic Fund Management System:

Stage 1 is the responsibility of the state government where muster rolls are closed by the "mate", measurements are completed and entered by the engineer and payments are cleared by the accountant and block office. Finally, a Fund Transfer Order (FTO), a digital document containing the details of the wages to be paid, is generated, processed and digitally sent by the state government to the central government. Stage 1 is meant to take eight days.

Stage 2 begins when the Centre receives the FTO, which is processed and wages are directly

3 As per "NREGA At a Glance Report"

credited into the worker's account. Stage 2 is meant to take seven days.

Together stages 1 and 2 must not exceed 15 days. Delays in stages 1 and 2 that lead to the payment taking longer than 15 days is recognised as a delay under MGNREGA. Workers are entitled to receive automatic payment of compensation of 0.05% for every day of delay in payment of wages beyond 15 days.

The government says inadequate funds do not undermine its legal mandate, because they say workers can still apply for and obtain work. But if daily wage workers are not paid on time or compensated for delays, they will stop coming to MGNREGA to seek work. To avoid payment of delay compensation (which would help enforce the legal guarantee), the central government has altered data on its MIS to project an incorrect representation of the true delay in payment of wages. The central MIS does not calculate and publicly dispose of delays in stage 2 of the payment process where the central government is responsible for making payments within seven days of the fund transfer order being generated. It is obvious that if there is no money, the government can't pay the wages. Therefore, timely payment in stage 2 is largely dependent on the extent of funds available with the central government. A paper titled "Analysis of Payment Delays and Delay Compensation in MGNREGA: Findings Across Ten States for Financial Year 2016–2017" sanalysing 90 lakh transactions of 2016-17, published in the Indian Journal of Labour Economics substantiated these stage 2 delays. It included an analysis of over 90 lakh transactions across ten states which revealed that only 21% of the payments were made on time and the central government (stage 2) alone was taking an average of over 50 days to transfer wages. The sample showed that the delay compensation payable for the sample was about Rs 36 crores, but only about Rs 15.6 crores was being acknowledged in the MIS. In spite of this being brought to the attention of the Supreme Court through a Public Interest Litigation,[4] the Ministry of Rural Development has taken no action to correct this misrepresentation. The Ministry of Finance has, in an internal report dated 21 August 2017, acknowledged this delay and expressed alarm at the financial cost of the compensation payable "in cases of delays in making large number of payments, it has been found that funds have not been available either of Centre & State shares. Proposing compensation for such delays would vastly increase the expenditure".

The budget allocations for FY 2022-23 is Rs 73,000 crores out of which about Rs 18,350 crores are pending liabilities from previous years. This at a time when the number of households demanding work in May 2022 is 11% more than the same period last year and much higher than the pre-covid year. As on July 1, the GoI owes money to 15 states while West Bengal has not received any funds since January.. As explained earlier, this delay in the payment of wages is a direct consequence of inadequate funds to pay wages for work already completed. This carries on through the year to a point where wage payments are even carried forward to the next year, thereby making workers wait for months to get their wages. This is evidenced by the extent of pending liabilities that are accumulated by state governments at the end of the financial year, often up to 10-15% of the year's allocation.

4 Writ Petition (C) No. 857 of 2015

Financial Year (FY) (1)	Fund allocation for the FY (as per Budget allocations) (4)	Fund allocation as a percentage of fund required for 100 days work to all HHs who worked in the FY (5)	Pending liability accumulated in the FY (8)
2018-19	Rs 61,815 cr	47%	Rs 9,641 cr
2019-20	Rs 60,000 cr	46%	Rs 10,316 cr
2020-21 (Pandemic Year – 1)	Rs 1,01,500 cr	47%	Rs 14,429 cr
2021-22 (Pandemic Year – 2)	Rs 73,000 cr	57%	Rs 10,985 cr

LABOUR BUDGET AND FINANCIAL BUDGET

The MGNREGA has a unique mandate for the formulation of a bottom-up annual "labour budget". This helps estimate the number of person-days of employment that the government should budget for under normal circumstances. The MGNREGA labour budget is an aggregate of panchayat labour budgets across the country, which are based on the number of work days generated in the previous year together with an estimate of work required in the coming year. The panchayat labour budgets are aggregated upwards to form a state labour budget. However, without any legal mandate, the central government has introduced the concept of an "approved labour budget" through which it arbitrarily decides how much of the state labour budget it will accept. In the last three years, using this method of an "approved labour budget", the central government has cut approximately 30% of the cumulative state labour budgets. To make matters worse even this curtailed labour budget is not honoured. The MGNREGA budget has consistently been lower than the money required to generate work even as per the "approved" labour budget, and this year with having to shoulder the additional unemployment burden of the pandemic and its lockdowns, the only employment guarantee has been maimed by illegal budget cuts.

DOING THE MATH

Corporates and companies have one overwhelming measure by which they calculate success: profits. For many years, economists and social scientists have been saying there needs to be not a single but at least a triple bottom line for profit-making ventures. "Profits" are too narrow a scope to measure cost and benefit. For development infrastructure and budget analysis, the cost-benefit analysis needs to factor in money allocated against the benefit (or cost) to the growth rate, people and the environment. Only then can true cost-benefit be calculated. The MGNREGA which is seen at best as a "welfare" measure, and a "costly" one at that, deserves a full analytical treatment.

ASSET CREATION

MGNREGA has consistently been seen only as a welfare measure without paying attention to its significant role in strengthening rural infrastructure

and creating millions of "productive" assets. In 2014, in a scathing attack on the programme, Prime Minister Narendra Modi made a sharp and derisive comment about the MGNREGA being a monumental failure and described it as a programme through which persons dig and fill up ditches. In fact, earthworks under MGNREGA have included thousands of works with varied productive purposes, such as pasture land development, afforestation, water harvesting, watershed management, roads connecting hamlets which were cut off before, farm ponds, deepening of wells and countless others. These works are rarely seen as infrastructure or as contributing to a powerful model of sustainable development. The economic benefit of each little check dam, each tree planted and each pastureland created and sustained, to the communities and ecosystems they sustain, has never been calculated. It is simply bad economics to not do this calculation and skew politics to mock what is probably the most creative and sustainable form of employment and growth at a time when climate change is threatening our very existence.

ECONOMIC BENEFITS OF GREEN JOBS AND CARBON SINK

Communities and countries facing immediate and grave dangers from the effects of global warming have been hard-pressed to define a model of development that can actually save them from extinction. In the context of climate change and global warming, one of the only effective measures that the international community has mandated is to reduce carbon emissions and follow a model of economic growth which is sustainable through increasing the "carbon sink". MGNREGA with its focus on labour-intensive works, ban on labour displacing machines and emphasis on natural resource management through small ecologically sustainable earthworks (including increasing tree cover and improving soil quality) is ideally suited to meet the goal (Ravindranath & Murthy, 2021). Often in our budget we do not look at the ecological costs of our development models. MGNREGA is a programme that not only generates "green jobs" but also provides measurable benefits that can be monetised. All budgetary allocations for developing infrastructure should factor in ecological cost-benefit in its analysis of economic impact and use these calculations while allocating resources to the programme.

EMPOWERMENT AND ENTITLEMENTS

The MGNREGA has been a lifeline to vast numbers of workers in the country during droughts and the pandemic. Even the Narendra Modi government turned to MGNREGA and the National Food Security Act (NFSA) to deliver benefits to large numbers of people with their livelihoods destroyed and their lives threatened by destitution as a result of the pandemic and stringent lockdowns. This is where MGNREGA has worked as it was designed to—in a crisis, individually or collectively and as a welfare and rescue measure. However, apart from being a lifeline to the rural poor, it has actually empowered a completely unorganised and exploited workforce in numerous ways. Once again, our neo-liberal economists define someone who is an entrepreneur as successful and a technically "skilled" but unorganised workforce as empowered. They decry all "entitlements" as a "dole".

The MGNREGA began to make minimum wages a reality for the first time in rural India. It is not that people were actually paid the minimum wage on MGNREGA works. In fact, today, there has been a regression, with MGNREGA wages in almost 20 states being less than the state minimum wage. But when it started, the state minimum wage

was the MGNREGA wage. People in any form of employment, even in agriculture or contractual labour, refused to offer themselves for work at less than the minimum wage, saying they "would rather go for MGNREGA work". It became the lowest standard and thus functioned as a kind of "minimum support price" for labour. Similarly, under MGNREGA, the long felt need of social empowerment has begun to come alive through collective bargaining; there has been a measure of social security, participation in development planning and exposure to the most progressive standards of transparency and accountability of any social sector scheme, programme or law. None of this is measured in economic terms, which is a clear indication of the poverty of such economic analysis.

ECONOMIC RECOVERY FROM A LONG PANDEMIC

The preamble of the National Rural Employment Guarantee Act is a clear illustration for those willing to comprehend it as to what can form one pillar of a national recovery plan for an economy ravaged by the pandemic. But this can only happen if MGNREGA is used as an opportunity like the "New Deal" was used in the early 1930s for the USA to come out of the Great Depression using mass public employment. A contraction of GDP by 23.9% in the April–June quarter of 2020 should be indication enough of the crisis we face, even though it is widely acknowledged that the real contraction is much higher than what is being reported officially. Under such circumstances, well-tested employment platforms like MGNREGA should be given much more money and support and be enhanced in scope. In an order of the Supreme Court dated 13 May 2016, the government assurance that it will provide 150 days' work in any areas affected by natural disasters is recorded. The allocations for MGNREGA in these COVID-19 affected years should be at least one and a half times the amount required to cover 100 days of work for all wage seekers. As we face the prospect of more COVID-19 waves and repeated periods of crisis, greater numbers of calamities due to climate change and other natural disasters, MGNREGA has to be strengthened to provide more than the 100 days of work it guarantees at present. In fact, for a proper recovery stimulus plan for COVID-19, the number of days should be enhanced to 200 and the scope of the Act should be extended to urban areas with appropriate amendments. Straightforward and austere as this measure would be, it is unlikely to be even seriously considered without a strong mass movement for rural and urban employment programmes.

WHEN PARLIAMENT "ACTS" AND THE GOVERNMENT "REACTS"

When one looks at how poor the financial allocations for MGNREGA have been (where only a fraction of the amount required is budgeted for), one might ask whether there is any value at all in having a demand-driven legal provision. The IMF-driven Fiscal Responsibility and Budget Management Act (FRBM) places a constraint on the government to limit deficit spending to 3% of the country's gross domestic product. The government inevitably sees social sector spending as a soft target where it can cut allocations without the fear of backlash as it panders to more powerful lobbies. Under such circumstances, it is essential that social sector laws and programmes have a legal budgetary provision which helps in the battle for their minimal financial requirements.

The story over the last 15 years has repeatedly demonstrated that the legal provision guaranteeing 100 days of work has, in fact, given workers some minimal protection of a "rights-based law". This has allowed workers to claim more resources than

they could have without a legal guarantee. Another question often asked is whether other rights-based laws, such as the right to education or health, could have a similar budgetary provision protecting the minimum amount to be allocated as per the law. The experience from MGNREGA shows that the one provision that has allowed it to function in a credible manner is its demand-driven budgetary provision. Other essential social sector laws could and should have similar provisions so that they are able to protect their legitimate financial space in an unequal scenario of competing for financial priorities.

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THE PANDEMIC IS NO 'EQUALISER'

The Widened Wealth Gap

Anjela Taneja and Pravas Ranjan Mishra

The pandemic has hit both the rich and the poor. However, it has not done so equally. India's first COVID-19 lockdown, one of the world's most stringent, exacerbated existing income and social inequalities and created new ones. While many of India's super-rich fled the country in private jets, many of those who were left behind had to fend for themselves; 55% of people needed connections to get an ICU bed (Zompa, 2021). India spent just 4% of its budget on health going into the pandemic—the fourth lowest in the world. Only half of India's population has access to even the most essential health services, while over 70% of health spending is met by the people themselves (Financial Express Online, 2020). Those who could pay, lived, and those who could not, often lost their lives in the second wave.

Wealth inequality shaped the entire experience of the pandemic. During the first wave, those in the low-income brackets faced a disproportionately slow response from the government (Oxfam India, 2021). The poor and marginalised were more vulnerable to the virus, unable to socially distance or access sanitation facilities. Only 6% of India's poorest 20% had access to non-shared sources of improved sanitation, compared to 93.4% of the top quintile (IIPS & ICF, 2017). In cities like Chennai, residents of areas with the highest deprivation experienced greater COVID-19 positivity rates (Das, Ghosh, Das, Basu, Das & Dutta, 2020). Inequality shaped other aspects of the response as well, from the differential experience of online instruction in schools and colleges for India's children to the capacity of adults to work from home.

THE ECONOMIC IMPACT

The pandemic left a devastating toll on poor families' livelihoods, while those who were financially better off were able to avoid its worst effects. The number of people who are poor in India (with incomes of $2 or less a day) is estimated to have increased by 75 million because of the COVID-19 recession (Kochhar, 2021a). This accounts for nearly 60% of the global increase in poverty (Kochhar, 2021b). However, as the study by Azim Premji University found, the impact was the most severe for the poor. In April and May 2020, the poorest 20% of households lost their entire incomes, while the richer households lost less than a quarter of their pre-pandemic incomes (*The Hindu*, 2021).

In contrast, India's super-rich benefitted during the pandemic. In 2020, India gained a new billionaire every week (Bhargava, 2021). India now

has the world's third largest number of billionaires behind China and the USA. At the same time, India's middle-income population contracted by 32 million, accounting for 60% of the global decrease in middle-income population (54 million). India's richest 1% now holds more wealth than 953 million of the country's population; the wealth of India's richest 63 billionaires is higher than the total union budget for the fiscal year 2018–19 (Oxfam India, 2020).

This concentration of wealth in the hands of the few is not just an academic calculation, the failure to curtail this concentration of power and wealth reflects the government's failure to live up to its constitutional and moral obligation to ensure equality of opportunity in India and prevent the concentration of wealth and power in the hands of a few individuals. It is also a policy choice in terms of how it chooses to distribute India's wealth. It has been estimated that a 1% tax on the 953 families included in the Hurun Rich list can fund India's entire vaccination programme (Kamdar & Iqbal, 2021).

FAILING TO CONSIDER ALTERNATIVES

Alternative fiscal measures through progressive taxation have the potential to generate more revenue while simultaneously reducing income and wealth inequality. The global rise of wealth inequality during the pandemic forced even a conservative entity like the IMF to call for a wealth tax for those who have profited from the pandemic (Elliott, 2021). Many other countries broke with the past and introduced measures that ensure the redistribution of the wealth earned during this crisis. Thus, Argentina's senate passed a one-off wealth tax that affects its richest 10,000 citizens to raise social spending for those impacted by the pandemic (BBC, 2020). India has unfortunately failed to consider wealth tax that could ensure that the benefits of a recovering economy could be enjoyed by all, not just the privileged. A 4% wealth tax on the nation's 954 richest families alone could have raised the equivalent of 1% of India's GDP (Subramanian, 2020), which coincidentally is equivalent to the entire direct fiscal impact of the Atmanirbhar Bharat package announced by the Government of India for COVID-19 recovery (CBGA, 2021).

This untapped revenue must be seen in the context of the 2019 cut in the corporate tax rate, which has left India with a shortfall of roughly 1.5 lakh crore in corporate tax collection. Earlier, the wealth tax was abolished in 2015 and the inheritance tax was abolished in 1985 (Khetan, 2021). Reintroducing some of these measures could address the intergenerational accumulation of wealth while generating much-needed resources. Instead, the government chose to manage the crisis triggered by the pandemic by raising excise duty on fuel and creating a National Monetisation Pipeline (NMP), leasing out national assets to generate funds post the pandemic.

ABSENCE OF A COVID RESPONSE THAT ADDRESSES INEQUALITY

Despite the overwhelming emphasis on the unequal impact of the pandemic, India's COVID response has consistently ignored the problem of inequality. Much of the 2021 economic survey was devoted to the straw man argument of whether promoting growth or addressing inequality is more important at this juncture (*The Hindu*, 2021). This is not a binary choice; one should do both.

This blind spot has contributed to the series of national COVID recovery packages that risk creating an unequal recovery. The Atmanirbhar Bharat relief package totalled 20 lakh crore, about 10% of India's GDP, but the actual spending under

it was barely 0.6% of the GDP (SBI, 2020). This did help the poor through a combination of food grain support, cash transfer to Jan Dhan accounts and rural employment opportunities. However, the lion's share of the government's efforts and economic reforms adopted during this period have furthered corporate interests, including relaxation of labour laws and privatisation of public enterprises. The results of this lopsided policy can be seen in the composition of the Central Statistical Organization's recently released GDP growth figures. The contribution of Private Final Consumption Expenditure (PFCE), a prime driver of enhanced demand for production, has declined. This indicates both the dire distress faced by the poor during the pandemic and the fact that the recent spurt of growth had very little impact on the spending capacity of the people of India. In contrast, many countries, including many of those considered the bastions of neoliberalism like the USA, stepped in aggressively to spend to mitigate the impact of the pandemic.

TAXATION SYSTEMS THAT HAVE BECOME MORE REGRESSIVE

The share of indirect taxes as a share of gross revenue receipts has been growing during the last four years during the GST regime (Mishra, 2021). This was exacerbated during the pandemic when the share of direct taxes, including both corporate and personal income taxes, appeared to have fallen by 27–36%, compared to indirect taxes, whose share rose by 56% (PTI, 2021). Indirect taxes are regressive in nature. They disproportionately affect the poor contributing to inequality. This effect could have been at least partly neutralised if the increased revenue was used to increase the social sector expenditure, especially on health and education. But the budget allocated for these saw a decline in education (ET, 2021) and health expenditure (Oxfam India, 2021 b).

A BOOMING STOCK MARKET AMIDST RECORD ECONOMIC CONTRACTION

Surprisingly, amidst a record economic contraction and economic pain for the majority of Indians, the stock exchange has been rising. This is symptomatic of the extreme unevenness of the recovery, where much of the stock market has been insulated from the lived experiences of the poor or even the experience of the real economy (India Today, 2021a). Indeed, much of the rise of the stock market is a result of international investments in Indian companies, and the RBI had warned that the surge in stocks "poses the risk of a bubble" (India Today, 2021 b). This dichotomy reiterates the need to consider more multi-dimensional measures that measure different socio-economic dimensions than a single unit metric like the stock market or the GDP growth.

ABSENT DATA ON INEQUALITY

The low priority given to inequality is reflected in the inadequacy of wealth statistics. In February 2020, the then Minister of State Finance Anurag Thakur informed the parliament that data on income/wealth is not maintained by the government (Lok Sabha, 2020). The more recent NITI Aayog's (2021) third "SDG India Index and Dashboard 2020-21" omits metrics of wealth or income inequalities. India has consistently failed to report on the SDG target of the rate of growth of the poorest 40% of households.

India's data on consumption, income and wealth inequality are all based on data that is over a decade old. The latest data on consumption in India is based on the NSSO Consumer Expenditure

Survey (68th Round) released in 2011-12. The income inequality data is drawn from the Integrated Household Survey, 2011-12. Data on wealth is derived from the All-India Debt and Investment Survey (NSS 70th round) dating back to 2012. India's Gini Index in the World Bank's dataset has not been updated since 2011 (World Bank, 2021).

It is time to rethink how Indian inequality statistics are collected and organised. One hundred forty countries have more updated information on income inequalities than India, including 20 countries that update income inequality data annually. India's neighbours, including Pakistan and conflict-torn Myanmar have more updated data, having it last updated in 2018 and 2017, respectively (The Hindu BusinessLine, 2021).

WHAT SHOULD BE DONE?

It is still not too late for India to develop a COVID recovery plan that is rooted in an understanding of the unequal impact of the pandemic. A more robust focus is needed to address inequality by strengthening the public health system, rebuilding an education system crippled by one of the world's longest school lockdowns and building back more economically resilient communities. Recovery from the pandemic would come from putting more funds in the hands of the marginalised, enabling them to spend and increase the demand in the economy.

This increase in spending needs to be backed by enhanced revenue generation. The answer lies in tapping into the profits earned by a handful of India's top business houses and their super-rich, who have benefitted from the pandemic, to use the revenue generated to strengthen public services to benefit everyone. Doing so will contribute to the creation of a fairer, more just India. Some evidence suggests that there is also some popular support for such measures. A January 2021 survey by the Fight Inequality Alliance in India found that 78% of respondents believed that a 2% COVID cess should be imposed on individuals earning more than INR 2 crore per annum and a temporary tax should be imposed on companies making extra profits during the pandemic (Fight Inequality Alliance, 2021).

India needs to better track the impact of its policies on inequality by improving mechanisms for its measurement. There is an immediate requirement to start disaggregating more public statistics by income and introduce a regular collection of data on income and wealth inequality while ensuring that this data is made freely available in the public domain. At least two surveys should be conducted over a ten-year period using a reasonably comparable methodology capturing the intersection of income and wealth inequalities with caste and gender.

Last year, the UN Secretary-General pointed out that the pandemic has revealed, like an X-ray, "fractures in the fragile skeleton of the societies we have built" and offers "generational opportunity" to build a more equal, sustainable world (Nichols, 2021). We hope that India will be willing and able to grab this opportunity to rebuild a better and fairer society from this moment of collective trauma.

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THE WAY AHEAD

Universal Social & Economic Rights (and Wealth Tax)

Prabhat Patnaik

A common refrain these days is that the neo-liberal "reforms" introduced in 1991 had raised the economy's growth rate and lifted "millions" out of poverty, but the pandemic has pushed them back into poverty. A variation on this theme is that demonetisation and "the manner of introduction" of the Goods and Services Tax had started the process of pushing them back into poverty, which the pandemic has only aggravated.

Both versions of this statement, however, about lifting "millions" out of poverty, are incorrect. The "reforms" that raised the growth rate had simultaneously increased not only income and wealth inequality in the country but also the relative magnitude of *absolute* poverty. This is a hallmark of the growth process under capitalism in its spontaneity. The European experience of the nineteenth century may appear to contradict it, but in fact it does not: Europe's overcoming of absolute poverty had to do not with the development of capitalism within its borders but with the massive emigration from Europe that occurred in the "long" nineteenth century to the temperate regions of white settlement.

The increase in poverty in India during the period of high growth itself is evident from one simple statistic. According to the original Planning Commission definition, poverty entails a lack of access to 2,200 calories per person per day in rural India and 2,100 calories in urban India. In 1993-94, 58% of the rural population was below this benchmark; the figure rose to 68% in 2011-12. The corresponding figures for urban India were 57% and 65% respectively (U. Patnaik, 2019). There was, in short, a relative increase in the magnitude of absolute poverty during this period. Since then, of course, matters have become worse: the per capita real expenditure in 2017-18 in rural India was in absolute terms 9% lower than the expenditure in 2011-12, so startling a finding that the union government decided to suppress that particular report of the National Sample Survey and even to discontinue the National Sample Survey itself in its old form!

But political formations, with perhaps an inkling of this worsening in people's living conditions, and several civil society sorganisations have been talking of late of the need for providing a universal basic income; even the Modi government, not to be left behind, had introduced a paltry income transfer scheme just before the 2019 elections.

There are, however, two fundamental problems with any minimum income scheme: one, it is a largesse on the part of the state to a targeted population which can be stopped or reduced in a

year of fiscal tightness; and two, a mere cash transfer to an indigent family is of no use unless essential services, such as education and healthcare, are also made available to it on which it can spend this cash.

For these reasons, introducing a set of fundamental economic rights, which are universal and justiciable, on a par with the fundamental rights that are currently guaranteed by the Constitution of India, is a much better option than a scheme of basic minimum income. It accords to everyone the dignity of being a citizen of the country without discriminating among citizens or excluding anyone; it looks after the essential needs of the citizens by providing physical services like education and health care. It is neither a largesse on the part of the state nor contingent upon the fiscal situation.

* * *

I have, for the argument here, taken five such rights: the right to food, with everyone being provided food at the price and of an amount equal to what the BPL population is currently supposed to get; the right to employment, or full wages if employment is not provided; the right to free publicly provided quality education up to the completion of secondary schooling; the right to free publicly provided quality health care through a National Health Service; and the right to a living old-age pension and adequate disability benefits.

Providing these five rights has been estimated to cost an additional 10% of the pre-pandemic GDP, over and above what was already being spent under these heads. The same percentage of the GDP, we can assume, would be needed for instituting these five rights once the economy has recovered from the pandemic. The question is: how can the requisite resources for instituting these rights be mobilised?

To answer this question, we need to understand what such resource mobilisation entails. If there is no resource mobilisation at all, and the entire 10% is financed by a fiscal deficit, whether this would cause inflation depends upon whether there is enough "slack" in the economy, in the form of unutilised capacity and unsold food grain stocks. Even in the pre-pandemic Indian economy, such "slack" existed aplenty, and the same would be true after the pandemic is over; if at all a bottleneck emerges in some specific commodities, rationing may be resorted to temporarily. The only area where a serious shortage may arise is foreign exchange, and the main cause for such shortage would be the increased demand for imports on the part of the well-to-do groups, arising from the increased economic surplus that would be generated alongside the larger output.

The main problem with financing the entire "rights-linked" expenditure with a fiscal deficit, therefore, relates not so much to the possibility of inflation but to two other factors: one, it gratuitously puts wealth into private hands and hence exacerbates wealth inequality; and two, it worsens the country's current account deficit which may prove difficult to finance, and even when there is no immediate difficulty in financing it through adequate capital inflows, it still increases the country's external debt.

Both these problems can be taken care of by taxing the surplus that accrues to the capitalists, or more generally, the propertied rich. This can be seen from the national income identity:[1]

National income at market prices =

1 For accounting purposes in this paper, economic surplus is taken to be synonymous with private economic surplus. The economic surplus accruing to the state sector is treated as part of the taxes.

Post-tax working people's income + Post-tax economic surplus + All taxes =

Working people's consumption + Surplus earners' consumption + Investment + Government expenditure + Exports – Imports (both inclusive of invisibles).

If the working people are assumed to consume their entire post-tax income, then

Post-tax economic surplus = Surplus earners' consumption + Investment + Fiscal deficit + Exports – Imports

Denoting by c the ratio of surplus earners' consumption to post-tax surplus *at the margin* and by m the ratio of imports to post-tax surplus *at the margin*, we have:

Spost-tax= 4(Investment + Exports + Fiscal Deficit)/(1 – c + m)

A *change* in post-tax surplus (with exports and investment given) can occur only if the fiscal deficit changes; but if the increased expenditure for providing fundamental economic rights is matched by an equivalent increase in tax revenue, then there is no change in post-tax surplus, hence no change in imports or consumption or savings (which equal net increase in private wealth) out of post-tax surplus.

If the government spends 10% of the base GDP for establishing fundamental economic rights, then there would be an increase in GDP, and hence automatically an increase in tax revenue. Assuming the savings propensity of the economy (in round numbers) to be 0.2, tax revenue as proportion of GDP to be 0.15, and import-GDP ratio to be 0.15, an expenditure of 10% of base GDP will bring back 3% of GDP in the form of taxes at existing rates so that only 7% of base GDP needs to be raised as *additional* taxes.

If this is done, then there will be no accretions to private wealth and no additional imports on account of 'rights-linked' expenditure by our assumptions which are not so unreasonable. A set of fundamental economic rights can thus be instituted if 7% of GDP could be raised through taxes. The best way of doing so is through wealth taxation.

Wealth taxation is preferable to profit taxation, though both fall mainly on the capitalists, because profit taxation reduces the prospective rate of profit on investment projects and therefore may affect investment decisions adversely. Wealth taxation has no such deleterious effect on investment.

* * *

Even though wealth inequality has increased greatly during the period of neoliberal reforms, wealth taxation has been virtually abandoned in India, despite the fact that it is preferable on theoretical grounds not just to levy profit taxation but also to levy income taxation, in general, and commodity taxation (Kalecki, 1971). The entire amount of 7% of the GDP that needs to be raised for financing "rights-linked" expenditure by the government, it turns out, can be raised by just two taxes levied on only the top 1% of households, one on their wealth and the other on the inheritance they bequeath.

Let us take some illustrative figures. For 2018-19, just prior to the pandemic, the extra expenditure required for guaranteeing the five economic rights had been estimated at Rs 16.8 lakh crores, of which the additional tax revenue to be raised was 70%, or Rs 11.76 lakh crores. According to the *Global Wealth Migration Review 2019,* the total net worth of private individuals came to Rs 570 lakh crores in 2018, of which, according to *Credit Suisse*, the top 1% owned 58% , or Rs 330 lakh crores. A 2% wealth tax on the top 1% of the population alone would fetch Rs 6.6 lakh crores as additional revenue.

A wealth tax *must* be supplemented by an inheritance tax (and a gift tax) for otherwise it will

be evaded through bequests (or gifts) to progeny. Even if we tax inheritance (inclusive of gifts and bequests) at just one-third of what is passed on (which is low by international standards), then assuming that only 5% of the wealth of the top 1% of the population is passed on each year, the additional revenue from this source will be Rs 5.5 lakh crores (which is 330 lakh crores multiplied by 5/100 multiplied by 1/3). Just these two taxes levied only on the wealth of the top 1% of the population therefore will suffice to finance the entire bill of "rights-linked" expenditure (Patnaik and Ghosh, 2020).

This calculation can be supported by heuristic reasoning too, as follows. Let us ignore complications arising from stock market fluctuations and take capital stock and wealth as synonymous. Then assuming private capital stock to be 4 times the GDP, the top 1% as owing half of it (in round numbers), a 2% wealth tax and a one-third inheritance tax (again assuming 5% is passed down each year), levied on this top 1% alone, will fetch 7.3% of the GDP as additional revenue.

Resource smobilisation through wealth taxation, therefore, is both feasible and desirable. In fact, the ideology of capitalism itself, which holds that capitalists earn profits and hence amass and deserve wealth because of some special quality they possess (different theories emphasise different qualities such as risk-bearing, or "entrepreneurship"), suggests that the progeny have to demonstrate these qualities to deserve their wealth: the ideology of capitalism, in short, justifies wealth but not inheritance (indeed the contrary), which is why most capitalist countries have heavy death duties. Even the capitalist ideology, therefore, should not frown much on the above proposal.

* * *

In the recently-concluded US Presidential elections, two contenders, Elizabeth Warren and Bernie Sanders, had proposed wealth taxation as a means of raising revenue for higher public spending. Both had proposed a progressive wealth tax. Warren's proposal visualised just two slabs, a 1% and a 2% wealth tax, while Sanders had many more slabs, the tax rate ranging from 1% to 7%. When Warren, who was the first to do so, had come out with her tax proposal, several American billionaires had publicly endorsed her proposals, wanting larger taxes to be levied on their own wealth. One wonders when the Indian rich will learn to show a similar public spirit.

To be sure, the details of a wealth-tax proposal have to be worked out, from how to measure wealth for taxation purposes to how the proceeds have to be divided between the Centre and the states (since the latter will have to bear the responsibility for incurring much of the "rights-linked" expenditure). But doing so should not prove too daunting. The time for wealth taxation in India for ushering in a New Deal for its citizens has arrived.

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SECTION 2

Sectoral Overview

PRIVATISATION OF BANKS IS

Banking

A RECIPE FOR LOOT OF FINANCIAL RESOURCES

Bank Bachao
DESH BACHAO

WHY LIQUIDITY INJECTION WON'T WORK!

Pitfalls of Solving Demand Side Problems from the Supply Side

Rohit Azad

Until recently, there has been a consensus among policy makers the world over that the way to steer an economy is through monetary instruments, both in the cases of inflation as well as recession (or a slowdown). The argument normally goes as follows. Since money acts as the blood stream of any economic activity, its supply can be adjusted to adjust the level of activity in an economy. So, if there are inflationary pressures in the economy, withdrawal of money can reduce the level of economic activity, thereby bringing the inflation down. And if there are signs of recession or a slowdown, an injection would kick-start halted activity.

Why I specifically added "until recently" is because a new consensus seems to be emerging, at least in the short run, that monetary policy is not enough and that the revival of economic activity requires active fiscal intervention. Even institutions such as the IMF, which are, in general, opposed to big governments, have been arguing in favour of "above the line" measures (fiscal stimulus) instead of purely relying on "below the line" measures (liquidity injections, credit guarantees etc). It needs to be emphasised, though, that this is a temporary position and we will need a reversal in the political position once the economy is back on its feet. In other words, fiscal policy is to be used *only* in conditions of severe downturns, while in other instances, monetary policy can be used as a countercyclical measure.

In India, however, despite the consensus building worldwide, we are stuck with the first position. The Modi government had announced an Atmanirbhar package to tackle this crisis, which was touted as one of the largest economic packages in the world. Nothing could be further from the truth. He announced that if we were to add up all the initiatives taken by the government, it would amount to more than 20 lakh crores, which is 10% of the GDP. The details were left for the finance minister to fill in. I take a careful look at the five tranches of announcements she made and find that most of the announcements made were monetary in nature. Of the 20 lakh crore, mere 3 lakh crore (1.5% of the GDP) is a fiscal measure, which has a direct impact on the economic activity of the economy (see figure 1) and the rest is monetary in nature. Even within the fiscal measure, about 90,000 crore was accounted for in budget 2020, which means there is only an effective COVID -relief fiscal stimulus of 2.1 lakh crore (1.1% of the GDP). In global comparison, India's monetary stimulus is perhaps the biggest and fiscal one of

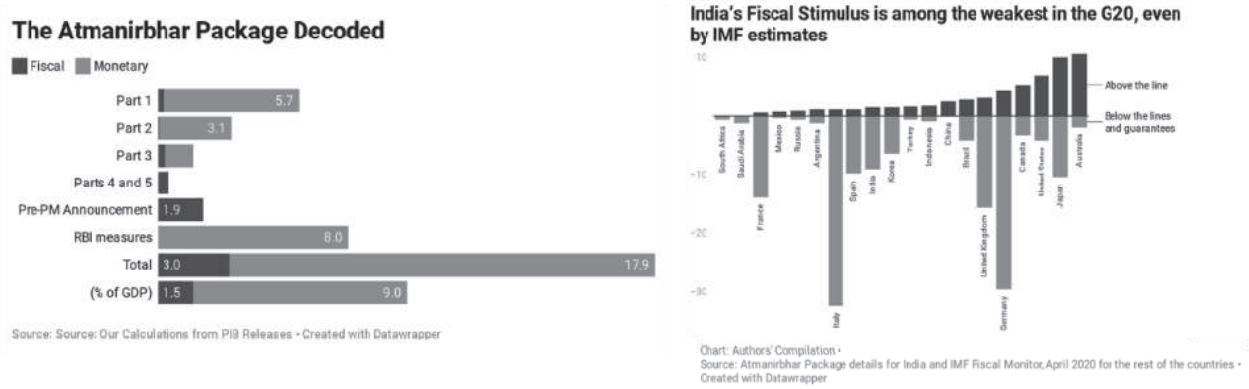


Figure 1: *Atmanirbhar* package decoded and its global comparison

the weakest. The purpose of this piece is to show why this won't work in reviving the economy and that we may be in for the long haul, unless the government changes its stance on fiscal policy and moves towards the second position discussed above.

THE THEORY BEHIND EXPANSIONARY MONETARY POLICY

For the monetary policy to work in expanding the level of economic activity, a few assumptions are made, which are necessary for the policy to work. Let's start with the most important one. It is assumed that the level of corporate investment (or household consumption[1]) is affected by changes in the interest rate and availability of credit. This is perhaps one of the most basic relationships in macroeconomics that is often assumed to be true. The argument goes as follows. A fall in the interest rate means a fall in the cost of loans, which will stimulate loan taking by individuals to increase investment. Additionally, if credit is made available, it will entice the individuals to take more loans. An implicit assumption in both the assertions is that investment is constrained by the availability of credit. In other words, investment is a negative function of the interest rates (figure 2A[2]).

But what if this primary assumption itself is wrong? What if investment is not constrained by credit, especially during conditions of slowdowns or recessions? What if there is an asymmetry in the response of investment to changes in the interest rates? So, while investment falls when the interest rate rises, it does not necessarily rise when the latter falls.

Decrease in Interest rate ← → **Increase in Interest rate**

If answers to any of these questions is in the affirmative, expansionary monetary policy may be ineffective.

Theoretically, there are enough reasons to believe why the second panel (B) is closer to reality than the usual assumption of a simple negative relationship between the two variables.

1 In what follows we will include household consumption of durable goods and residential investment in the loosely defined term investment in this piece.

2 In usual representations of the investment function, investment is normally on the x axis and interest on the y. In contrast our representation makes the comparison (and causality between the two variables) clearer when we look at data later.

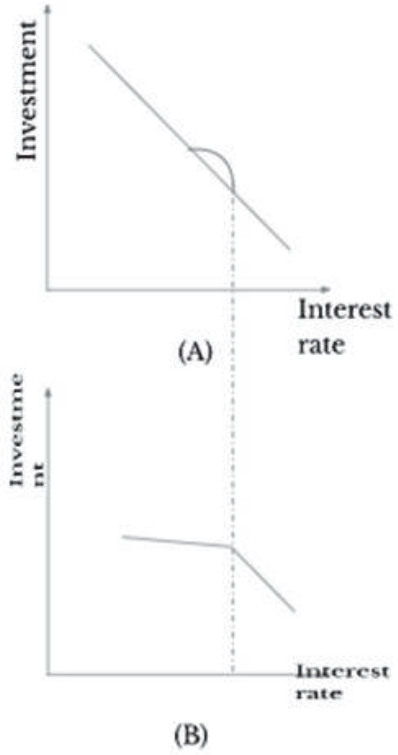


Figure 2: The Usual Asumption (A) vs a Kinked Investment Function (B)

One, banks wanting to give loans does not mean loan off-take would rise as you can't force loans down the throat of loan takers. This is especially so when the economy is in a slowdown and sales are down. Sales being low means factories running below capacity, and common sense would tell us that if the existing equipments are not being fully utilised, why would businesses add further to capacity just because the cost of loans has declined. As for the households, if there is a cloud of doubt over future stream of incomes (or dwindling current incomes), they would not be inclined to take more consumer or housing loans just because the interest rates have fallen. If I am not sure of regular salary in the immediate (or even distant) future, which affects my capacity to pay EMIs on these loans, however low they may be, I won't take the risk of taking a loan. So, a fall in the interest rate, especially during conditions of slowdown, may not induce investment. If, on the other hand, the interest rates rise in such a condition, it's a double whammy of low sales and high costs and investment will decrease drastically. Panel (B) in figure 2 shows this possibility with a "kink" in the investment function. It is obvious that expansionary monetary policy will be ineffective in conditions of a slowdown as being faced by the Indian economy.

Two, it may well be that despite the policy measures of the RBI, commercial banks may not have any headroom to give loans at attractive rates. So, the banks may choose not to pass on the fall in the policy rate to the consumers in which case the very premise of a fall in the cost of loans is violated. And this could be because banks may want to cover for the losses that they may be making as a result of the slowdown. Moreover, if the banks are burdened with bad loans as a result of past decisions, they may be wary of releasing credit even if there are takers for low cost loans.

What may seem theoretically justifiable, however, needs to be checked against actual data to make a claim in either direction, which is what we do next.

WHAT DOES THE DATA SAY?

Let's look at the second issue first. We need to discuss the basic premise of whether a change in the policy variable of the RBI affects the lending rate of the banks. Data tells us that in the recent period (since early 2019) the banks have not passed on the benefit of falling policy rates on to the customers (fig. 3). As a result, the interest rate spread, the difference between the rate of the interest that the banks charge from their customers and the one set by the central bank (repo rate), has increased. In fact, one can make an even more interesting observation, though it does not hold true in every instance. While the increase in policy rates have been passed on to the customers, the

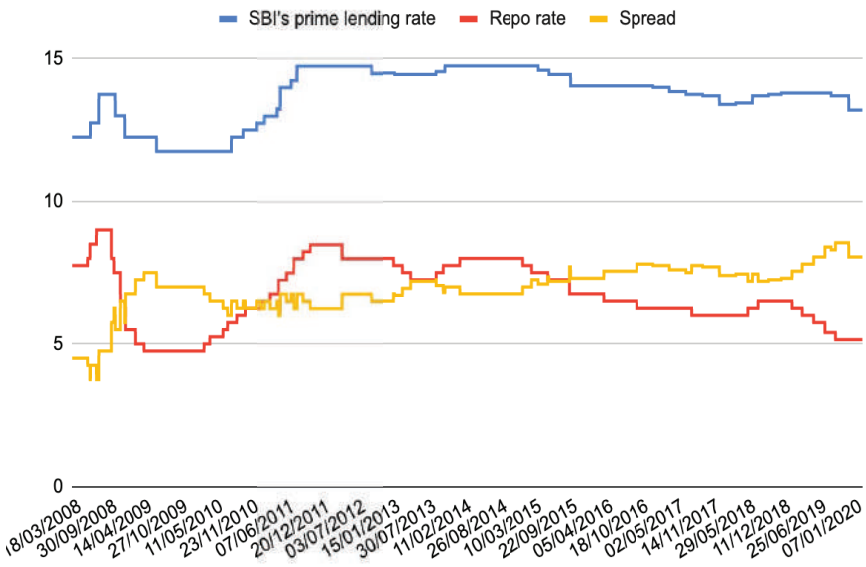


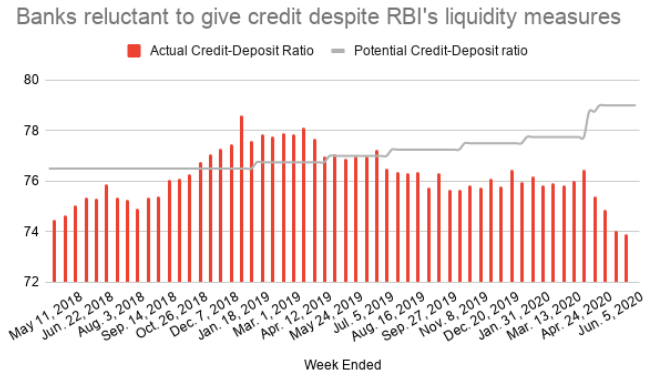
Figure 3: Failure of the Monetary Transmission Mechanism

Source: Author's calculation, CEIC Indian Economy Database

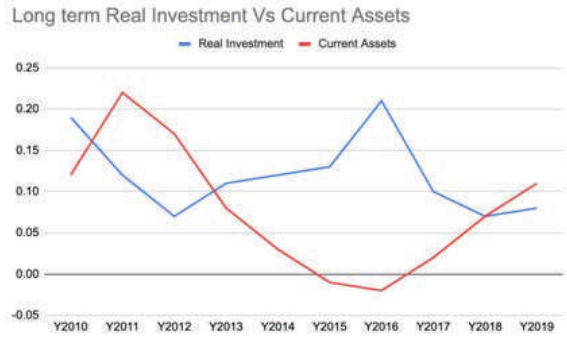
fall has often not been passed on. This means that while a contractionary monetary policy is effective in passing on the interest rate effects to the lending rate of the banks, an expansionary monetary policy is effectively nipped in the bud since the policy fails in the very first step. We can see this with the spread remaining constant when there is a rise in the repo rate but it increasing when there is a fall in it. So, there is an additional asymmetry in this fraught relationship between the interest rate and investment.

So much for the cost of loans but what about the volume of loans? Is there a liquidity crunch instead? Here too, the credit data says the opposite. We calculate a "potential credit-deposit ratio", defined as the maximum credit that the banks can extend as a proportion of their deposits after fulfilling the statutory requirements of cash-reserve ratio (CRR) and the statutory liquidity ratio (SLR) as stipulated by the RBI from time to time. So, from a deposit of, say Rs 100, if the sum of CRR and SLR is Rs 20, then the banks are allowed to extend a credit of Rs. 80, which is the potential CD ratio in our terminology.

We compare this potential figure with the actual credit deposit ratio to see if the banks were lending to their capacity. It is clear from fig. 4.A that the actual credit deposit ratio of the scheduled commercial banks is below what the RBI norms allow i.e. liquidity is available but there are no takers (see fig. 4.A). From the borrowers' side, their liquidity position can be determined by looking at the growth in current assets, which are defined as those assets in the balance sheet which can be easily converted into cash within 12 months. We contrast it with the growth in real investment, which, it is clear from fig. 4.B, has been consistently falling since 2016 (for reasons we will see in a moment) even as the corporate sector was amassing current assets at an increasing pace. This scissor shape between the two variables 2016 onward shows that the corporate sector is *not* short on liquidity. If liquidity had been an issue, current assets should have fallen too.



(A) Lenders' Side



(B) Borrowers' Side

Figure 4 Banks' Supply of and Corporates' Demand for liquidity

Source: Author's calculation, RBI Database on Indian Economy (figure); CMIE database (right)

Let's now look at the first issue of whether the interest rates affect investment and production, especially when they decline as a result of policy changes. We take the growth in industrial production as a representative of real investment and prime lending rate as the interest rate on the x-axis and we find out that the story told in figure 2 holds out to be true i.e. while an increase in interest rate dampens industrial production (upper part of fig. 5), a fall in it does not necessarily revive production (lower part of fig. 5).

A more comprehensive picture arises if we combine the message from figure 3 and 5 together. It tells us that a contractionary monetary policy may be effective in controlling industrial production (but not necessarily inflation for which it is done[3]) both because the rise in policy rate gets passed on to the lending rate and that the latter dampens production. In sharp contrast, an expansionary monetary policy is ineffective *both* because policy rate changes are not passed on by commercial banks and that, even if they were, a fall in lending rate is not enough to revive industrial production. The asymmetry in the effectivity of monetary policy can't be seen better.[4]

Now comes the million dollar question. If liquidity is not the binding issue, why is the corporate investment low? Investment can be constrained either by sales or credit and it is important to distinguish between the two, since the policy response would be quite different under each case. The level of capacity utilisation, which measures to what extent existing capital is being used to fulfil current sales requirements, can help distinguish between the two. If the level is high, i.e., the machines are working full time to fulfil current sales orders, and yet the capitalists can't invest to install more machines, it means access to credit can be a binding constraint. But if capacity utilisation is low, low investment simply means

3 This is a different issue pertaining to a critique of the inflation targeting framework, which is beyond the scope of this piece.

4 I am aware that such a simple interpretation of data has its pitfalls as what may seem obvious as a relationship between two variables may actually not be so because this so-called relationship could purely be on account of a 'missing' third variable which influences both these variables. My line of defence is that a relationship considered so obvious in macroeconomics, such as between interest rate and investment, should at least be visible to the naked eye

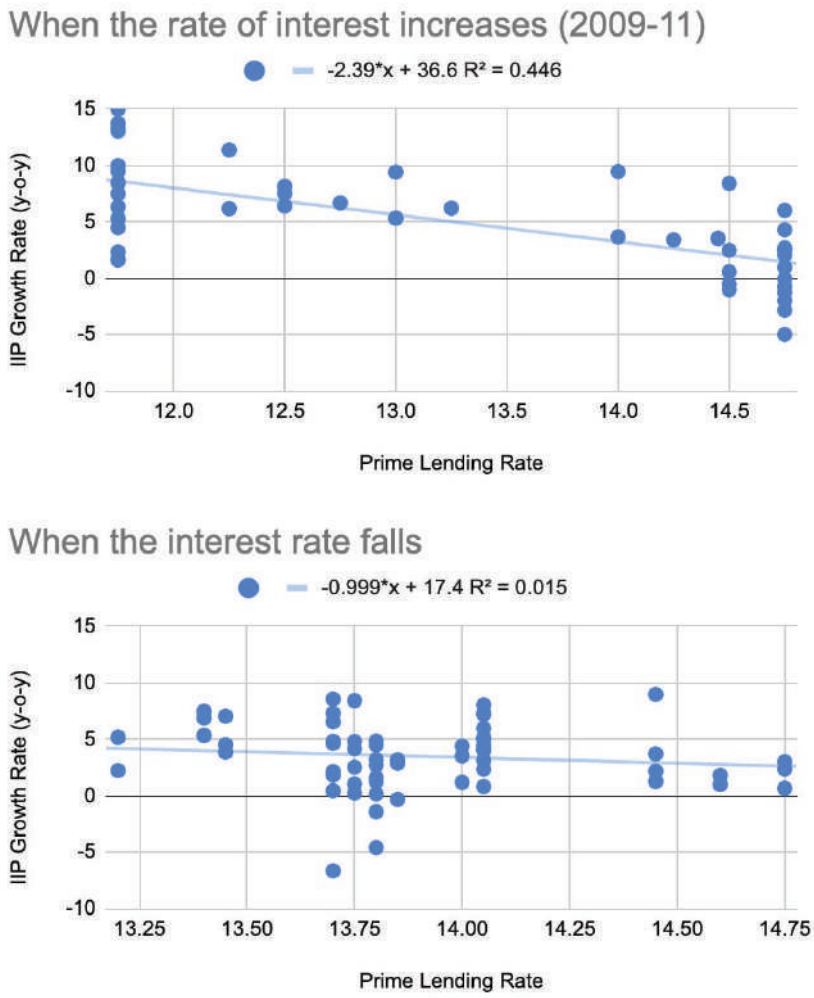
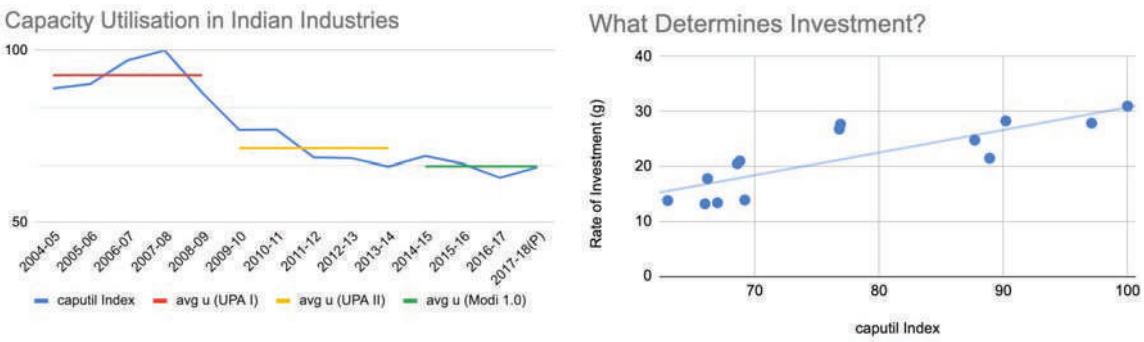


Figure 5. Kinked Investment Function

Source: Author's calculation, CEIC Indian Economy Database



(A) (B)

Note: Investment is gross capital formation and its rate is arrived at by dividing it with the level of capital stock. Capacity utilisation is defined as the ratio of net value added to total capital stock. The index has been created by taking the highest value achieved during this period, which was in 2007-08, as 100.

Figure 6. Capacity utilisation and rate of investment in Indian Industries

Source: Author's calculation, Annual Survey of Industries, 2017-18

that there is not enough demand in the market to persuade the capitalists to increase capacity, given that the installed capacity itself is not being fully utilised. Figure 6.A shows that the capacity utilisation during the Modi government has been far below those during the UPA periods. Figure 6.B tells us that there is a positive relationship between investment and capacity utilisation, which means the slowdown in investment was more a result of lack of demand. Now we have a clearer picture of investment. Investment and sales are positively related (fig. 6.B) but investment and interest rates are not uniformly related to each other. An increase in the interest rate dampens investment but a fall does not revive investment. It is, therefore, obvious that for a revival in investment, production and employment, something other than monetary policy needs to be used, the exact opposite of what the current government is doing.

WHAT CAN BE DONE?

If an economy is in a downward spiral, it requires an opposite force to break out of it. Most of what has been proposed, as discussed above, either by the Finance ministry or the RBI, for eg. repo cut, injecting liquidity into the banking system etc., assumes that economic activity, through loan-financed investment and consumption, can be manoeuvred in this manner. But if factories are currently running far below capacity, like in the Indian economy today, why would firms suddenly start creating further capacity just because the cost of credit has fallen? As John Maynard Keynes' had said "whilst the weakening of credit is sufficient to bring about a collapse, its strengthening, though a necessary condition of recovery, is not a sufficient condition."

What then is the sufficient condition? In the immediate, a genuinely *exogenous* measure, i.e., delinked from current level of activity, is government expenditure. Unfortunately, by enacting a law, the FRBM, we have perforce made it cyclical, since it has to be proportional to the *current* level of GDP. Unless we break out of the fixation with the FRBM targets, there is precious little that the government can do to bring the economy back on its feet. And while any economy going through a slowdown will recover on its own when its capital starts getting discarded, it will be a long and painful process of recovery. Why should we inflict that on ourselves, especially since there are well known less painful and quicker ways out of a slowdown, provided we shed our economic blinkers.

CHANGES IN THE BANKING SECTOR

Congruent with People's Interest?

Thomas Franco

While analysing the State of Finance, we need to look at the history and understand the changes which have taken place in the banking sector over the decades. So we will briefly analyse here the past, look at the present status and suggest alternatives for future.

1. THE ILL-ADVISED REFORMS

It was the year 1991.

India's FOREX declined to mere $1.2 billion, sufficient only to meet 2 weeks of oil imports. Hence, we borrowed from the IMF and World Bank. Though leading economists suggested other alternatives, Dr Manmohan Singh and Narasimha Rao decided to go for the loan with a Structural Adjustment Programme. The loan was

$3 billion from IMF to solve the FOREX crisis

$ 500 million from World Bank to open up our economy

The conditions imposed by World Bank as per Schedule 4 of the Loan agreement said India should:

- Close unviable PSUs
- Disinvest at least 20% of the equity of PSUs to yield at least Rs 25 billion
- Increase the Private equity in profitable PSUs to at least 49%
- Eliminate Budgetary support for PSUs
- Reduce Statutory Liquidity Ratio of Scheduled Commercial Banks
- Eliminate interest subsidies in Credit schemes
- Set up Mutual funds in the Private Sector
- Restrict government guarantees only to strategic PSUs

In 1992, Dr. Manmohan Singh presented the budget, which said that all was wrong in the economy. He had been RBI Governor, Dy. Chairman Planning Commission and Finance Secretary. If something was wrong in the 70s and 80s, he was the one to be blamed because he held these positions and advised the Prime Ministers.

It has been 30 years since. And we are in a precarious situation.

Our external loan outstanding as on March 2022 is US$620 Billion (RBI report, 2022) and we are under a debt trap created by following their dictates.

Reforms were needed. In what? In abolishing corruption in the country; for introducing efficiency

into administration; in people-relationships; in redefining growth. But unfortunately, in this country, reforms were given a wrong meaning. They said reforms mean privatisation of the Public Sector, that they only mean liberalising all controls. That's not reform . Reforms should have abolished corruption, wiped out poverty, destroyed the caste system, and lifted people out of poverty. That is where China scored over us. (AISBOF, 2016) (Dr Victor Lewis Anthuvan, Contemporary issues and challenges in the Banking and Public Sector at the Current juncture. In Alternate Gyan Sangam – AISBOF-2016)

How did we implement the conditions of IMF and World Bank?

- The telecom sector was opened up for private entities in 1994
- Air Corporation Act 1953 was repealed and private airlines allowed
- Private Courier Services were allowed to compete with Government Postal Service
- 870 million shares of PSUs were sold for 30 billion in 1991-92
- Steel industry deregulated in 1992
- SLR of banks reduced from 38.5% to 18%
- SEBI was set up under SEBI Act 1992
- The government opened Mutual Funds to Private Sector
- Insurance Industry opened up for private players
- Government budget support reduced for PSUs

Again, we took a loan of $700 million from WB in 2001

- 15% employees were sent out in PSBs through VRS in March 2001
- World Bank-funded computerisation of branches started
- Reduced number of tiers in PSBs
- Initial Public Offering in PSBs started
- Private Sector Directors were inducted to bank's boards

The reversal of nationalisation started through recommendations of Committees that were tutored by WB & IMF. For instance the Narasimham Committee I recommended:

- Abolish targeted credit
- Remove Interest Rate Ceiling on Credit
- Branch expansion should be on need, business potential and financial viability of the location.
- Market driven, profitability oriented policies
- Provide larger role to Private and Foreign Banks.

Subsequently, there were Narasimham Committee II (1998), Raghuram Rajan Committee (2007), Khandelwal Committee (2009) and Nayak Committee (2014). The summary of their recommendations (influenced by IMF & WB conditions) was:

- Government stake in Public Sector Banks should be brought down to 33% and less without delay.
- Merge banks and Consolidate
- Liberal entry norms for foreign Banks
- Share of FDI in Private Banks to be increased
- Proportionate voting rights for share holders
- New Licences to Industrial Houses
- Phase out priority Sector lending
- Out Source Bank jobs

- Promote Asset Reconstruction Companies
- Amend Banking Laws accordingly
- Reduce Bank staff sharply.

2. REVERSALS OF THE GAINS OF NATIONALISATION

To understand the destruction due to the above changes, we have to look at why Nationalisation and related policies were needed, how they changed the economy and how the reversal is affecting the masses.

The objectives of nationalisation were:

- Wider territorial and regional spread of the branch network
- Better mobilisation of Financial savings through Bank Deposits
- Reorientation of Credit Deployment in favour of small and disadvantaged classes all along with production spectrum.
- Removal of control by few business houses
- The conferring of a professional bent to bank managements
- The provision of adequate training and reasonable terms of service for Bank Staff

The nationalisation of 14 Banks on 19th July 1969 and 6 more on 16th April 1980 created a tremendous impact on the Economy.

The number of rural branches increased from 1443 in 1969 to 35000 in 1990s. The share of rural branches increased from 18% to 58%.

Between 1969 and 1987, rural credit as a proportion of total credit went up from 3% to 15%. Credit Deposit Ratio which was 40% in 1969 went up to 70% in 1984.

Priority Sector lending was introduced in 1972. The share of Priority sector went up from 14% in 1969 to 40% in 1980s. The share of agriculture had reached 19% in 1985 from 2% in 1967. The number of Agriculture loans, which were 1 million in 1970, went up to 30 million by 1990s. Within Agriculture, 42% of the credit went to small and Marginal farmers. 1% of Total Credit was given to weakest section of society at 4% simple interest. A flat rate of interest ceiling at 9% was fixed for priority sector lending by RBI in 1978 making credit available at reasonable rates.

Reach of Banking. The proportion of bank branches in so called BIMARU states went up from 23% to 34%. No. of districts enjoying CD Ratio above 60% shot up from 139 in 1980 to 209 in 1985 and remained in the range of 163-177 until Mar 1992. The share of credits of SSI units which was 6.9% in 1968 went up to 12% on June 1973 and thereafter remained at the range of 11 to 13.5% until early 1990s. As on June 1983, 93.1% of the loans were less than Rs 10000.

Credits to the needy. As of March 1992, 95% of the total credit was less than Rs 25000. The number was a whopping 62.5 million. This was the biggest achievement of nationalisation.

To summarise, rural credit, especially small credit increased, no of branches increased, more in rural semi urban areas, Credit Deposit ratio improved, Priority Sector Lending came in, Lead Bank Scheme helped planned credit disbursal in every district and employment in Banking industry gave opportunity for youth with the implementation of the reservation policy. The result was a reduction in income inequality. The top 1% of earners garnered less than 21% of total income in the late 1930s, before dropping to 6% in the early 1980s. Bottom 51% grew faster (Chancel & Picketty, 2017).

	1950	1983	2006	2014	2017
Top 10%	40%	30%	48%	55%	80.7%
Bottom 50%	19%	24%	21%	15%	2.8%

Table 1: India Social Development Report 2018 data on wealth

This is clear proof that inequality came down due to nationalisation and other policies but after liberalisation, the rich are getting richer and poor are getting poorer. This has direct relation to bank lending.

2.1 Changing character of credit

As per RBI Report (BSR1, Franco, 2018), as of March 1991, 94.9% of the accounts and 22% of the loan outstanding were less than Rs 25000. 98.3% of the accounts with 30.2% of the outstanding were less than Rs 1 lakhs. Only 577 loans were above Rs 10 crores and outstanding was 10.8%.

In 2016, only 21.74% of the accounts were less than Rs 25000 and outstanding was less than 0.6%. 76.95% of the accounts were less than Rs 2 lakhs and outstanding was 8.2% . There were 41712 accounts which was 0.03% of the accounts above Rs 100 crores but less than Rs 250 crores which amounted to 6% of the loan outstanding. 31405 accounts (0.02%) were Rs 250 to 1000 crores with 14.3% of the outstanding loans. 11643 accounts(0.01%) were above Rs 1000 crores with 31.5% of the total loan outstanding.

As on March 2021(RBI)

Credit Limit	No. of Accounts	Outstanding
Rs 25000 or less	52776002(19.4%)	41086(0.38%)
25000 to 2 lakhs	152478276(56.1%)	811494(7.55%)
2 to 5 lakhs	35892996(13.2%)	802989(7.47%)
5 to 10 lakhs	16803088(0.06%)	854538(7.95%)
10 to 25 lakhs	8767898(0.03%)	1045778(9.73%)
50 to 1 Cr	997394(0.003%)	528821(4.92%)
1 Cr to 4 Cr	540837(0.002%)	765251(7.12%)
4 Cr to 6 Cr	68320	234300(2.18%)
6 Cr to 10 Cr	51142	276383(2.57%)
10 Cr to 25 Cr	46407	477143(4.44%)
25 Cr to 100 Cr	29482	870146(8.10%)
>100 Cr	13109	3227100(30.05%)
	271495860	10738441

Table 2: Bank Group-wise Outstanding Credit of SCBs According to Size of Credit Limit

RBI has discontinued classification of loans above 100 crores now so that we don't know how few neo rich are benefitting.

As on March 2021, only 19.4% of the accounts with 0.38% are less than Rs 25000 and 75.5% of the accounts are less than Rs 2 lakhs with just 7.93% of the outstanding whereas 13109 accounts which is 0.0004% of the accounts has an outstanding of Rs 3227100 Crores amounting to 30.05% of the total outstanding.

This is in spite of the government data showing 30.9 crore MUDRA loans, out of which 88% are Shishu loans, which is less than Rs 50000. While RBI data shows total loan accounts as 27.1 crore, MUDRA scheme shows 30.09 crore accounts!

Assuming that everybody above 18 needs a loan, which is 104.25 crore people, we have only 27.1 crore loan accounts. Almost 75% of the adults do not have access to bank loans and they depend on money lenders, NBFCs, FinTechs and MFIs paying around 24% interest.

A closer analysis of RBI data shows that as on March 2014, 82% of the bank branches, 65% of the loan accounts and 75% of the loan out standings were with public sector banks. As on March 2021, only 68% of the bank branches, only 37.5% of the accounts and 58% of the loan out standings are with Public Sector Banks.

By providing government business to p rivate banks, merging public sector banks, placing them under Prompt Corrective Action restricting their lending and reducing staff strength in public sector banks the government has helped private banks and encouraged corporates. While public sector banks were busy opening Jan Dhan accounts, private banks were taking over loan accounts.

As of March 2015, outstanding loans of top 10 corporates were Rs 731000 cr and the outstanding of 12 NPA accounts was Rs 345000 cr.

The top 10 borrowers as on 31st March 2015 as per the Credit Suisse report were Reliance ADAG (Rs 125000 cr), Vedanta (Rs 103000 cr), Essar (Rs 100000 cr), Adani (Rs 96000 cr), Jaypee Group (Rs 75000 cr), JSW Group (Rs 58000 cr), GMR (Rs 48000 cr), Lanco (Rs 47000 cr), Videocon (Rs 45000 cr), and GVK (Rs 34000).

Due to this alarming position, in 2016, RBI announced that there will be ceiling on Corporate loans and by 2019, one corporate house (specified borrower) cannot have more than Rs 10000 crore loan. They should mobilise funds from bond market if they are efficient. The announcement is forgotten to help Ambanis, Adanis, Agarwals and a few more who are close to the government.

Reversal of Rural Branch Network and Rural Credit

	No. of Branches	No. of Accts	Credit Limit	Outstanding Cr
Rural	36906(29%)	67924362	1196664	829705(7.7%)
Semi Urban	37405(30%)	69269969	1826123	140602(1.3%)
Urban	25414(20%)	47004210	2484850	1736996(16.17%)
Metro	27111((21%)	87297319	11118166	6770138(63%)
Total	126836	271495860		10738441

Table 3: Population Group wise branches – 2021(RBI Data, 2022)

Rural branches have come down from 58% to 29% and once again, Urban and Metro corner the maximum loans. Let's look at Agriculture Credit.

First, Agricultural Credit is divided into Direct Credit and Indirect Credit. Direct Credit goes to the farmers and Indirect Credit goes to institutions and organisations which indirectly contribute to agricultural production – fertiliser dealer, rural electrification, pesticide dealer, seed dealer etc. They are beneficiaries of indirect finance. From 2002 onwards, you will see, that the share of direct finance in the total agricultural finance has consistently shrunk. From 85% it has come down to something like 72% to 75%. It is not going to the farmer, it is going to somebody else. Not even to the fertiliser dealer. Actually, after 1998, 1999 what constitutes indirect finance itself has been significantly broadened. For example, if Pepsi Company wants to have a potato chips factory, it is no more an industrial credit, it is actually an indirect finance to agriculture. How? The chips, potato and farmers are all connected indirectly. But the money is going to Pepsi. This kind of an increase had a limit. Out of priority sector, 18% should go to agriculture. Within this 18%, there's a stipulation by the Reserve Bank of India that only 4.5% can be indirect finance and the rest 13.5% has to be direct finance. The banks have been fighting all these years to change that. From 2017, they have changed that also. They said that the distinction between direct and indirect credit stands abolished. So, all can be given to anybody.

Thus, a lot of credit is going as indirect finance.

Second, you segregate according to the size of the loan. How much does a farmer take? 20,000, 30,000, 40,000? A five-acre sugar cane farmer in the most prosperous sugar cane belt of Maharashtra gets only a credit of Rs 1.7 lakhs. That's his credit limit. It has been stipulated by the Maharashtra State co-operative Bank. Even the most prosperous sugar cane farmer gets less than Rs 2 lakhs only. Let's see how much is less than 2 lakhs and how much is more than 2 lakhs. It turns out that only 44% of the total agricultural credit given in 2013 and 2014 were of size less than 2 lakhs. The rest 56% of the Direct Agricultural Finance, was of a size more than 2 lakhs. Who are these farmers? Where is this farmer who takes a loan worth more than 2 lakhs? It is surprising that loans have also increased to more than 1 crore size. 1 crore, 10 crore, 25 crore, that's the segment of Direct Agricultural Finance which has grown over these years (R. Ramakumar, 2017).

Third, it has been found out that 28% of the Total Agricultural Credit that is given out by commercial banks in India are given from urban and metropolitan branches and not by rural or semi-urban branches. Who are these? It's well known. Sometime back, "Business Today" had a cover which said "India's New Farmers" and two people were on the cover—- Ambani and Mittal.

Segregate it further. Take West Bengal, 55% of the total Direct Agricultural credit given out in the state of West Bengal was from urban and metropolitan branches which means from Kolkata a, which is the headquarters of ITC. It is also the headquarters of many tea plantation companies. So, one can guess where the credit might have gone.

Fourth, in which month is this given? It turns out that 37% of the Total Agricultural credit is given in the months of February and March. Who is this farmer who cultivates and takes loans in February and March? It turns out that if I take less than 44% as my bench mark, out of the 6 lakh crore that has been given as agricultural credit, 3 lakh crore has been siphoned outside agriculture (R. Ramakumar, 2017).

So real farmers are not getting credit. Whatever they get in the name of Kissan Credit Card whose number increases by 10% in Union budget is only

renewal of the Card with 10% interest accrued. The farmer does not get any cash. The farm laws would have furthered the cause of Corporates and not farmers.

2.3 Staff strength and quality of service

Year by year, deposits are growing by at least 10% and advances by 6-7%, but the employee strength is decreasing every year in public sector banks, affecting customer service. The common analysis for efficiency used by the government is per employee business whereas it should be per employee customers to provide relationship banking. An analysis of this data is given below.

While SBI has 1680 customers per employee, the leader among Private Sector Banks, HDFC has 467 and ICICI has just 353 customers per employee. The lowest per-employee customers in Public Sector Banks are 1348 in Canara Bank and the highest is 2500 in the Bank of Maharashtra. The lowest customers per employee among Private Banks are 325 in the Axis Bank and the highest is 923 in the Federal Bank. The business has increased manyfold but HR strength in Public Banks is constant, which is killing the PSBs.

If public sector banks have to serve the public, there is need for increase in branches, especially in Rural and Semi Urban branches, and massive increase in staff strength.

2.4 Development Banks gone

Development banking framework and the importance of this in market economy is visible in China. It was after China went far into its liberalisation period, that was in 1994, that it decided to actually establish the China Development Bank, which was the equivalent of the Industrial Development Banks we had.

We need policy banks for agriculture and marginal farmers, we need policy Banks for small industry, we need policy banks for certain kinds of housing and so on and so forth. This is an infra structure which India had set up. Unfortunately, the only two Development Banks which are left with us today are SIDBI and NABARD, which are largely involved in the activity of free finance. We had Industrial Development Bank of India, Industrial Credit and Investment Corporation, Unit Trust of India, Housing Development Finance Corporation of India, all of which were converted into Private Commercial banks, which affected long-term finance.

If we look at the figures, the bank loans from Public Sector Banks for the infrastructure have gone up 100 times in the last 15 years. In 2000, the loans that were given out were 7,243 crores for infrastructure, which is about 3.62%. In 2013, it was 7 lakhs 8,645 crores which is about 35.25%. (Ashok Rao, 2016). This is what contributed to the mounting NPAs. Now the government has announced a new development bank. We don't know when it will become functional.

What the above show is that social ownership of banks is particularly important because of the fact that once you get into social orientation, you are moving from a world in which profitability is not the prime objective. You are not looking at the bottom line. What you're doing is setting a collection of other targets, like setting up of branches in rural areas, not encouraging credit migration etc. If you are going to set goals of that kind, then obviously you are going to say, "I am going to ask you to go out there with brick-and-mortar buildings, not like micro finance

institutions", and to establish yourself to undertake a kind of relationship banking which is far more difficult than the kind of relationship banking the trans-national banks now offer to their high network clients. Really, if you try and do that you cannot actually say that your bottom line should correspond with the purely commercial banking institutions (C. P. Chandrasekar, 2016, at Alternate Gyan Sangam).

3. DESTRUCTION FROM 2014

3.1 Gyan Sangam, Vichar Manthan and EASE

The Governments before 2014 though, occasionally interfered with the functioning of public banks. Arun Jaitley started reviewing them like a Head Master quarterly and sometimes even monthly. Gyan Sangam 1 held at Pune in 2015 laid the road map for future, which was privatisation step by step. This was followed by Gyan Sangam 2, Vichar Manthan and Enhanced Access and Service Excellence (EASE). These were annual conclaves to tell bank chiefs what they should do. While Gyan Sangam was authored by Mckinsey, EASE was by the Boston Consultancy Group. They do not suit our country's particularities and their recommendations are tutored by the IMF and WB. It's only going to corporatise, privatise and digitise Indian Banking, leaving the majority to modern day money lenders.

3.2 NPA Crisis and NCLT: Organised loot and Legalised Plunder

NPA existed from the day the concept of banking evolved. Suddenly, an alarm bell was rung and the Asset Classification was modified. Any loan not serviced in 90 days was classified as non-performing. The 30-day norm was stopped by the Supreme Court. The Insolvency and Bankruptcy Code was brought in and the National Company Law Tribunal was set up with retired judges and Insolvency Professionals (Chartered Accountants and retired bankers), and the looting of banks got legalised at huge cost for banks. 123 of them have been blacklisted so far.

Harsh Goenka, Chairman, RPG Enterprise has stated, "Promoters slash away on the side, take the company to cleaners, get an 80% to 90% haircut from Bankers / NCLT. That's the new game in town".

It is now becoming clear that the Insolvency and Bankruptcy Code was brought to help a few corporates loot banks through Resolution Plan (RP) and to help other Corporates to buy Industries worth thousands of crores at throw away prices. The Banks alone face the brunt, and the top executives get away. They become a part of the Board of Directors of some of these Corporates after retirement.

IBBI reports say 80% of the cases brought to NCLT are above Rs 10 Crores. Against the norms set in the act, to close cases within 180 days, average days taken are 406 days. In 360 major cases settled, the average haircut (write off) is 80%. In the initial provisions of the Act, the creditors have to vote with 75% majority to agree for the settlements. This rule was amended to suit Mukesh Ambani to buy Alok Industries worth Rs 29,253 crores with a 83% haircut. As of today, if one accounts for both resolution and liquidation, total loss of debt and haircuts is 83%.

Let's have a glance at some settlements.

Company	Loan Outstanding	Settled (Crs)	Haircut	Took over by
Deccan Chronicle	8180	357	95%	SREI Multiple Inv. Trust
Videocon	59132	2884	95%	Twinstar Technologies (Anil Agarwal)
Synergy Dooray	972	54	94%	Millennium Finance Ms. Binani
Ushdev International	3292	197	94%	Taguda Singapore
Reliance Infratel	41055	4235	89%	Reliance Jio
Alok Industries	29253	5052	83%	Reliance & JM
Amtek Auto	12641	2614	79%	Liberty House UK
DHFL	87000	32700	63%	Piramal Group
Reliance Home Fin	11200	2887	60%	Authem Infra
Siva Industries	4863	323	93%	Vallal (Father & Partner)

Deccan Chronicle is running. Videocon and 12 of its sister concerns will soon work under Anil Agarwal. Synergy Dooray is functioning. Ushdev International is also functioning, and the other two will also function. The only losers are the b anks. Has any p roprietor gone bankrupt? No. They all continue to live in style.

The Siva Industries case is classic. Its promoter C. Sivasankaran was an Aircel Promoter. Banks lost more than Rs 10,000 Crores. He had cheated IDBI of Rs 600 crores, but again, Siva Industries could get another loan. He is a citizen of Seychelles now, where he had declared himself bankrupt1. NCLT Chennai bench has reserved final judgement but the lenders with majority have approved a one- time settlement of Rs 323 Crores with 94% haircut. The biggest Bank of the Country SBI voted against but could not stop the deal. C. Sivasankaran's father Vallal was going to buy the company under this settlement. He is a partner. Siva has his political connections and has got away many times earlier too. It is due to media exposure, that the judge finally ruled against him.

Anil Agarwal, the Sterlite owner- the company responsible for polluting Tuticorin and killing peaceful agitators, got rewarded with Videocon group of companies at throw away price.

Does anyone remember Reliance Defence, which got the Rafael deal? Without even the experience of making a paper plane?

It is the same Anil Ambani who could get away with Reliance Home Finance Loan of Rs 11200 crores with 60% haircut and Reliance Infratel Loan of Rs 41055 crores with 89% haircut! Wonder who the beneficiary is? His elder brother Mukesh Ambani who has offered Just Rs 4,235 crores to banks against Rs 41,055 plus accrued interest. Reliance Infratel has 43,000 towers and a 1.72

lakh km optic Fibre Network which will be taken over by Reliance Jio for a pittance. The loser is not Anil Ambani. It is the banks! SBI has withdrawn its petition in the Supreme Court classifying the account as fraud. Can anyone imagine that the biggest bank with RBI representative and Finance Ministry representative in its board classify an account as fraud without proper scrutiny?

As revealed in the last Monsoon session of the Parliament 2022, bank loans to the tune of ₹9,91,640 crore have been written off in the last five years—2017-18 to 2021-22. The list of top 10 defaulters include Mehul Choksi's company Gitanjali Gems that owes the banks a whopping Rs 7,110 crore. Together, the top 10 defaulters alone owe Rs 37,441 crore.

3.3 Jan Dhan Yojana: JUMLA

Though there have been many attempts to achieve Financial Inclusion from 1969—opening accounts under Jan Dhan accounts and getting into Guinness records was a gimmick. When the number had reached 26 crores on 1st January, 2017, BJP claimed 99.9% of Indians have bank accounts. Now the government claims as on 28.7.2021 there are 42.83 Crore Jan Dhan accounts and there is a balance of Rs 1,42,948 crores. Crores. Are these accounts of poor people? In 2018, the government stated that 20% are dormant accounts. Due to bank charges, many have closed accounts. Financial inclusion is not just opening accounts. Access to credit is important.

3.4 Women's Bank of India

An effort was made by the previous government to encourage women to engage with banking and credit. A women's Bank of India was set up. This government merged it with SBI and a novel idea was killed.

3.5 No employee director in the Boards of Public sector Banks

As per the Nationalisation Act, all Public sector banks including SBI had an Officer Director and Employee Director representing associations and Unions. After 2014 these posts are not filled in spite of a Court direction and recommendations from respective boards of the banks. This has made the boards opaque and credit decisions as well as write offs are taking place to please the masters.

3.6 Priority Sector Dilution

The norms have been changed, making the richer get the benefits. Rs 250 Crore unit in MSME is priority sector. Rs 25 lakhs in housing in rural areas is priority sector. If the banks don't want to lend under priority sector they can invest in Rural Infrastructure Fund of NABARD or in Priority Sector Lending Certificates.

3.7 Merger

Number of Public Sector Banks has come down from 28 to 12 reducing number of branches, staff, and credit and customer service.

3.8 Co-operatives under attack

An advertisement in "The Hindu" by The Gujarat State Co-op Bank Ltd says it all subtly. "This Ministry will bring millions of people serving in the sectors including Banking, Farming, Fisheries, Animal Husbandry, Sugar Manufacturing and Milk Processing Units under a single platform for main streaming development and improve their quality of life." It also says, under India's new-found blueprint of collective growth with inclusive approach, the Co-operative Ministry will encourage sectors across Manufacturing, Service, Housing,

Labour and Banking, to name a few. Today we have 30,000 member Co-operative Societies under Indian Farmers Fertilizer Co-operative Ltd (IFFCO). National Agricultural Marketing Federation (NAFED) has 5000 marketing societies. As per the statistical profile of 2018, published by the National Co-operative Union of India, there are 8,01,915 functioning co-operatives. There are also 1,77,605 credit Co-operatives. Total membership in credit co-operatives is 206.16 million, and the membership of non-credit co-operatives is 83.92 million.

There are 17 National Federations, 390 State Federations, 2705 District Federations, 1435 Multi State Co-operatives and 97961 Primary Agriculture Credit Societies (PACs). PACs are there in 644458 villages in India. Their share capital is Rs 846163 million (One million is 10 lakhs). They have a storage capacity of 6.26 million. Out of 71.474 million Kisan Credit Cards, 35.883 million (say 50%) were issued by these Co-operative societies. Amount disbursed in 2018 by Co-operatives was Rs 1427580 million. Urban Cooperative banks are brought under the control of RBI, which does nothing except fining or announcing moratorium. Now, with the new Ministry, everything is uncertain and a new announcement can come at midnight on any day.

3.9 Digital Divide & Frauds

India has a very weak digital security and fraud detection system. The UPI platform is very insecure and digital frauds are increasing heavily as per RBI. But no efforts have been made to correct it. Instead of that, new Private digital platforms are being formed. People are forced to go digital through demonetisation, which was a monumental failure and forced Aadhar bank linkage, which makes it easy for fraudsters.

3.10. Business correspondents model instead of bank branches

As per RBI Data, as on March 2020, there were 5,41,175 business correspondents in villages and 6,35,046 business correspondents in urban areas. So there are 11,76,221 Customer Service Points covered by the business correspondents (RBI Annual Report 2020) whereas there are only 86,915 branches of Public Sector Banks as on Dec, 2020. These business correspondents are working under the National business correspondents. National business correspondents are corporates, including Reliance. There are financial technology companies such as Fin- techs, Non Banking Finance Companies (NBFCs) who are representatives for more than one bank. One business correspondent serving more than one bank itself can lead to conflict of interest. They appoint business correspondents called "Customer Service Providers" who set up offices and handle various businesses of Banks. They open accounts, disburse money, recommend loans and act as intermediaries for Banks. Around 30% of the commission earned by them is taken by the national business correspondent under whom they work.

A study titled, "An analysis of the Financial Viability of CSPs and client satisfaction" by Centre for Micro Finance and Bankers Institute of Rural Development (BIRD) clearly stated that the BC model is exploitative for the Customer Service Provider as well as the Customers. Because customers are charged for the services.

Another study by a group of students from the Jawaharlal Nehru University covering 6 states in India brought out details of exploitation in the banks. "Financial Inclusion – By extending Banking Services – Comprehensive Analysis of Business Correspondent Model" (Paramount publishing house) pointed out that-

- The current business correspondent Model is ineffective in achieving its main objective of financial inclusion.
- For the CSPs, they should be brought under the formal banking ambit and not by outsourcing.

The banks have switched over to the "National Business Correspondent Model" instead of "Business Correspondent" appointment which existed in the initial years to prevent Unionisation. The existing business correspondents were asked to work under a national correspondent or quit.

Thus, more than 11 lakh people who are regularly rendering banking services are working like slaves. Soon, their number may exceed regular employees. They spend money for setting up Customer Service Points, they employ staff, they set up computers but get a small commission out of which 30% is eaten up by the national correspondent.

This exploitation must stop. They should be regularised as bank employees and the CSPs should be converted into branches of Public Sector Banks. That will lead to real financial inclusion and stop exploitation of the qualified unemployed youth of the country.

Earlier we had criteria that for every 5000 population there should be a bank branch. RBI has changed it into a touch point which can be a CSP or ATM. That is not financial inclusion. Conversion of CSPs as branches will result in huge change in rural areas.

3.11 Bank Charges

RBI has permitted Banks to increase the ATM charges which was NIL at one point of time to Rs 21+GST if the ATMs are used more than 5 times in same bank ATM and more than 3 times at other Bank ATMs. At times, people use the ATMs for seeing the balance first and then withdrawing. That becomes two transactions. The c ommon man is going to suffer by these measures. The branches have reduced staff and customers are asked to use the ATM. For withdrawal at the branch, the customer need not pay, but at the ATM, they are forced to pay.

There are increasing Minimum Balance Charges, Cash deposit and withdrawal charges, ATM transaction charges, debit card charges, Inspection charges, transaction charges, sms charges and even charges for closing an account.

The government find no wrong in writing off lakhs of crores of rupees for the c orporates, and instead exploits ordinary people!

3.12 Supporting MFIs instead of SHGs.

RBI has uploaded a paper on its website called the "Consultative document on Regulation of Micro Finance". The document quotes Sa-Dhan Document for Data. Sa-Dhan is a network of Rich Corporate type Non Banking Financial Companies – Micro Finance Institutions. They don't have any statutory powers. The document is also using World Bank Data to justify its recommendations, which are totally against the weaker section of the society. The main recommendation is the removal of any ceiling on Interest Rates and giving authority to the NBFC-MFI Boards to decide the Interest Rates.

Some existing regulations are removed in the proposal, of which the following are detrimental to poor borrowers.

1. Removal of ceiling on maximum loan, which can lead to excessive indebtedness.
2. Tenure of the loan not to be less than 24 months.

3. No more than two NBFC-MFI can lend to the same borrower.

Instead, the NABARD scheme of direct lending to SHGs need to be encouraged and loans to MFIs from Banks should stop.

3.13. Privatisation agenda

This is one agenda that has has been there since the wheels of neoliberal reforms were turning.

Banking Laws (Amendment Act 2012 has paved way for the implementation of Privatisation via i) Merger of Banks, ii) Takeover of Indian Banks by Foreign Entities, iii) dilution of government share holding, iv) provision for private sector to tighten grip in Public Sector Banks, and v) entry of new Private Banks.

Now there are plans to allow corporates into banking including by dilution of share. Only for reducing share below 50% Parliament approval is needed. They could do it easily in the Case of LIC through a budget announcement and GIC through an amendment.

Can Privatisation be stopped?

When the financial resolution and deposit insurance Bill was introduced, there was a campaign against it, not only by Trade Unions but also by the civil society. Sustained campaign and presentation before the Joint Parliamentary committee forced the BJP- NDA Government to withdraw it from the Parliament.

Similarly, the Bill moved in the Parliament during the NDA-1 government to reduce Government shareholding in Banks to 33% did not see the light of the day.

Of course now, they are even bypassing the parliament to bulldoze their agenda, but we have to find ways of exposing the anti-people moves so that popular opinion can be mobised against such steps.

Niti Ayog, which has become Aniti Ayog, has recommended the sale of 2 banks. Arvind Panagariya and Poonam Gupta in fact have advised the government to privatise all PSBs except SBI. This needs concerted agitation from the trade unions before it is too late.

Lakshmi Vilas Bank became a foreign bank with no compensation for its shareholders. The same danger looms on the other big banks too. That's what the IMF and the World Bank wishes. Hence the Prime Minister saysthat the government has no business to be in business.

Last year the Finance Minister releasing EASE 3.O said,

"Your good will is lost, personal connection is lost, assessment at the bottom level is lost... forgetting branch- level connect with customers has not done us good." She and her government are totally responsible for this.

3.14. Life Insurance Corporation of India

In the year 1956, 245 private companies were merged and nationalised, bringing Life Insurance Corporation of India into existence.

By its very nature, insurance should be under the state control. Once you sell the insurance, you don't sell any product. Essentially, you sell a promise. You make a promise that you are going to pay such and such sum of money in the event of someone's unfortunate death. And when you are selling a promise in the market and if this promise is met with the guarantee of the state, then there is nothing like it. No private sector can be believed to honour its commitments after 15 to 20 years, based on experience in India and also the experience globally.

Private insurers were not ready to oblige Tsunami survivors and they were not ready to

honour the commitments that they had made as they pleaded, that Tsunami was not covered under the terms of the contract because Tsunami essentially happened to be an act of God. Ultimately, the matter was taken to the court of law.

The Government of India gave an initial capital of only 5 crore to LIC but when the assets and liabilities were transferred, it was found that the liabilities of the private companies were in excess of their assets by a sum of around 75 lakh rupees. Though it has seen its market share shrinking over the years, but as is evident from the Annual Report of IRDAI, LIC still held a whopping 64.14% market share while all the remaining 23 private sector insurers together has a market share of 35.86%. The test for an insurance company lies in its claim settlement ratio and the insurance regulatory development authority itself says, that on an average LIC settles 99.6% of the claims. This runs in the face of the claims about the so called public sector "inefficiency".

"With a policyholder base of over 40 crore, it has touched the lives of tens of millions of Indian households. The assets under management of LIC are a whopping Rs 38 lakh crore. It generates annually Rs 4-5 lakh crore as investible fund. It has paid to the government cumulative dividend amounting to over Rs 28,695 crore since inception," said Amanulla Khan3, the former president of All India Insurance Employees' Association. And yet, the government went ahead and with the disinvestment process even as it is bound to fundamentally alter the character of LIC as a social security guaranter to lakhs of small ticket holders in rural India unlike the city dwellingbig ticket policy holders that the private sector catered to.

4. WHAT'S TO BE DONE?

As on 30th July 2021 report of RBI, Aggregate Deposits in the scheduled commercial banks was Rs 1,55,49,047 cr and Bank credit was Rs 1,09,10,416 cr. Banks should be asked to lend to Agriculture, Micro and Small Enterprises, women SHGs directly and not through MFIs, help Youth to study, as well as start enterprises with hand holding support, provide Housing loans less than Rs 30 lakhs to low income groups and Cover entire loans under these under the Credit Guarantee Scheme of 100% Guarantee.

Double the employee strength in Public Sector banks and assure that they will not be privatised but will concentrate on development of rural and backward areas.

Convert 11,000 CSPs into bank branches and absorb business correspondent s as staff.

Fulfil Priority sector lending which should be increased to 50% of total loans with sub target for loans below Rs 2 lakhs. Make the Lead bank scheme of lead banks in districts and Potential Linked Credit Plans of NABARD scientific, realistic and ensure implementation.

Make RBI Independent and fill it up with real experts and not cronies.

Dr. Y.V. Reddy said in his lecture at the Per Jacobsson Foundation Lecture (2012) that the central banks are expected to ensure trust and confidence in money and finance, and avoid the pitfalls of capture, while the common person seeks inclusive finance, national level consistent with their obligations to the global economy. He went on to say that the financial sector may draw lessons from global coordination in other industries, especially in managing networks. Better regulation warrants effective regulation. Consideration of enhanced monitoring of financial market activities and the use of fiscal tools to supplement regulation could be helpful in this regard. Central banks have to ensure that bank management and the financial

sector in general serve the masses, and not merely the elite or the financially active.

Appoint Employee Directors in Public Sector Banks.

Honour the Act of Parliament. They play the watch dog role.

Bring back Development Banks.

China has four development banks. The Chinese government told the banks, "Give loans, Start enterprises all over the country." In towns and villages, everywhere, the government should have industry. Create employment. Don't worry about non-performing assets. All four banks gave loans to everyone.

Global experiences show that development banks have made a lot of difference. With a Good Credit guarantee Scheme backed by the government, they can take risks.

Wind up NCLT and have stringent Laws for recovery.

Today, corporates become NPA but the promoters live in style or escape from the country. The Parliamentary Standing Committee on Finance, in its report released in February 2016, did a good analysis and suggested effective measures including publication of names of large defaulters and fixed accountability on Board directors for large loans including Ministry and RBI representatives. Implement them.

Strengthen Cooperatives and Farmer Producer Organisations.

Give them autonomy, allow democratic functioning, support state government s to mentor them and develop them. They are at grass roots.

Strengthen SHGs and convert them into a Women's Bank.

We have SEWA bank as a model. Similar ones can be started state wise by supporting SHG federations and not for profit MFIs.

Recruit and develop Specialists.

We need specialists for agriculture, allied activities, MSMEs, women entrepreneurship etc. Provide good employment to them in banks and make their Salary equal to Central Services with 5 day week. You need talents for real growth.

Stop Privatisation of LIC and GIC.

They serve the masses. They provide huge support to government . They should not be listed. Their real value cannot be assessed by the stock market.

Strengthen NABARD and SIDBI.

NABARD is a one-man army in every district. Their work load is increasing but staff strength is decreasing. It's paying almost Rs 1000 crores as taxes. Instead, that amount can be used for increasing its activities. SIDBI is there only in State Head Quarters. As a development bank, they should spread to districts.

People have to be told the truth. The truth that their money will not be safe; they will not have access to credit; the truth that their children will neither have employment nor self-employment. They will decide the future.

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Agriculture

NEOLIBERAL REFORMS AND AGRICULTURAL DEVELOPMENT IN INDIA

Vikas Rawal and Jesim Pais

Agricultural policies over the last three decades in India have borne a strong imprint of neoliberalism. In fact, the worst impact of neoliberal policies has been borne by peasants and rural workers. Agriculture has gone through prolonged phases of crisis during this period and large sections of rural workers have been pushed into seeking employment in some of the most arduous and exploitative working conditions in brick kilns, mines and construction sites.

The trajectory of neoliberal reforms in the area of agriculture can be broadly divided into three phases:

PHASE I: 1991 TO 2004

This was the foundational phase for liberalisation of the Indian economy. After India formally adopted the liberalisation and globalisation policies in 1991, support provided to agriculture came under attack from international development institutions as well as Indian economists and policy makers of neoliberal persuasion.

In the early years, it was argued that farmers would reap higher returns if the domestic economy were integrated with the world economy and Indian farmers could access export markets. India joined the WTO in 1995, which obliged the government to phase out quantitative restrictions and lower tariffs on imports, and cut down support to agriculture. At the same time, agriculture and farmers were also demonised as parasitic segments of the economy that survived on a disproportionate amount of state support. This was used to rationalise the moves for curtailing subsidies on inputs, curtailing public provisioning of services to the agricultural sector (extension, command area development, creation of shared irrigation facilities) and denying debt relief to farmers. The neoliberal fixation with fiscal austerity was institutionalised in the form of the Fiscal Responsibility and Budget Management Act (FRBM) in 2000. Restrictions imposed by the trade agreements and the neoliberal belief in fiscal austerity were key drivers of the policy attempts at withdrawing support to agriculture.

The public distribution system for subsidised grain was changed from a universal programme to a narrowly targeted programme during this period. The poverty line was incrementally reduced to a destitution line by dissociating it from the calorie intake norms. Arbitrary methods of identification of Below Poverty Line (BPL) households were used to exclude a large number of deprived households from the public distribution system and other social security schemes. By the end of this phase, benefits from social security schemes such as the

PDS were targeted only to a small segment of the population. Less than 40% of ration card holders were covered by Below Poverty Line or Antyodaya Anna Yojana entitlements. Entitlements of the rest of the ration card holders, called the Above Poverty Line households, were progressively reduced and the subsidy on the grain provided to them was progressively reduced.

During this period, financial liberalisation resulted in a decline in the supply of bank credit to agriculture (from about 17% of gross bank credit in late 1980s to about 10% in 2000) (Figure 1). Public expenditure on agriculture also shrunk considerably during this period (from about 14% of total government expenditure in early 1990s to less than 10% by the end of this phase) (Figure 2). In other areas, for example, in the power sector, changes in the institutional framework started to be made though the full impact of these was yet to be seen. By the end of this phase, rural society was facing intense economic distress. It was during this period that a large number of suicides by farmers was first noticed as a telling sign of agrarian distress.

While the government considerably narrowed the coverage of the public distribution system, it was forced to continue with public procurement and the system of Minimum Support Prices because of the economic crisis. This imbalance was accentuated because of falling agricultural prices globally during this period, which put downward pressure on open market prices in India due to increased integration between the national and global markets. These imbalances resulted in an unprecedented buildup of public stocks towards the end of this phase (Figure 3).

The agrarian distress is widely believed to have been a major factor behind the defeat of the NDA government in 2004.

PHASE II: 2004 AND 2014

This was a phase during which the government, despite its commitment to neoliberal reforms, was forced to respond to popular resentment caused by neoliberal policies. As a result, the country saw, on the one hand, significant expansion of public support and social protection during this period, and on the other, changes being made to the institutional and legal framework governing agriculture to push the agrarian economy further in the neoliberal direction.

Key measures that provided some relief from agrarian distress included enactment of the National Rural Employment Guarantee Act (2005), the Forest Rights Act (2006), and the National Food Security Act (2013). This period also saw a considerable increase in supply of bank credit, including for agriculture. In 2014, agricultural credit accounted for 13% of gross bank credit (Figure 1). There was also an increase in public expenditure on agriculture (to about 12 per cent of total public expenditure between 2006–07 and 2010-11) (Figure 2).

With an increasingly open economy, global surges in food and fuel prices—particularly in 2008 and 2010—hit India as well. On the whole, this was a period of high inflation, which cut into the gains on account of expansion of formal-sector credit and public investment because of rises in cost of production. While high prices of export commodities like cotton helped relieve distress among producers of these crops, high prices adversely affected small producers of foodgrains, a majority of whom are net buyers of food.

Some of the most significant institutional changes to further liberalise the governance of agrarian economy were also brought about during this period. These picked up pace in particular by the end of 2000s, as the initial pressure to

address agrarian distress receded. Some of the noteworthy policy changes during this period include deregulation of prices of fertilisers other than urea, power sector reforms and reforms in the area of agricultural marketing. Futures trading was allowed for a number of agricultural commodities during this period. Aadhaar—a system of digital identification of all citizens—was created during this period and started to be used for verification of beneficiaries of social protection schemes.

PHASE III: 2014 ONWARDS

This is the phase in which the most radical moves have been made to open agriculture to penetration of large agribusinesses. Crop insurance was opened to the private sector with the shift from the National Agricultural Insurance Scheme to PM Fasal Bima Yojana in 2016. Significant moves have been made to promote contract farming, facilitate reverse leasing of land from marginal landowners,

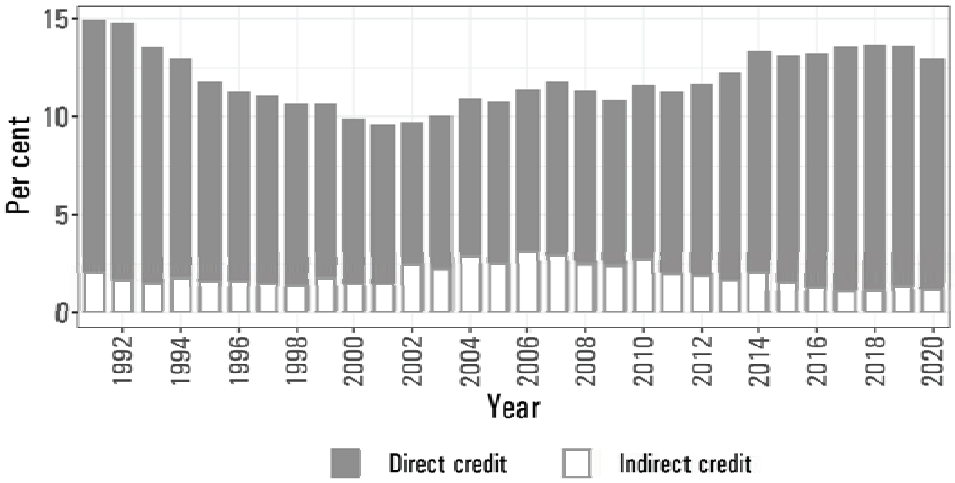

Figure 1: Proportion of direct and indirect agricultural credit in gross bank credit (per cent)

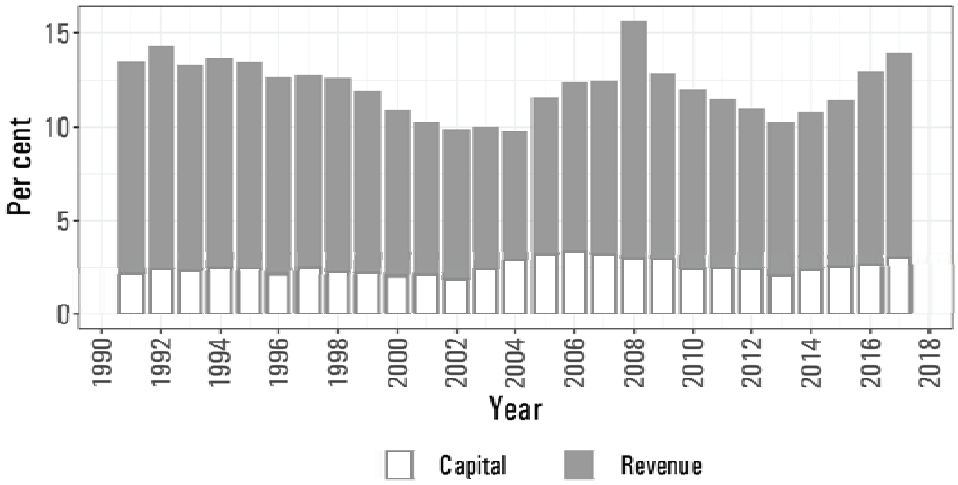

Figure 2: Capital and revenue expenditure on agriculture as a proportion of total public expenditure, 1991–92 to 2017–18 (per cent)

and deregulate agricultural marketing to promote greater penetration of agribusiness companies.

The demonetisation misadventure, switch to a half-baked system of Goods and Services Tax, and overall mismanagement of the economy during this period have created an unprecedented crisis in the banking sector, robbed state governments of resources and resulted in a significant decline in revenues of the central government. All of this has resulted in shrinking of the public investment in agriculture, a slowdown in the growth of formal sector credit for agriculture, and a major crisis of rural livelihoods.

In respect of public expenditure on agriculture, two important changes have taken place during this phase. These are the key factors behind an apparent rise in public spending on agriculture in the recent years (Figure 2)

Shift to direct money transfer

First, direct money transfers have also emerged as a substitute for traditional forms of support during this phase.

Introduced initially through state-level schemes (Rythu Bandhu scheme in Telangana started in May 2018 and KALIA scheme in Odisha started in December, 2018), the central government created PM Kisan Samman Nidhi (announced in December 2018 on the eve of the national elections) to extend direct money transfers to farmers across the country.

Although direct money transfers provide liquidity in the hands of farmers, they do not translate into higher spending on agricultural production. In most cases, the meagre transfer is used just for meeting consumption requirements.

Direct money transfers are also known to have high leakages in economies that are predominantly informal. In India, direct money transfers for farmers face additional problems because of poorly kept records of land ownership and because a large section of farmers operate through informal arrangements (for tenancy, credit and other inputs).[1] As a result, apart from high leakages, direct money transfer schemes exclude vast sections of the poor farmers. Also, in most cases, the money transferred is small and disbursed at irregular intervals. Aadhaar has become ubiquitous during this period and its use extended to practically every government programme including for direct money transfer schemes.

Accumulation of public stocks

Secondly, while the government has been unwilling to expand (in terms of coverage, in terms of the basket of commodities being distributed and in terms of the size of entitlements) public distribution of food, it has been forced to continue with the system of Minimum Support Prices and public procurement of wheat and rice, despite the fiscal burden associated with them. Just as it happened towards the end of the first phase, in the recent years also, government has been forced to procure significantly more wheat and rice than it has been willing to distribute at subsidised prices. As a result, public stocks of foodgrain have exceeded over 120 million tonnes (Figure 3). Paradoxically, procurement and maintenance of these massive surplus stocks of grain account for a significant part of increase in recent public expenditure on agriculture. Maintenance of large

1 There has been a considerable increase in informal tenancy over the last two decades. The 77th round of NSO surveys (NSO surveys are known to grossly under-estimate incidence of tenancy) shows that, in 2018-19, about 18% of cultivators were tenants and about 22% of total operated area was cultivated on lease contracts.

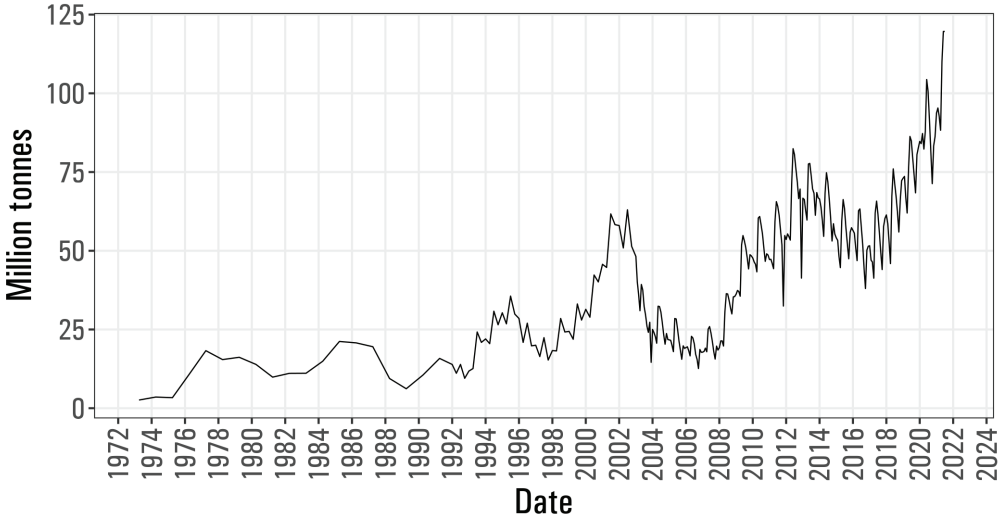

Figure 3: Stocks of foodgrain held by government agencies (million tonnes)

Sources:

1. Annual data from 1972 to 1991 from the Database on Indian Economy, Reserve Bank of India (https://dbie.rbi.org.in)
2. Quarterly data from 1992 to 2002 from the Economic Surveys of the Government of India.
3. Monthly data from 2003 onwards from Food Bulletins, Department of Food and Public Distribution (https://dfpd.gov.in/food-grain-bulletin.htm).

stocks, and unwillingness to distribute the grain, has put a downward pressure on the open market prices and worked to accentuate the crisis for a majority of farmers who are not covered by public procurement.

Promotion of unscientific solutions

A specific feature of this phase is also that, while scientific research continued to be starved of funds, unscientific solutions have been propagated in various areas. Restrictions on bovine trade and support to cow-vigilante groups have caused havoc on the livestock economy. Neem coating of urea has been made mandatory without any reliable evidence of its benefits. Dubious, pseudo-scientific ideas such as Zero Budget Natural Farming continue to be promoted by the central government.

COVID-19 Pandemic and the Agrarian Economy

The sudden nation-wide lockdown announced in March 2020 resulted in a major breakdown of supply chains and caused severe disruptions in agricultural markets. In addition, a large number of migrant workers had to suddenly migrate from cities to their native villages because of extremely harsh imposition of the lockdown in the cities and a collapse of employment opportunities.

While domestic food supply chain disruptions were overcome after the first few months of the pandemic, disruptions in global supply chains continue to create volatility in prices of inputs like fuel (Figure 4) and fertilisers (and raw material used in fertiliser manufacturing) and in prices of food commodities like pulses and edible oil for which India has considerable import dependence.

Volatility in prices and supply disruptions have exposed the fallacies of neoliberal reforms in agriculture. Since 2015, government has used high excise tax on fuel to cover shortfall in revenues because of misadventures like demonetisation and tax reforms. The last few months have seen a sharp increase in prices of petroleum products, including diesel, which is a key source of energy in agriculture, other products that are used as raw material for production of nitrogenous fertilisers, have seen a sharp rise because of both a rise in international prices as well as high levels of domestic taxes (Figure 4). In the fertiliser sector, India's dependence on imports has increased sharply in the recent years. Not only is a large share of fertiliser supply imported, India also depends on imports of raw material for fertilizers manufactured domestically. The period of the COVID-19 pandemic has seen a sharp rise in prices of both raw materials like phosphatic rock, phosphoric acid and potassium chloride as well as manufactured fertilizers (Figure 4). While pricing of all fertilisers other than urea has been deregulated under the NBS regime, in the recent months, government has been forced to increase subsidy on non-urea fertilisers and use political pressure to make fertiliser companies keep the prices down. Similarly, sharp rises in prices of pulses and edible oils (Figure 4), for which India's dependence on imports has increased considerably over the last three decades, has forced the government to use the stay on the implementation of ECAA by the Supreme Court (which it contested tooth and nail) to impose stock limits on traders, millers and distributors.

The New Farm Laws

While the country was still battling the first wave of the pandemic, and a strict lockdown was in place, the government started making moves towards using this opportunity to push through the next phase of reforms in agriculture, which it apprehended were likely to be unpopular among farmers. This eventually took the form of three ordinances introduced on June 3, 2020. The ordinances were converted into acts of parliament in September 2020 after they were passed in controversial circumstances and despite stiff resistance from almost all the opposition parties.

These laws—the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act (FPTCA), the Farmers Produce Trade and Commerce (Promotion and Facilitation) Act (FAFSA), and the Essential Commodities. (Amendment) Act (ECAA)—will bring about sweeping changes in the regulatory framework for agriculture.

Of the three new Acts, the FAFSA provides a liberalised and deregulated national framework for contract farming. The Act leaves the terms of contracts to mutual agreements between individual farmers and companies with very limited provisions for regulation. It offers no scope for collective bargaining, or for intervention by the state, cooperatives or local democratic institutions to ensure fair play. It provides for a weak grievance redressal mechanism that privileges the local bureaucracy, even preventing the farmers from approaching local civil courts for the resolution of disputes.

The FPTCA is aimed at deregulation of the agricultural marketing system. As per this Act, any area or location outside the physical boundaries of market yards run by marketing committees or notified under state APMC Acts may be considered a "trade area". Agricultural trade occurring in such trade areas is exempted from regulation. The state governments and APMC markets are barred from imposing any levies, cesses or taxes on trade under FPTCA. The FPTCA has removed all restrictions on intra-state or inter-state trade of agricultural

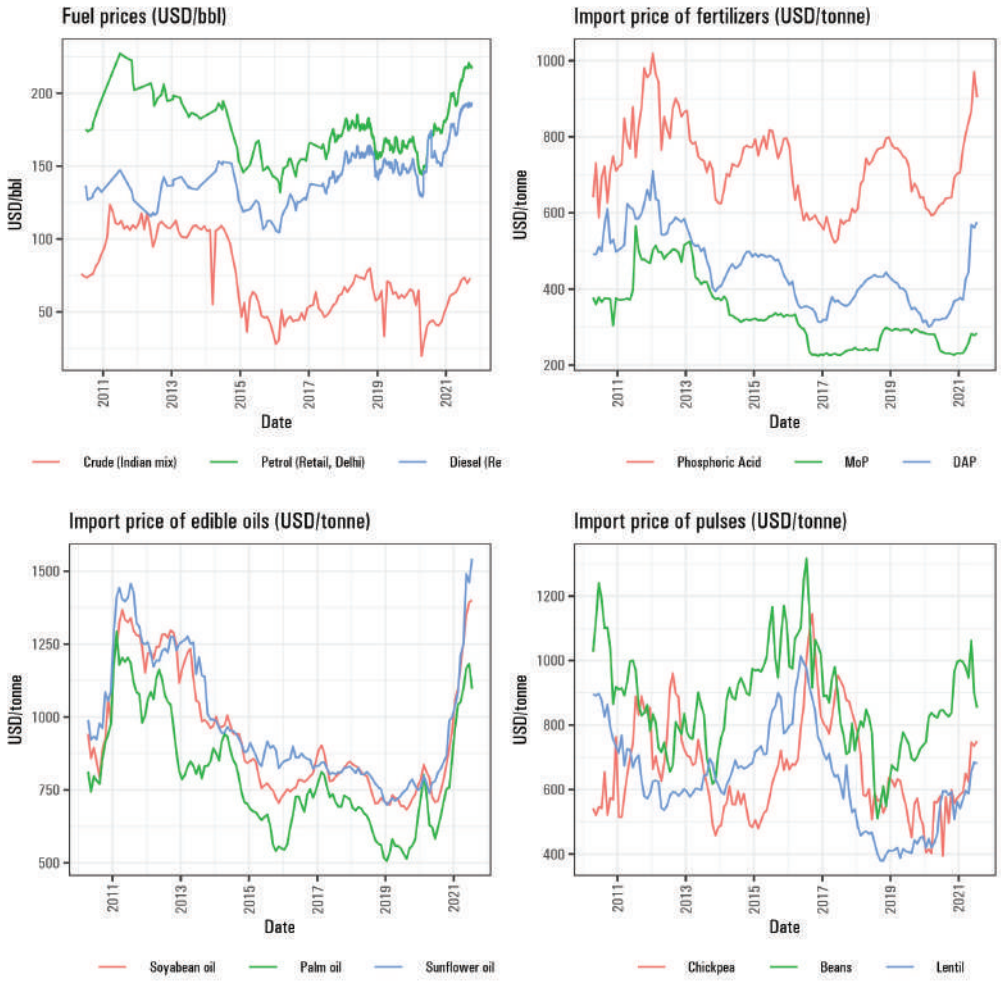

Figure 4: Prices of fuel, imported fertilisers, imported edible oil and imported pulses

produce. It allows private traders to set up private market yards or electronic trading platforms. Under the Act, price fixation is left entirely to mutual consent between the buyer and the seller, and the state is left with no role to mediate to ensure that farmers receive a fair and remunerative price.

The ECAA was introduced to reduce the scope of government intervention in regulation of private hoarding of essential food commodities. Among various provisions, it allowed the government powers to impose restrictions on the stocking of essential commodities. With the enactment of the ECAA 2020, the government has considerably weakened the provisions for imposing limits on holding of stocks by any entity in the food supply chain. The new legislation allows for government regulation only in extraordinary circumstances such as war, famine, natural calamities or extraordinary rise in prices.

These legislative changes have resulted in widespread protests by farmers. Most notably, since November 2020, farmers have been protesting at various borders of the national capital. Organisations of protesting farmers have argued that these laws have been introduced to dismantle the systems of minimum support prices and public procurement, and to facilitate penetration of large agribusiness corporations in production

and marketing of food. The implementation of these laws has been temporarily put on hold by the Supreme Court in view of these protests.

THE POLITICAL ECONOMY OF AGRARIAN CHANGE UNDER NEOLIBERALISM

Over the last three decades, pressures from developed countries to open Indian markets to global agribusiness, and fixation of the national policymakers with keeping fiscal deficits low and withdrawing from the responsibility of providing inputs and services to farmers, have been the major drivers of changes in policies that govern the agrarian economy.

On the other hand, there were three factors that militated against an outright dismantling of the systems of public support to agriculture.

First, given the large size of India's food requirements, it has been impossible to move too far away from the reliance on domestic production as the mainstay of food supply. It was clear that there was simply no way of obtaining assured supply of major food commodities through imports without compromising strategic national interests. Even as India's import dependence for some of the key crops—oilseeds, pulses and onion—increased, and the heat from the volatility of global food prices was felt in India, it became evident that increasing import dependence for food was already a problem and its extension to other key crops, including cereals, would be a disaster.

Secondly, with little growth of non-agricultural employment, particularly in the organised sector, the state had to be mindful of the disruption that would be caused if a large section of the workforce is displaced from agriculture. Over the last three decades, the declining labour absorption in agriculture forced rural workers to increasingly depend on precarious and low-wage employment in the urban informal sector. Women provided cheap labour for agriculture when men moved to the cities, and withdrew from the labour force to leave the space for men in the periods when contraction of employment in the urban areas forced men to return. Thirdly, the state had to contend with the power of the rural elite, particularly in view of their capacity to mobilise rural masses. Even when agrarian distress could not be successfully channelled for progressive transformation, it was a significant factor that could and did cause political disruptions, at the national level most significantly in 2004 (and since 2020) and at the state level at various points of time.

Given these pressures—in favour of greater liberalisation of agriculture as well as against outright dismantling of the systems of public support—the Indian state arrived at a peculiar balance. Over the last three decades, while successive governments did not manage to reduce the overall levels of fiscal support to agriculture very much, constant attempts to do so resulted in severe distortions and imbalances in the forms of support which in turn caused the support to become ineffective as an engine of growth and inadequate for ensuring that agriculture provides decent incomes to farmers. The agrarian crisis has been the outcome of these policy distortions.

Infrastructure

LAND AND MEGA INFRASTRUCTURE PROJECTS

Preeti Sampat

If infrastructures are understood as more-than-human social networks or assemblages of people, nature (including other species and 'resources'), finance and power, infrastructure development is not new or exceptional to the contemporary historical conjuncture in India (or across the globe). Sovereign, feudal and community infrastructures have historically served social interests across diverse global contexts. The rise of capitalism in the eighteenth century, however, has marked a powerful shift in the social role of infrastructures for economic development. Capital requires the renewal and fresh development of transport, communication and urban infrastructures to overcome barriers of time and space, and deepen market circuits of production, exchange, distribution and consumption. Eighteenth and nineteenth century colonial empires thus, fought wars and instituted capitalist infrastructures in the metropoles and colonies towards engendering flows of 'resources' to the imperial metropoles, and processed commodities to the colonies.[1] Colonial capitalist infrastructures range from legal infrastructures such as land enclosures of the commons in the metropole and 'rational' land title settlements in the colonies; or material infrastructures such as railroads, shipping, communications services or schools. While communist infrastructures of the twentieth century emphasised collectivisation and communes under party control as an ideological and material counter to capitalist infrastructures, the first half of the twentieth century additionally saw the development of fascist infrastructures fueling the potent mix of national identity, capitalism and war. Post-world-war-two infrastructures of the twentieth century were driven by the need to reconstruct capitalist economies in the ex-colonial metropoles; and by the concern for state-led national self-sufficiency and sovereignty, and to facilitate capitalist development in the newly independent ex-colonies.

The term infrastructure itself emerged in French engineering, in the context of railroad infrastructures of the eighteenth century, and was initially picked up across the Atlantic as a military term in the post-world-war-two terminology of the North Atlantic Treaty Organization (Carse 2016). The post-war reconstruction of Europe with the help of the International Bank for Reconstruction and Development (or World Bank) then deployed the term infrastructure in its contemporary sense

1 See Mintz (1982) for an excellent account of sugarcane plantations in the Caribbean colonies serving the production of sugar in European metropoles.

of economic development by the mid-nineteenth century.

In post-independence India, 'development infrastructures' were under the formal control and regulation of state bodies, hence were considered public infrastructures. But just as Indian capital won concessions from the state under the import-substitution policy imperative (Chibber, 2008), development infrastructures such as large dams and industrial townships facilitated capitalist development with state support. In the post-liberalisation classification of India as an 'emerging economy', infrastructure development has acquired a powerful valence in public policy aimed at capitalist economic growth. The policy frameworks of post-liberalisation 'growth infrastructures' include a developmental role for capital in partnership with, or independent of (but largely facilitated and subsidised by) state bodies (see Sampat, 2018; also Goldman, 2011; Nilsen, 2010). Tethered to the liberal project of economic growth through global economic integration, India's post-liberalisation growth infrastructures have conflated the discourse of economic growth with development, and aid capitalist accumulation by absorbing excess surplus value (or profits) from global finance capital in the form of investments, and incorporating newer frontiers of more-than-human nature (including people, 'resources' and other species) for market expansion.

Governments of diverse political persuasions and ideological moorings have inaugurated numerous growth infrastructures to intensify accumulation. The Congress Party-led United Progressive Alliance (UPA) from 2004–2014 thus, notably approved the controversial 2005 special economic zones (SEZs) law, that was earlier introduced as part of export-import policy by the Bhartiya Janata Party-led National Democratic Alliance (NDA) in 1999–2004. SEZs received enthusiastic support across several state governments including those led by the Communist Party of India (Marxist), and within two years of the law's enactment in 2005, the Government of India approved over 500 SEZs, several proposing 'world class' infrastructure and real estate development over thousands of acres of land. The Delhi Mumbai Industrial Corridor (DMIC) was similarly inaugurated in 2006 by the UPA, and envisions 24 industrial urban regions, two international airports, six power projects, two mass rapid transit systems, and four logistical hubs. Under the NDA since 2014, the DMIC Development Corporation has now been converted into the National Industrial Corridor Development Corporation (NICDC), overseeing the proposed infrastructure development of five corridors across the country including the DMIC.[2]

Industrialisation plays a significant role in the imaginary of growth infrastructures such as SEZs or industrial corridors, but it is worth noting that manufacturing in India has persistently stagnated at 15 to 16% of the gross domestic product since the 1980s. Despite investment-friendly policies such as SEZs offering significant tariff and tax rebates to investors, as well as subsidised or free land, power, water and related infrastructures, the terms of trade transfers to industrialisation remain elusive for a host of reasons. Where investments have occurred, they do not match official projections and goals of investment or employment.[3] The Comptroller and Accountant General of India thus points out that 52% of the land allotted to SEZs has officially remained idle, and SEZs have not had any significant impact on India's economic growth,

2 For more details on the corridors see https://www.nicdc.in/about-DMICDC.

3 Mahindra World City Jaipur and the Andhra Pradesh SEZ are instances of functioning SEZs (see Levien, 2018; and Cross, 2014 respectively).

trade, infrastructure, investment or employment (GoI, 2014). Recent analyses of the challenges faced by the Indian economy underline this trend with pronouncements such as "India has all but missed the bus as far as manufacturing is concerned" (Samanta, 2019; see also Priya and Ghosh, 2018; Kumar, 2015).

The economist Albert Hirschman defined "linkage effects" as "investment-generating forces that are set in motion, through input-output relations, when productive facilities that supply inputs to that line or utilise its outputs are inadequate or nonexistent. Backward linkages lead to new investment in input-supplying facilities and forward linkages to investment in output-using facilities" (1981: 65). Infrastructure development in India is expected to forge productive linkages with industrialisation, critical for economic transition and trade transfers from the agrarian economy to industry. However, while transfers to manufacturing have not materialised in the decades following liberalisation, a real estate and construction boom has accompanied growth infrastructures, and created a surge in land and property markets across the country, especially in and around urban areas (see Searle, 2016; Chakravorty, 2013; Goldman, 2011).

Construction has grown from 6% of India's gross domestic product in 2000-01, to 8.2% in 2011-12, slowing to 7.8% in 2017-18 (see Table 1 below). Remarkably, the construction sector has emerged as the second largest employer of workers in India since 2009-10 with 11% of the workforce; next to agriculture employing 36% of the workforce (Soundararajan, 2013; also GoI, 2018). Recent reports indicate a slowdown in real estate, as the fallouts of "demonetisation", the new Goods and Services Tax (GST; see below) and Real Estate (Regulation and Development) Act 2016 have slowed demand and reduced public and private spending (Alexander, 2019; Upadhyay, 2019). The economic slowdown in the lockdown period of the COVID-19 pandemic has likely only added to reduced demand and spending in the sector. However, construction retains overall economic significance, and fuels the growth of India's rentier economy premised on land and real estate price appreciation (Sampat, 2016).

Typically, announcements of infrastructure projects lead to local appreciations in prices. As existing relations around land are rendered 'unproductive' in official accounts, land holdings are categorised as 'barren lands' or 'backward areas' to ease their conversion into real estate and infrastructure development areas. Large landowners able and willing to profit from rentiering, or smaller landowners making distress sales for personal needs, may sell or 'give up' land without resistance for immediate returns. A large majority of peasants however, are unable to profit from rentier gains as their landholdings are too small, or they are landless. Conspicuous consumption and the paucity of skills facilitating transition from

Table 1: Share and Growth of Construction Sector (percentage of gross domestic product and gross value added)

Year	2000-01	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2017-18
Construction	6.0 (6.1)	7.9 (12.8)	8.2 (10.3)	8.5 (10.8)	8.5 (5.3)	8.2 (6.7)	8.2 (5.7)	8.2 (10.8)	7.8 (3.6)

Source: Adapted from Central Statistics Office figures in GoI, 2013; 2018. Figures in brackets indicate annual growth rates based on gross value added. Shares are in current prices and growth in constant prices.

agriculture adversely affect large landowners as well; rentier activity incorporates landowners and the landless differentially (see Sampat, 2018; 2016; Levien, 2018; Searle, 2016).

India's rentier economy configures interests within the state; policy; global and domestic investors, consultants and developers; and (usually large) landowners willing and able to benefit from rentiering (at least temporarily); with land and real estate markets. Fly-by-night operators, brokers and dealers out to make a quick buck, join the ranks in the rentier-driven commodification of land and built space. In the gap between elusive and failing investments in industrialisation and manufacturing on the one hand, and the real estate boom on the other, this growing rentier economy (rather than industrialisation), emerges as the predominant driving force for investments in growth infrastructures.

The linkage effects of infrastructure development with construction further engender precarious relations around ecology and labour. Construction-related intensification of stone quarrying from hillsides, sand quarrying from river beds, and other related extractive industries, often illegal, further incorporate more-than-human nature into India's rentier economy in expropriatory ways. Historically appalling working conditions of mines and construction workers further compound precarities. The devastation of agriculture in mining areas and its adverse impact on water sources adds to processes of impoverishment for residents around such projects. Mines and construction workers are often migrants employed through contractors or sub-contractors, lacking formal contracts and benefits. Their migrant status makes it harder for them to access any welfare provisions locally. They are also generally paid below statutory minimum wages and are at risk of frequent injuries and fatalities, with little compensation, official acknowledgement or even compilation of data concerning them.[4] Threats to ecological "reserves" and habitats from infrastructure projects implemented around and through ecologically sensitive areas include ecotourism infrastructures. Adjacent to Dholera smart city along the Delhi Mumbai Industrial Corridor, for isntance, is the Velavadar blackbuck sanctuary that the state government hopes to promote as an ecotourism destination, and has whittled away at the mandatory buffer zone in its approved plan for the city. Along the coast, the government is planning 5000 mw solar power generation over 11000 hectares of land. The coast is feeding grounds for several species and also en route to migratory birds that stand to be dispossessed by the project. With inadequate productive investment in manufacturing, the deeply unequal geography of rent, the "cheapening" of ecology and labour (Moore, 2016), the precarity of rentier-driven infrastructure development renders large numbers of peasants an "absolute surplus population" (Smith, 2011) that is irrelevant to accumulation in India's rentier economy, except as obstacle (Sampat, 2016); as workers and more-than-human nature are exploited for surplus value.

Pre-and post-liberalisation infrastructures have both contributed to dispossession and experienced resistance, especially since the 1970s. The intensification of post-liberalisation growth infrastructures with the direct participation of capital however, has encountered heightened resistance since the mid-2000s, with many projects and related policies stalled, or even rolled back. Projects with a significant urban development component have particularly courted controversy as implications for large-scale dispossession from thousands of acres of land and related livelihoods have unfolded. Several SEZ developers, for

4 See Vakulabharnam (2013) for a succinct account of the exploitative conditions under which migrant brick kiln workers service the construction industry in Hyderabad city.

instance, sought land in the urban peripheries of large metropolitan centers to convert cheap and state-subsidised land allotments to high-end real estate, but resistance to land dispossession was successful in forcing many state governments to withdraw projects in the face of steadfast resistance. In Gujarat, the 197 square mile Mandal-Becharaji Special Investment Region was among the first projects along the DMIC that faced immediate resistance from 44 villages. When agitations intensified in 2014, then-Chief Minister of Gujarat Narendra Modi cancelled land acquisition in 36 villages (Indian Express, 2013; Shivadekar, 2013), likely fearing electoral repercussions in a significant national election year. The more recent bullet train project from Mumbai to Ahmedabad cities is another case in point. The Japanese International Cooperation Agency (JICA) is to fund 81% of the total estimated project cost of $17 billion. Fierce protests against the acquisition of 1400 hectares of land affecting 192 villages in Gujarat, and 120 villages in Maharashtra have thwarted the project thus far. Delays in land acquisition have led to the temporary suspension of a loan instalment from JICA in 2019 (see Newsclick, 2018; PTI, 2018; Gupta, 2018).

While struggles over land and resources are significantly shaped by historically and culturally particular local contexts, their frequent recurrence in recent years across India is noteworthy. Numerous mobilisations resisting dispossession and expropriation have occurred in fertile agrarian and forest areas and many have secured success in pushing out projects, albeit at tremendous cost over years to locals. The culmination of these struggles at the national level occurred during the ruling BJP-led national government's attempt to amend the 2013 land acquisition law in 2015. The 2013 Right to Fair Compensation and Transparency in Land Acquisition Rehabilitation and Resettlement Act resulted from years of anti-dispossession agitations that came to a head with controversial land-grabs for SEZs in the mid to late 2000s. The 2013 law replaced the colonial Land Acquisition Act 1894 after 119 years, historically bringing rehabilitation and resettlement of the dispossessed within the acquisition framework for the first time. While it also controversially increased the scope of forcible acquisition for public *and* the private sector projects, the law nevertheless included progressive measures such as mandatory social impact assessments and the prior informed consent of landowners for private sector projects. The amendments to the 2013 land acquisition law in 2015 sought to exempt industrial corridor and infrastructure projects for entertainment, health, housing and education (that is nearly all development projects) from social impact assessments and mandatory consent provisions. The amendments were defeated by nationwide agitations that brought together peasants, big farmers, social activists, environmentalists, journalists, lawyers, academics, other concerned citizens, political parties and trade unions on common platforms such as the *Bhumi Adhikar Andolan* (Land Rights Campaign). This success brought land-grabs for capital to impasse nationally, thwarting authoritarian policy based on a wide interpretation of the doctrine of "eminent domain" in favour of capital (see Sampat, 2019; 2013).

Infrastructures are driven by ideology that in turn mobilises specific material and aesthetic social relations. They condition possibilities of work (or labour) and the social reproduction of everyday life. If the metabolic relations between human labour and nature are to be recuperated from the exploitative relations of capitalism such that harm to more-than-human nature (including human, other species, and "resources") is repaired, local, community-oriented and small scale infrastructures need regeneration. At the same time, communities index deeply inegalitarian

social relations driven by caste, class, gender, race, ethnicity, religion, sexuality and other normative majoritarianisms. The contemporary scale of climate change and social, political and economic inequality, and the global economic slowdown amid pandemic conditions, behoove egalitarian small-scale infrastructures that challenge entrenched power inequalities and enable the sustenance of multi-species life on Earth. Conflicts around contemporary capitalist infrastructures potentially create possibilities for multiple collective envisionings, but must additionally confront growing political authoritarianisms (Vanaik, 2017; Sampat, 2020).

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NATIONAL INLAND WATERWAYS

Development for Profit not for People

Shripad Dharmadhikary and Avli Varma

In March 2016, the Parliament enacted the National Waterways Act, declaring 111 rivers and river stretches as national inland waterways. This declaration meant that the regulation and development of these waterways now vests with the Central government, who manages them through the Inland Waterways Development Authority (IWAI), a statutory creation. Earlier, with several separate legislations starting from 1982, five rivers had been declared as "national" waterways, including the Ganga (National Waterway (NWW-1) and Brahmaputra (NWW-2). However, there was not much development of traffic on these waterways. The 2016 Act aims to give a big push to inland water transport in the country, making it a flagship project of the Government.

GRAND PLANS

The programme was launched with ambitious plans and alluring promises. The Act created, at one go, 106 *additional* waterways, over and above the five existing ones. (See Map at end of article for the locations of these waterways) Plans were announced to complete 37 of them in three years (Jal Marg Vikas Project, 2016; Ministry of Shipping, 2016b), that is, by 2019. With plans to operate barges of 1000-2000 tons capacity, goods to be moved included coal, fly ash, petrol-oil- lubricants (POL), various ores and oversized goods. Cargo movement of 159 million tons was estimated (IWAI, n.d.) by 2022, when the actual movement in 2017 was around a third of that.

Shri Nitin Gadkari, then Minister, Ministry of Shipping, presented it as a "game changer" that would reduce the cost of transportation, reduce road congestion and pollution (Ministry of Shipping, 2016a), promised running 5 star and 7 star cruises on the Ganga (December 19, 2017) and added that "… to enhance the use of these inland waterways sea planes, hovercrafts and amphibious buses would be introduced."

Massive financial outlays were announced for this entire programme. In 2017, the Central Road Funds Act 2000 was amended to allow 2.5% of the road cess collected to be used for work on the waterways. At that time, this 2.5% amounted to Rs 2000 crores per annum. Gadkari announced (PTI, 2017) that they would leverage these funds to spend Rs 12,000 crores per year on waterways. Apart from this, he said that port trusts would be asked to use their profits (Rs 7000 crores in 2017) to incorporate subsidiaries to build waterways, and more funds would be brought in with PPP (Public Private Partnership) projects, some from privatisation and some on the basis of hybrid

annuity (2017, December 19). Apart from this, a loan has been secured from the World Bank (Development Projects: Capacity Augmentation of the National Waterway- 1 (JAL MARG VIKAS) Project - P148775, n.d.) for the Ganga waterway (NWW-1) under the name of Jal Marg Vikas Project (JMVP) to the tune of US$375 million (Rs 2800 crores).

Interestingly, in the entire discussion, in the plans and promises galore, there was hardly any reference to the people and communities who have been using rivers for navigation, transport and work for generations, or to the river ecology. The fisher community, the boatpeople who have over centuries been ferrying people across rivers, the small vessels that have been used for river transport for short distances carrying passengers and goods of local manufacturers and traders, were all absent.

The exclusion of all these begs a fundamental question—is it that the projects were conceived and designed like this and then it was found that they need such massive financial outlays, or does such finance need projects of a certain kind, as these represent—large size, catering to big bulk and corporate clients, excluding the small and the local, and ignoring or harming the ecology?

We try to unravel this in the subsequent sections.

JUSTIFICATION OF INLAND WATERWAYS

Among the key justifications of the Inland Waterways programme is that they are cheap and clean (Jal Marg Vikas Project, 2016),[1] as less fuel is needed to move cargo on waterways than on road or rail. IWAI states that a "litre of fuel moves 24 ton-km on road, 85 ton-km on rail & 105 ton-km on Inland Waterways." (Jal Marg Vikas Project, 2016).

However, what is left unsaid is that these advantages are subject to several conditions being met, and not every waterway holds out these advantages.

First of all, this cost advantage pertains only to that part of the entire transport path which goes over water. But most transport involves origin and destination points that are away from the rivers. If one looks at this entire "door-to-door" transport, then waterway transport is often not cheaper or competitive with other sources as it has to include the costs of the transfers to and from, and loading/unloading at the intermediate points. An IWAI report[2] on the Ganga waterways confirms this when it points out that

"In respect to operating costs per ton-km, IWT [Inland Water Transport] shows the lowest costs compared to rail and especially road. However, this cost argument has to be put into perspective, as it is generally true for single mode carriages but not for door-to-door transports including cargo transfer and pre/end haul."

Several other factors determine whether waterways would be the cheapest solution. One is the length of the waterway—for example, the distance between Haldia and Allahabad over the

1 These FAQs list many more "major environmental, social and economic benefits" of inland waterways, but we deal with only the major ones here. For a full discussion of the supposed advantages and the reality of these advantage, please see the detailed report by Manthan Adhyayan Kendra "National Inland Waterways - Strategis Status Report". (Dharmadhikary & Sandbhor, 2017)

2 *IWT Sector Development Strategy and Business Development Study for Capacity Augmentation of National Waterway 1from Haldia to Allahabad Volume I: Report Part A*, HPC Hamburg Port Consulting GmbH, Germany and UNICONSULT, Germany, IWAI. June 2016 Page 157, 161.

Table 1: Year wise actual expenditure on Inland Waterways (Rs crore)

Year	Budgetary Grants	Extra Budgetary Resources (EBR)	Total
2015-16	322	-	322
2016-17	358	237	596
2017-18	426	335	761
2018-19	862	112	974
2019-20 (EBR Upto 31 Dec 2019)	422	116	539
TOTAL	**2,391**	**801**	**3,192**

NWW-1 is 1600 km, but by road it is only 900 km, so the per kilometre cost advantage of waterways is nullified. Other factors include whether the travel is upstream or downstream, whether the vessel is coming back empty along one direction, size of vessel etc.

Further, as the figures given above show, waterways are cheaper compared to road transport, but the advantage is small when compared to rail.

It is no wonder then, that even as the National Waterways Act 2016 proposed 111 national waterways, at least 18 of these were declared unviable by IWAI within a year (Jal Marg Vikas Project, 2016).[3]

Lastly, even when it is the cheaper option, water transport may not be the preferred option, for example, when perishable goods are involved, or when speed is of essence. Moreover, reliability and availability of water transport is contingent on natural phenomenon like droughts and floods.

There are certain situations where inland water could become the preferred option, especially in areas where road or rail is not well developed, or in areas like Kerala where there are a lot of water bodies.

Thus, in spite of all the claims, the claimed cost advantage of waterways is not a given.

PROGRESS OF IMPLEMENTATION

Contrary to the massive announcements, the programme has not seen commensurate financial allocations. The main source of funds for the national waterways remains budgetary allocations by the central government, and some extra budgetary resources (EBR), mainly bonds (See Table 1).[4]

Budget 2020-21 allocates only Rs 678 crores to inland waterways (Union Budget 2020–21, Notes on Demands for Grants, 2020). In addition, the World Bank has so far disbursed USD 99.20 million (Development Projects: Capacity Augmentation of the National Waterway- 1 (JAL MARG VIKAS) Project - P148775, n.d.) (Rs 744 crores) for the Ganga waterway. Altogether, at Rs 4000 crores over 5 years, this is a far cry from the Rs 12,000 crores *per year* proposed by minister Gadkari.

3 FAQs, and response dated 23 June 2017 from IWAI to RTI Application filed by Manthan Adhyayan Kendra (these authors). It appears from other recent statements of IWAI that more of the 111 waterways are being identified as unviable.

4 Reply of Minister for Shipping (Independent Charge) Mansukh Mandaviya , in Lok Sabha, 6 Feb 2020. http://164.100.24.220/loksabhaquestions/annex/173/AU788.pdf. The figures as per the union budget data are slightly varying.

Attempts at using the PPP route have not met with much success. Bids were invited and a tender process for operation, management and development (OMD) on PPP basis of Varanasi terminal on NWW-1 was concluded on 15 Jan 2020. There were no bids! (IWAI, 2020) Now, the IWAI is planning to go for the Equip, Operate and Transfer (EOT) model for these terminals.

It is not surprising that the physical progress of implementation has also been slow. The completion of 37 waterways by 2019 is nowhere in sight. According to the replies the Minister for Shipping gave to questions in Parliament,[5] out of the 37, work has not even begun on 21 waterways. On remaining 16 waterways (and two additional ones not from the 37), development of waterways has started and these are partially operational. But several of these were operational before the 2016 Act as state level waterways.

The total cargo moved on the national inland waterways (IWAI, 2019)[6] was 30.4 million metric tons (MMT) in 2014-15, which has grown to 73.64 MMT in 2019-20, against estimates (IWAI, 2017) of at least 159 MMT by 2022.

In terms of commodities carried, in 2019-20, coal and coke constituted a huge 35%, iron ore another 34% and fly ash 10%, and steel 6% of the total movement. Thus, 85% of the total cargo transported was just these bulk commodities (IWAI, 2019.

The inability to raise finances, and the slow progress on the implementation is not merely due to lack of efficiency; rather, it is an indication of the inherent non-viability of many of the grand plans. Take the case of the Varanasi terminal on Ganga waterway (NWW-1), that was inaugurated by the Prime Minister himself with great fanfare in November 2018. As of March 2020, that is, in almost a year and half since inauguration, the terminal had handled total cargo of 281.8 metric tonnes,[7] as against a target of 3.55 *million* metric tonnes by 2020 at the Varanasi terminal (Ministry of Shipping, 2018).

SOCIAL AND ENVIRONMENTAL IMPACTS

In spite of claims of being "clean" and environment friendly, the reality is that creating, maintaining and operating waterways has severe environmental and social impacts. The basic requirement for an inland waterway is to have a channel in the river or water body of adequate depth and width, and of course, water availability. For the kind of waterways planned, a depth of around 2–3 meters and width of 45–60 m is necessary. Most Indian rivers don't have such depths available round the year, and hence, they need to be dredged—initially to create these depths (called capital dredging) and subsequently, with a regular frequency, to maintain these depths (called maintenance dredging).

Dredging is a highly intrusive process that leads to the physical destruction of the riverbed and habitats of riverine flora and fauna, as well as creating turbidity and noise, all detrimental to river

5 Lok Sabha Unstarred Question No 4345, to be answered on 19th March 2020 at http://164.100.24.220/loksabhaquestions/annex/173/AU4345.pdf , Lok Sabha Unstarred Question No 3141, to be answered on 12th March 2020 at http://164.100.24.220/loksabhaquestions/annex/173/AU3141.pdf , Lok Sabha Unstarred Question No 2480, to be answered on 5th March 2020 at http://164.100.24.220/loksabhaquestions/annex/173/AU2480.pdf All accessed on 5 April 2020

6 For 2014-15 to 2018-19, https://iwai.nic.in/showfile.php?lid=1415 Accessed 6 Apr 2020, and for 2019-20 Annual Report on Traffic on National Waterways: FY 2019-20, IWAI

7 Information obtained under the RTI Act by these authors

ecology, especially fish. Safe disposal of the dredged material is a challenge. Operation of vessels on the waterways also adds to the noise. Leakage of oil and lubricants from such vessels is another major pollutant. Accidents of vessels carrying toxic or hazardous materials pose big risks. For example, in just three months (from March 2020 to May 2020), there were 5 instances of barges carrying fly ash capsizing in the Ganga near Kolkata and Haldia, and dumping hundreds of tonnes of ash into the river.[8] The biggest impact of this is on the fish and the fisher community's livelihoods.

The fisher community is also impacted as severe restrictions are imposed on the reach and timing of their movements, with priority given for barges and other vessels. Often, these vessels also destroy the nets of the fisherpeople. Ironically, the authorities see fisher people as a "hindrance". A CAG Report for Kerala[9] notes:

"Fishing nets erected by fishermen in waterways have been hindering navigability through NW-3 ever since its formation in 1993 … IWAI had been pursuing the matter of removal of fishing nets from NW-3 with GOK."

IWAI has paid compensation to the fishers to remove the nets, but laments that they keep coming back. Discussions with the fishing community suggest that this is simply because the one time compensation does not substitute their ongoing need for livelihoods. During a visit to the NWW-10 in Amba river in Maharashtra, local fisherpeople shared with us their frustrations "with this daily battle with barges and dredgers" and that fishing of close to 3500 boats has been badly affected (Manthan Adhyayan Kendra, 2017). Note that one boat will support several fisher people.

In spite of such severe impacts, and in spite of a specific recommendation of an expert committee of the Ministry of Environment, Forests and Climate Change (MoEFCC),[10] waterways do not figure directly in the statutory list of projects requiring an environmental impact assessment (EIA) and environmental clearance (EC). The EIA Notification 2006 of the MoEFCC which governs the statutory requirements does list "dredging", so it covers waterways indirectly. Unfortunately, the Ministry of Shipping has pressurised the MoEFCC and obtained an exemption from EC for such dredging, and hence, for waterways.[11]

Meanwhile, a matter on the issue of whether waterways and dredging need an EC or not is

8 Regular monitoring by Manthan Adhyayan Kendra, and information obtained by authors under the RTI Act.

9 Report of the Comptroller and Auditor General of India on Economic Sector for the year ended March 2015, Government of Kerala, Report No. 4 of the year 2016, p 14 https://cag.gov.in/sites/default/files/audit_report_files/Kerala_Economic_Sector_Report_4_2016.pdf

10 MoEFCC (2017b): *"Minutes of Meeting of Expert Committees for streamlining procedures including examination and recommendation on various technical issues like review of projects/activities for its inclusion under EIA Notification, 2006, categorization of Category 'B' projects/activities into Category 'B1' & 'B2' under EIA notification, 2006, review of classification of projects/activities into 'A'& 'B' and General conditions as contained in the aforesaid Notification, held on 18.05.2017,"* Ministry of Environment Forest and Climate Change, Indira Paryavaran Bhawan, New Delhi, " obtained through RTI Application.

11 This was done not by any amendment of the Notification, but by presenting a speciously argued "interpretation" of the regulation. A full account of this, drawing from large number of documents obtained under the RTI Act by these authors can be seen in research by Dharmadhikary & Verma (2019).

being heard by the NGT since 2015, that is, since 5 years.[12]

WATERWAYS FOR WHOSE BENEFITS

As the above discussion shows, the waterways programme mainly aims to cater to the needs of the large corporate customers, bulk cargo, high end tourists using 5 and 7 star cruises and so on. The needs of local communities, small traders, and ordinary passengers have been ignored. Furthermore, sections like fisherpeople and boatpeople are adversely impacted, as is the riverine ecology. At the same time, the slow progress and less-than-expected use of the waterways indicate certain fundamental problems with water transport as a choice, and in some cases, even its non-viability. This raises the question as to why it is then being pushed in such an aggressive manner. One way of understanding this is that it is the requirement of big finance that is driving the program in its quest for profits and control on resources, and not the requirements of the people. Big finance needs big projects, large scales, large revenues and hence big customers. Even if the projects are non-viable, it will still drive such projects, simultaneously pushing for subsidies, soft loans, viability gap funding, public finance to take risk off private shoulders, and preferred and exclusive access to resources, arguing for all this in the name of "development". We can see all these elements in the waterways programme.

However, the very exclusionary nature and its impacts are leading to protests from fisher communities and other local groups, a broader questioning of the waterways programme, and a call for stronger environmental scrutiny and regulation. In response, the government is trying to bring in some elements to address needs of the smaller, local communities.

In May 2020, the Government announced the details of the so called "Arth Ganga" project that "envisages to re-engineer the JMVP [Ganga Waterway] by involving the local community with a focus on economic activities in and around the Ganga river"(Prime Minister's Office, 2020) . It proposes 10 Ro-Ro terminals[13] and many "small jetties along the Ganga to boost the economic activities at the community level" and to cater to specific local goods like flowers etc. The IWAI also claims that it has managed to reduce the project costs for the JMVP from Rs 5369 crores to Rs 4633 crores and has asked the World Bank to cancel US$ 57.78 million from the loan, while making a provision of Rs 746 crores towards the Arth-Ganga project.[14]

Such a development is a welcome step, since it talks about the needs of local communities and smaller players. Yet, there is no evidence that there is any fundamental shift in the design and plans of the main Ganga waterway or the waterways programme in general. The Arth Ganga programme is clearly an after-thought to the whole Ganga waterway as it does not find any mention in the DPR for the Ganga Waterway.

CONCLUSION

The waterways programme has been mainly shaped by the requirements of big finance, and has

12 O.A. 487 of 2015 Principal Bench, National Green Tribunal.

13 Ro-Ro (Roll On-Roll Off) terminals are designed to allow vehicles like cars, motorcycles, trucks to roll on to boats or barges and roll off at the other end helping vehicle cross rivers in absence of bridges.

14 IWAI Status Report for Major Project July 2020 https://iwai.nic.in/WriteReadData/l892s/4430372587Major%20Projects%20of%20IWAI-Report%20for%20July.pdf

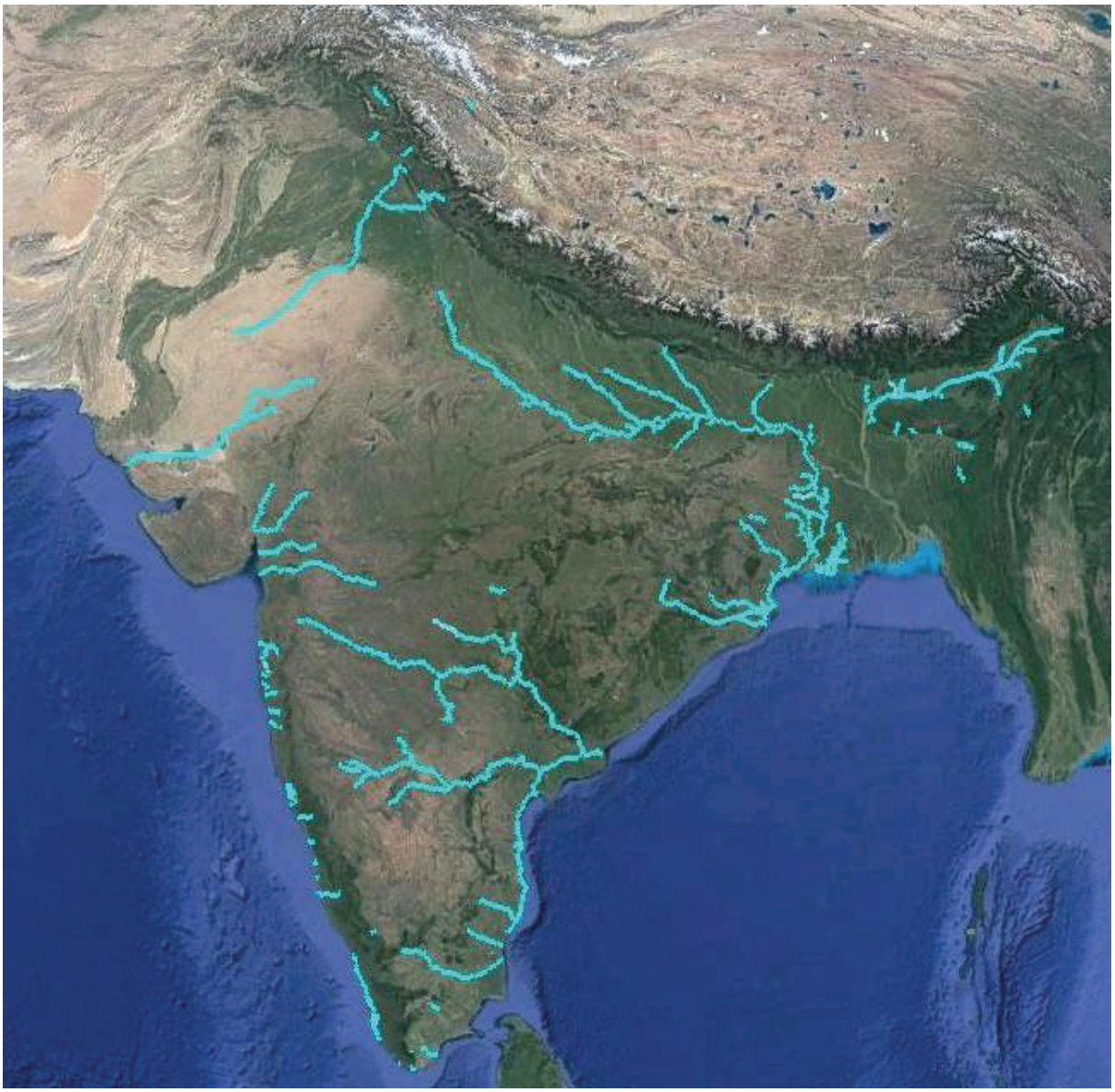

Figure 1: Map showing the proposed 111 national inland waterways as per the National Waterways Act 2016. Map prepared by Manthan Adhyayan Kendra.

excluded the needs of local communities, smaller users and the ecology.

So long as interests of big finance and big corporates dominate, in nexus with political interests, we are not likely to see any fundamental change in this. But the recent development like Arth Ganga gives an indication that if there is concerted effort and questioning of the mega programme, it is possible to push it to align more with the interest of the local communities, fisher people and also ensure better protection of the riverine ecology.

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Energy

THE CRITICAL ROLE OF STATE GOVERNMENT REVENUE SUBSIDY IN ELECTRICITY SUPPLY

Manabika Mandal, Sreekumar Nhalur, Ann Josey

INTRODUCTION

The financial health of electricity distribution companies (DISCOMs) plays a pivotal role in ensuring access to affordable electricity supply for small consumers such as households, shops and establishments, and agriculture. This is because they receive electricity supply at a subsidised tariff. State government revenue subsidy (or state subsidy from hereon) to DISCOMs forms a significant portion of their total revenue receipts in various states, and is expected to further increase with recent electrification efforts, as well as changes in the sector.

State subsidy received by all DISCOMs in India was Rs 98,653 crore in FY19 (PFC 2020, 2), which was 1.6 times the MGNREGA allocation in the same year (Open Budgets India, 2021). Table 1 captures details about state subsidy figures in India between financial years 2016–17 and 2018–19 (FY17–FY19). On an all-India basis, state subsidy is growing at 15% per annum and is 17% of total revenue of DISCOMs.[1] But they range from 22–28% in few states such as Haryana, Karnataka, Madhya Pradesh, and Punjab (PFC, 2020).

Despite the extent of subsidy support, DISCOMs have been plagued with issues of financial viability, and to sustain operations, they have required four major financial bailout packages since 2001.[2] Recently, DISCOMs have been in the news because of their growing dues to the tune of Rs 1.17 lakh crore to generating companies (MoP, 2020). New reform proposals and bailout packages are being drawn-up and debated in these times of economic slowdown, exacerbated by the outbreak of the COVID-19 pandemic.[3]

1 The statistics provided are on the basis of state subsidy committed by state governments.

2 State Electricity Board bailout in 2001 (Rs 41,473 crore), Transfer scheme during unbundling of utilities in 2003, Financial Restructuring Plan in 2012 (Rs 1.19 lakh crore), Ujjwal DISCOM Assurance Yojana in 2015 (Rs 2.79 lakh crore)

3 Financial measures announced include liquidity infusion of Rs90,000 crore to address working capital strain, rebate and deferred recovery of fixed charges by Central Public Sector Units such as NTPC (Rs 1,363 crore rebate and Rs 2,064 crore deferred fixed charge) and PGCIL (25% rebate in charges).Sources: https://pib.gov.in/PressReleasePage.aspx?PRID=1624496, https://

Table 1: State electricity subsidy in India between FY17 and FY19

	FY17	FY18	FY19
State subsidy committed (Rs Cr)	83,856	93,061	1,10,391
State subsidy received (Rs Cr)	78,938	88,919	98,653

Source: Report on performance of state power utilities 2018-19 (PFC 2020)

Financial issues of DISCOMs persist because of high average cost of supply (ACoS), which is about Rs 7/kWh (or unit), and growing at 6% per annum (Prayas, 2018a). This is largely attributed to years of expensive power procurement contracts and systemic inefficiencies such as high technical and commercial losses.

Consumer tariffs are set by State Electricity Regulatory Commissions (SERCs) based on the type of end use. Typically, tariff of households and agriculture pump set users are much lower than the ACoS. The gap between ACoS and tariff is compensated through two major sources. Firstly, through state subsidy, as discussed above, and secondly, through cross subsidy from commercial and industrial consumers who have a higher tariff than the ACoS. Even after these treatments, if revenue gap persists, it is registered as losses in the books of DISCOMs, to be recovered in future through higher consumer tariff or subsidy. Tariff support from cross subsidy and state subsidy was Rs 1.43 lakh crore in FY19 (PFC, 2020).

Even though significant subsidy is provided to support DISCOM finances, there are many existing challenges in the subsidy regime such as issues in targeting, part and delayed payments, and correct estimation of subsidy quantum.

Going forward, the availability of power from alternate sources at competitive rates will be an added challenge to the subsidy regime. Due to high ACoS, cross subsidising industrial and commercial consumers are already paying tariffs of about Rs 9/unit or higher in many states. Given such high rates, it makes economic sense for these consumers to partially or completely migrate away from DISCOM's services to other supply options. Supported by a national electricity grid and legal and regulatory provisions, high tariff consumers can avail cheaper power through market sources via open access options, or by investing in their own captive renewable generating systems, without being solely dependent on DISCOMs. This results in a reduction in cross subsidy and leaves the DISCOM to cater only to low tariff consumers. Thus, migration of cross subsidising consumers leads to a new challenge of higher state subsidy requirement.

Section 2 of this paper describes the current and emerging challenges in the subsidy regime. Section 3 presents a design framework to improve the subsidy regime with a view to rationalise and target state subsidy support to benefit the sector at large, and small consumers in particular.

energy.economictimes.indiatimes.com/news/power/ntpc-to-give-rs-1363-crore-rebate-on-fixed-charges-to-discoms/76312478, https://www.business-standard.com/article/news-cm/power-grid-to-consider-rebate-of-20-25-on-inter-state-transmission-charges-of-discoms-120051800229_1.html

CURRENT AND EMERGING CHALLENGES IN THE SUBSIDY REGIME

Current challenges in state subsidy provision

Timeliness of subsidy disbursal

As per Section 65 of the Electricity Act 2003, all committed subsidy payments by state governments are to be made in advance for the concerned period. Tariff subsidy released by state governments as a percentage of tariff subsidy booked by DISCOMs was 89% in FY19. Some states with partial release of subsidy were Madhya Pradesh (81% released), Chhattisgarh (60%), and Andhra Pradesh (21%) in FY19 (PFC 2020).

It can be seen that there are significant delays and short-falls in payment which lead to worsening of DISCOM finances due to strain in working capital requirements and reliance on short-term borrowings that have high interest rates. For instance, in Haryana, at the end of FY15, the cumulative outstanding subsidy, inclusive of the accrued interest, stood at Rs 4,334 crore, which is comparable to 21% of the aggregate revenue requirement of the state's DISCOMs (Prayas 2019).

Targeting subsidies

Agriculture consumers in many states such as Punjab, Tamil Nadu, and Karnataka continue to receive free power. This is not advisable due to two reasons. Firstly, free or very low tariff has been one of the main reasons for poor quality of supply and service. This in turn results in an increase in the trust deficit between agriculture consumers and DISCOMs, as well as encouragement of a culture of non-payment. Secondly, free power is one of the enablers for excessive electricity and water use, though cropping pattern is the more important reason (Prayas 2018b). While it is true that agricultural subsidy can be viewed as a type of food subsidy, there is a need to ensure that only the disadvantaged consumers receive it.

While traditionally subsidy provision was limited to small households and agriculture, to retain industrial consumers, many states, such as Gujarat, Haryana, and Punjab, have been subsidising them (Prayas, 2019). This works out to 16% of total subsidy provision in Punjab (Prayas, 2019).

Recently, the Delhi government has been providing free supply of up to 200 units/month to all households with sanctioned load up to 5kW (Hindustan Times, 2019), and 50% subsidy for consumption between 201–400 units. But basic requirements such as lighting, fans and TV require only about 50 units/month, which increases to about 100 units/month with a refrigerator. As a result, the total state subsidy committed to the four DISCOMs in Delhi has been increasing, and is projected to be Rs 2,820 crore in FY21, amounting to 11% of their total revenue requirement. Similarly, Punjab has been providing free power to some households with a connected load of up to 1 kW using less than 200 units per month. This subsidy accounts for 17% of the total subsidy provision in FY19 (PSERC, 2020). Further, increase in household demand due to recent electrification efforts is expected to increase subsidy burden in some states, thus necessitating better targeting.

Estimating subsidised sales and subsidy quantum

Estimation of state subsidy has been a complex issue because historically, most of the subsidy has been allocated for agricultural consumption, with nearly three-fourth of the connections unmetered. The total subsidy requirement of state DISCOMs

in the country for agriculture was Rs 1.1 lakh crore in FY18.[4] 75–80% of total state subsidy provision is for agriculture in Maharashtra, Punjab, and Telangana. Unmetered sales to households are also prevalent in some states like Uttar Pradesh, where 31% of households were unmetered in 2018.

Since a high projection of agriculture sales helps DISCOMs to demand higher subsidy and project lower distribution losses, it has been argued that sales to agriculture, and thus subsidy requirement, is overestimated (World Bank, 2001; Planning Commission, 2011; Prayas, 2018b). More accurate methods to estimate agricultural consumption have led to a downward revision in agricultural electricity consumption and upward revision in distribution loss in states like Maharashtra and Punjab. Recently, a working group, constituted by the Maharashtra SERC (MERC) to study agricultural consumption, prepared a report based on field survey and analysis of feeder metering data. It concluded that sales to agriculture was being over-estimated. This resulted in MERC approving 21% lesser sales to agriculture and a 5.78 percentage point increase in losses in FY19. This implies that subsidy of Rs 4,682 crore (amounting to 21% of agricultural subsidy in the period) was provided not for agricultural consumers (as committed earlier) but for losses of MSEDCL. (Working group for agricultural consumption study, 2020).

Issues with reporting subsidy related information and accountability

There is surprisingly little information about subsidy in the public domain despite its crucial role in DISCOM finances. Detailed break-ups of category-wise subsidy allocation, delays in disbursal and interest burden due to delays are often not available. There are variations in terminologies used and lack of consistency in data availability across states, making it challenging to track trends (Prayas, 2019).

There is limited tracking by SERCs to ensure that interest burdens due to delayed subsidy payments are borne by the state government rather than the DISCOM. It is crucial that the practice of the Punjab SERC, which regularly conducts detailed scrutiny of category-wise subsidy commitment and payment, should be adopted by other states. In addition to scrutiny, interest payments and pending subsidies are carried forward as part of the subsidy commitment of the state government in the next year.

Emerging challenges in the subsidy regime

In the last few years, though total subsidy requirement has increased considerably, cross subsidy paid by high-tariff consumers has not increased commensurately in many states, as shown in Figure 1. The ratio of tariff support (cross subsidy + state subsidy) to total revenue requirement has been increasing. State subsidy's share in total support has also been increasing, more than that of cross subsidy. At an all-India level, the share of cross subsidy in tariff support went down from to 29% in FY18 to 23% in FY19 (PFC, 2020).[5] This can be mainly attributed to the migration of high tariff consumers from the DISCOMs.[6]

4 As presented in Power Ministers Conference held on 03 July 2020. This quantum is inclusive of state subsidy provided as per Section 65 of the Electricity Act 2003, cross subsidy, delayed payments from past years, financing for written-off past arrears and so on.

5 Analysis provided in Figure 1 is based on regulatory information which typically provides richer insight than aggregate all- India information provided by PFC. Information reported from the latter source is subject to updation in subsequent PFC reports.

6 Some states are trying to retain high-paying consumers by tweaking tariff designs and providing

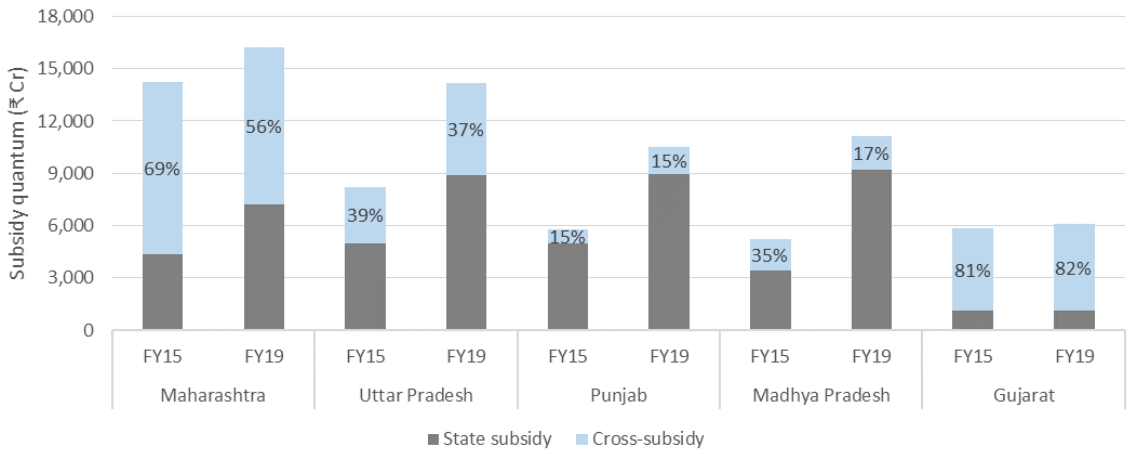

Figure 1: Subsidy trends across years in some states

Source: Compilation from various regulatory tariff orders and petitions by Prayas (Energy Group)

It has been noticed that migration through open access has been as high as 20% of sales to high tariff High Tension consumers in states like Maharashtra, Rajasthan, and Gujarat. Additionally, migration by investing in captive power plants has been substantial in Odisha, Chhattisgarh, and Jharkhand, which is comparable to 20-30% of total sales in these states (Prayas 2018a).

Migrating open access consumers have options of procuring short and medium-term power from power exchanges at about Rs 4/unit. Viability of smaller kilo-Watt scale solar PV systems, which can be installed on rooftops, costing the consumer about Rs 5/unit, is also increasing. These could cater to day-time loads of businesses, commercial consumers, as well as big households. Solar power prices are rapidly falling,[7] and so are storage prices of lithium-ion batteries,[8] thus making it more viable for captive consumers to set up generating units within short gestation periods and reducing their dependence on DISCOMs.

Thus, unless DISCOMs become cost-competitive with other sources, it is only a matter of time before most cross-subsidising consumers migrate away from them. With reducing cross subsidy, the reliance on tariff subsidy from state governments will need to increase to keep financial losses in check. If all consumers were to pay tariffs at cost of supply in FY19, state subsidy burden would increase by 30% (to Rs 1.43 lakh crore) (PFC 2020).

With reducing sale to high tariff consumers, DISCOMs will mostly serve the subsidised consumers like households, farmers and small enterprises. At this stage, there will be a sustained increase in state subsidy requirement, unless cost of supply is reduced or tariff of some of these consumers is gradually raised. It is important to

explicit revenue subsidy through the state government among other measures.

7 In the latest bid, the discovered solar power price for 300 MW was Rs 2.36/unit at Solar Corporation of India's (SECI) auction (source: https://energy.economictimes.indiatimes.com/news/renewable/solar-tariff-hits-a-record-low-of-rs-2-36/76714691)

8 Storage prices have fallen by 87% since 2009 in real terms (source: https://about.bnef.com/blog/battery-pack-prices-fall-as-market-ramps-up-with-market-average-at-156-kwh-in-2019/)

design a better subsidy regime considering this impending transition, and a plan to make it a smooth process over the next few years.

SUGGESTIONS FOR A SUBSIDY DESIGN FRAMEWORK

Improving the subsidy regime is crucial to meet current and emerging challenges. Given the diversity across states in terms of their consumer and generation mix, demand profile, political economy etc., solutions will have to be tailored for each state and developed based on wide consultations and analytical studies. In this chapter, we suggest broad principles for a subsidy design framework and some indicative ideas that can be part of such solutions.

Efforts to reduce subsidy burden and ensure subsidy meets developmental goals

Keeping in mind developmental goals of welfare and overall viability of the sector, it is important to target subsidies. Since the DISCOM, in all likelihood, would be serving only small consumers in the future, there is a need to ensure that such consumers receive quality electricity supply and service through optimum provision of subsidies.

Better targeting involves not providing free power as it contributes to inefficient use of electricity and fosters a culture of non-payment, as has been discussed in an earlier section.

There is also a need to review highly subsidised power supply to agriculture, households or some other consumers. One option is to have a graded scale of subsidy provision—for example, high subsidy for first few units of consumption and tapering off support after first 100 units for households. Another is to clearly specify exclusion criteria, mostly based on easily measurable electrical parameters like consumption.

Pilots of Direct Benefit Transfer of subsidy could be tested to further implement targeting and prevent leakages. Implementation of metering is crucial and as many consumers should be metered as possible. In cases like that of agriculture consumers, where metering is not easy, at least metering at feeder or distribution transformer level (group metering), pilot metering and periodic field surveys should be ensured for better accountability of subsidised electricity consumption. In such cases, there is a need to explore non-electrical parameters for exclusion from subsidy. Exclusion criteria should be used to stop further subsidies to industrial consumers.

End-use efficiency of appliances such as fans, light bulbs and pump sets, which are used by subsidised consumers, especially newly electrified ones, can be enhanced. This would reduce costs and subsidised demand, and thus reduce subsidy requirement.

While developing ways to reduce subsidy dependence, measures should be undertaken to ensure good quality of supply and service to the small consumers. This will ensure the growth of economic activities like irrigation and small business, as well as proper functioning of facilities like drinking water supply and health centres. These will not only ensure stability of rural livelihoods but also increase their ability to pay for electricity services.

Freedom for migration by high tariff consumers

Since there is a growing trend of high tariff industrial consumers migrating away from the DISCOMs, instead of providing incentives for

them to stay, it is better to give them the freedom to migrate and choose their suppliers, while letting them bear the associated risks and sharing part of the historical costs. DISCOMs should allow all large consumers (those with connected load higher than 500 kW) to find alternate sources of power for a period of more than one year, instead of trying to retain them by different methods such as providing rebates, concessions, and subsidies.

However, such migration should be for the long-term rather than short-term (a few hours to a few days), as is currently the practice. Such opportunistic short-term migration results in significant uncertainty regarding demand as well as revenue recovery for DISCOMs. The share of historical costs should be recovered in a time-bound manner through various charges in the medium term. Various surcharges and fees, which once determined, can be fixed for five years. Supply from the DISCOM to these consumers, if needed, should be based on mutually agreed contracts and provision of standby power at premium rates.

Reducing cost of supply

DISCOMs should not sign new power purchase contracts, especially for base-load, long-term power without a rigorous demand assessment. If required, they should only procure low-cost power competitively rather than relying on 'cost-plus' sources. Future regulatory practices should further focus on incentive-based regulations, rather than on current cost-plus regulations. This needs to be coupled with timely cost-effective investment in infrastructure maintenance to reduce network losses. While efficiency gains will improve DISCOM finances, further cost reduction is possible through innovative options like solarisation of agricultural feeders.

Accountability for delays in payment of subsidy through better tracking and reporting

Various bailout schemes have identified timely payment of subsidy as an important parameter to ensure financial health of DISCOMs. Working capital borrowings and compliance with targets under UDAY[9] should be tracked and reported by the Ministry of Power. SERCs could mandate DISCOMs to publish quarterly reports on crucial issues such as category-wise subsidy quantum committed and disbursed, schedule of subsidy payments, and details of delay in payment. To ensure standardisation of information, the Forum of Regulators could prescribe uniform formats. (Prayas, 2019).

Meeting agricultural demand through solar feeders

With solar power becoming increasingly affordable, medium size solar plants of 2–10 Mega Watt capacity at the sub-station level can be used to effectively cater to all the pump sets on a feeder.[10] This is easy to implement in states where there are separate feeders for agricultural supply. This would not only meet objectives of reducing costs and subsidy burden but also offer reliable supply to farmers during daytime. These systems can be set up and managed by entrepreneurs,

9 Under the Ujjwal DISCOM Assurance Yojana (UDAY) scheme, which is being implemented jointly by the central and state governments, signatory DISCOMs must keep their working capital borrowing requirements below a specified percentage of their revenue requirement (this is being revised due to the COVID-19 outbreak).

10 For more details please see: https://prayaspune.org/peg/resources/solar-feeder.html

generating companies, or community organisations selected through competitive bidding. States like Maharashtra, Haryana, Chhattisgarh, Madhya Pradesh, and Rajasthan have adopted this scheme.[11] Further, Ministry of Power has recently announced its plans to implement solarisation of feeders across the country and potentially provide capital subsidy support for the scheme.[12]

Roll out Direct Benefit Transfers only after pilots

To ensure better targeting and accountability of subsidy disbursal, the draft Electricity Act amendment of 2020[13] proposes Direct Benefit Transfer (DBT) mechanisms, where subsidy is provided to consumers directly by the government, while they pay unsubsidised tariffs to the DISCOMs.

There is not much clarity whether such direct transfer would take place directly into the consumer's bank account or into the consumer's account with the DISCOM. The latter would not bring much changes to the current structure for metered consumers. For unmetered agriculture and other consumers, it can possibly improve accountability of subsidy disbursal. This is possible if at least group metering is implemented and information on meter reading and subsidy disbursal is available to all concerned.

In case of transfer to bank account, delay in subsidy disbursal will result in significant tariff shock. This could lead to non-payment of bills or delayed payment by consumers, in turn leading up to a build-up of arrears, and even disconnection of the consumer. Tenancy is a common practice with subsidised categories, which further complicates the implementation of the scheme.

Hence, pilot projects need to be conducted in different situations. Some of these situations include understanding if subsidy transfers should take place through bank or DISCOM accounts, if group or individual metering drives should be conducted, if subsidies can be disbursed under different types of tenancy conditions, and if quality of internet and banking facilities are adequate to support the scheme. Lessons from these should be consolidated before adoption of DBT of electrical subsidies on a national scale.

To conclude, financial sustainability of DISCOMs is absolutely necessary to serve the small consumers, who have no other option available to them. Due to the impending transition in the DISCOM business model, the dependence on state subsidy is bound to increase. During this time DISCOMs will require adequate transitional financing from the central and state governments. Along with this, attention is required to plug inefficiencies in DISCOM planning and operation. This could include optimal power purchase planning, required capital investment, collecting arrears from state institutions, better tariff design, and reasonable tariff increase. Attention to such inefficiencies can ensure adequate, affordable, quality, and safe electricity supply to small consumers, and thus realise the development dividend, which the large investments in electrification sought to achieve.

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11 Rajasthan has seen progress under the KUSUM scheme launched by the central government. More information can be found in RERC's order in Petition No. 1757/2020 available here: https://rerc.rajasthan.gov.in/rerc-user-files/office-orders

12 Source: https://energy.economictimes.indiatimes.com/news/renewable/govt-plans-to-solarise-agricultural-feeders-under-kusum-scheme/76774285

13 More information can be found on: https://www.prayaspune.org/peg/publications/item/461-comments-and-suggestions-on-draft-electricity-amendment-bill-2020.html

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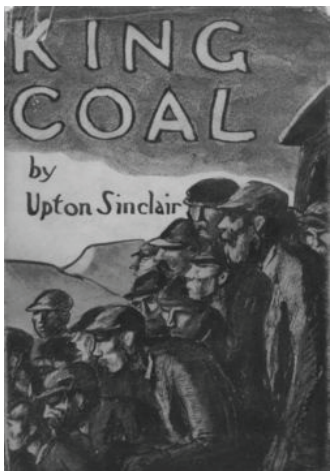
THE REAL COST OF COAL

The Time is Up for the Monarch

Sreedhar Ramamurthi

The monarchy of King Coal (Sinclair, 2005) is being slowly surrendered. The sun is economically overpowering him; climate change calls for his immediate dismissal and communities are fed up with the land and accompanying resources he has been devouring in the name of providing "cheap" power. In India, love for this monarch and his dirty and undemocratic ways seems to be more for the need of the rent-seekers and status quoists. Economics, environment, and equity concerns call for different alternatives. The most recent means of sustaining him is the "self-dependence" (Atmanirbhar) plank, ironically with Foreign Direct Investments and total privatisation and all possible props. Yet his days are numbered.



Caption: Cover of *King Coal* by Upton Sinclair

Source: Wikimedia Common

ENERGY – COAL AND FISCAL LOSSES

Table 1: Coal Consumption in MT by Sector (2018-19)	
Power	637.949
Steel	17.662
Cement	8.817
Sponge Iron	12.231
Others	56.135

The power Sector is the major user of coal, consuming over 87% of the coal produced. Government of India, for the first time, sought to have an integrated energy policy (Integrated Energy) with the goal of providing energy security for all in 2006.

The vision was to reliably meet the demand for energy services of all sectors. This particularly included the lifeline energy needs of vulnerable households in all parts of the country with safe, clean, and convenient energy at the least cost. The policy aimed to achieve this in a technically efficient, economically viable and environmentally sustainable manner using different fuels and forms of energy, both conventional and non-conventional, as well as new and emerging energy sources to ensure supply at all times with a

prescribed confidence level considering that shocks and disruption can be reasonably expected. The policy aimed at a minimum life-line requirement of 1 KwH/Household/day by 2012 and 100% access by 2010. Unfortunately, both these targets were missed.

Table 2: Installed Capacity as of 30.09.2020		
Fuel	**MW**	**% of Total**
Total Thermal	**2,31,321**	**62.0%**
Coal	1,99,595	53.6%
Lignite	6,260	1.7%
Gas	24,957	6.7%
Diesel	510	0.1%
Hydro (Renewable)	45,699	12.3%
Nuclear	6,780	1.8%
RES* (MNRE)	89,229	23.9%
Total	**373,029**	

(Source: https://cea.nic.in/monthlygeneration.html)

The Government brought out a draft energy policy in 2017, with the following key objectives: Access at affordable prices, Improved security and Independence, Greater Sustainability and Economic Growth. The policy aims to ensure that electricity reaches every household by 2022 as promised in the Budget 2015-16 and proposes to provide clean cooking fuel to all within a reasonable time. Thus, it has shifted the goal post from 2012 to 2022 and on clean fuels, it remains open- ended. The concern with providing energy access to all, though reiterated by the government, it is clearly a case of lack of political will and intent as well as affordability, as the capacity needed to reach the last household exists. Between the period of the two policies, the total installed capacity for electricity generation more than doubled from 168 GW to 377 GW, whereas to provide the life-line requirement to all households, a mere 20 GW would be sufficient. The need for providing cheap and reliable energy to a population which is likely to be stable at around 1.7 billion is daunting. The policy and regulatory processes and the subsequent direction of investments in the energy sector is going to be crucial to all aspects of human life in this pandemic and post-pandemic era. The reality is that the demand for power did not match the anticipated growth rate and the production of coal has been even less with the pandemic.

The entire impetus for liberalised economic growth and privatisation of energy production, supply and distribution was based on the premise of financial stability and competitiveness leading to the efficiency. This very objective has been belied in the growth of energy production systems and particularly the coal-based power plants. The thermal power sector accounts for $40-60 billion of potentially stranded assets that are continuing to trouble the Indian banking sector. Fifteen GW out of the stressed 40 GW has not yet been commissioned, as identified in the report of the Standing Parliamentary Committee on Energy. The committee found the 'stressed' value of the 34 stranded assets to be Rs 236,619 crore ($33.5b) in total, with stranded loans of Rs 176,130 crore ($25b) and an equity value of Rs 60,489 crore ($8.5b), as of March 2018. In their final report, the Parliamentary Committee identified key reasons for stress in India's thermal power sector, including: • Lack of fuel due to cancellations in assigned coal linkages or projects set up without any coal linkages; • Lack of PPAs with state DISCOMs; • Inability of promoters to infuse equity and working capital; • Contractual and tariff-related disputes; 100 out of 110 GW of generation capacity that has been added recently is from coal-based plants while the demand has not kept pace. Available capacity is now more than the demand and peak power shortage has reduced from 8.7% in 2012-13 to 0.2% in 2018-19, which is due to mismatch in the production and distribution and other factors.

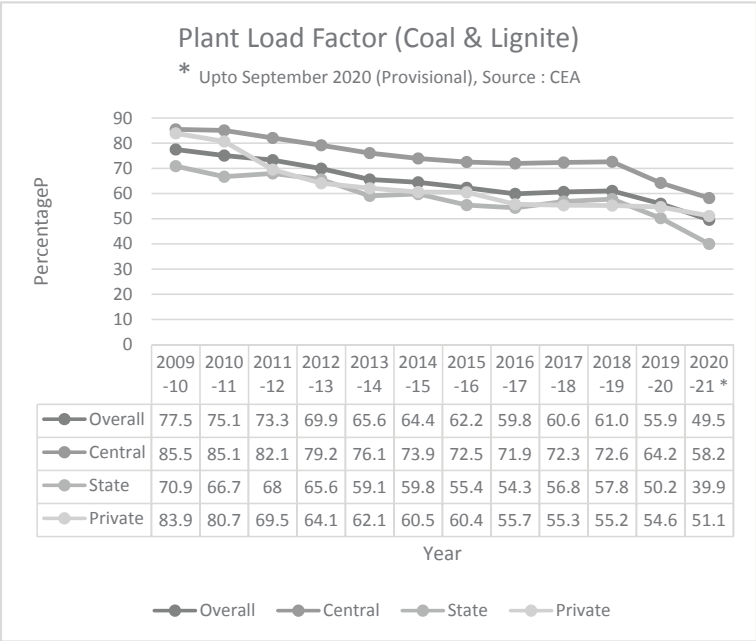


Figure 1 : Plant Load Factor (Coal & Lignite)

Source: CEA

Banks are currently saddled with loans worth Rs 4 trillion pertaining to the power sector, most of which are likely to turn sour. The National Company Law Tribunal (NCLT), through the Insolvency and Bankruptcy Code (IBC), is ultimately forcing banks to have 50% provisioning euphemistically known as "haircuts". That's Rs 2 trillion loss of public money (Fair Finance, 2019)

Even existing coal-based power projects are operating at low Plant Load Factors (PLFs), imposing heavy costs on state power utilities. One reason for this is that the off-peak demand for electricity is not sufficient to allow the excess coal-based generation to operate at full capacity.

Table 3: Penalty for Illegal Mining (in Rs Cr)

Subsidiary	Penalty
CCL	13,568.50
ECL	2,178.14
MCL	11,212.81
SECL	10,182.62
BCCL	17,344.46
Total	54,486.53

"Report on Performance of State Power Utilities" published by Power Finance Corporation Limited (PFC), the accumulated losses and outstanding debt of DISCOMs have increased from Rs 2,53,700 crore and Rs. 3,04,228 crore respectively from the year 2012-13 to Rs 3,60,736 crore and Rs 4,06,825 crore respectively in the year 2014-15. The total outstanding loans for all utilities increased from Rs 6,70,708 crore as on March 31, 2015 to Rs 7,26,721 crore as on March 31, 2016. The Government, in its recent trend of having a contrived indigenised acronym, has set up a portal—Payment Ratification And Analysis in Power procurement for bringing Transparency in Invoicing of generators—"Praapti", which after all these kinds of restructuring of the debts show a whopping Rs 1.33 lakh crore at the end of August, 2020.

Coal in India, in recent times, has been in debate for several wrong reasons, including corruption and stranded investments, climate impacts and pollution, environmental and human rights violations. The allocation of coal mining leases has been controversial. Despite the claims of

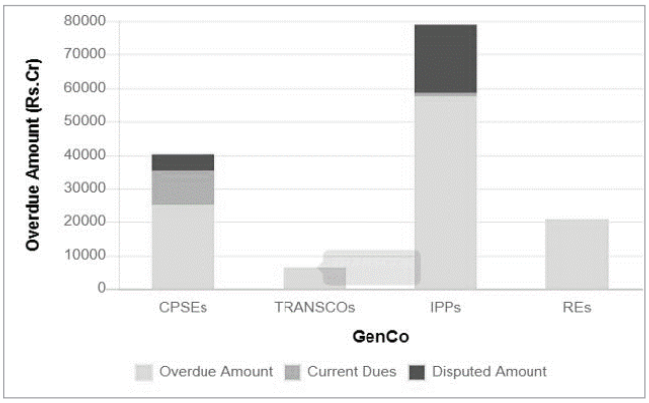
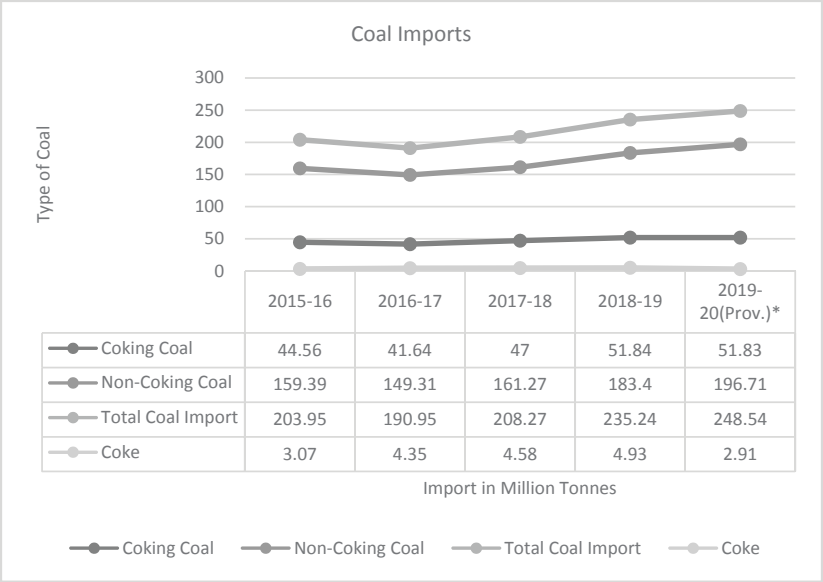


Figure 2: Overdue Loan Amounts



	2015-16	2016-17	2017-18	2018-19	2019-20(Prov.)*
Coking Coal	44.56	41.64	47	51.84	51.83
Non-Coking Coal	159.39	149.31	161.27	183.4	196.71
Total Coal Import	203.95	190.95	208.27	235.24	248.54
Coke	3.07	4.35	4.58	4.93	2.91

Figure 3: Coal Imports over the Years

transparent auctions, the 11 tranches of auction and progressive sweetening of the auction, the process is clearly coloured. The compliance of mining and other regulations has been lackadaisical. The amount due from the state owned CIL itself is over fifty thousand crores (₹8 billion USD)

The Integrated Energy Policy 2006 warned, "Large estimates of total coal resources give a false sense of security because current and foreseeable technologies convert only a small fraction of the total resource into the mineable category. The capacity of PSUs engaged in exploration has restricted the pace of proving indicated and inferred resources. This limited capacity, coupled with the economics of opencast mines versus underground mines, gives only limited incentive to explore for coal beyond 300m depth." Even if we assume that coal will last until 2060 at the slightly enhanced levels of 1 billion tonnes per annum, it is merely 40 billion tonnes. It is estimated that nearly 220 billion tonnes of coal will remain unused as the future unfolds. Therefore, all the exploration and opening up of new mines is going to increase the loss to the exchequer of the accompanying resources of land, forests, and very precious water resources. The costs associated with these actions are also going to be a loss for the country and future generations.

Coal consumers are free to import coal based on their requirement. Superior quality non-coking coal is imported mainly by coast-based power plants and other industrial users viz., paper, sponge iron, cements, and captive power plants, on consideration of transport logistics, commercial prudence, export entitlements and inadequate availability of such superior coal from indigenous sources.

Table 4: Coal Cess and National Clean Energy and Environment Fund

Year	Coal Cess Collected	Amount transferred	Amounts financed from NCEEF
2010-2011	1,066.46	0	0
2011-2012	2,579.55	1,066.46	220.75
2012-2013	3,053.19	1,500.00	246.43
2013-2014	3,471.98	1,650.00	1,218.78
2014-2015	5,393.46	4,700.00	2,087.99
2015-2016	12,675.60	5,123.09	5,234.80
2016-2017 (RE)	28,500.00	6,902.74	6,902.74
2017-2018 (BE)	29,700.00	8,703.00	0
Total	86,440.24	29,645.29	15,911.49

The import of coal is also embroiled in typical trade-based money laundering. The Department of Revenue Intelligence has been investigating on over 40 coal importers for malpractices estimated to be of the order of Rs 49,000 Cr (`7 Billion USD). The concessions granted for private players on the basis of the argument that it will reduce imports seems ineffective.

Since 2011, India has been collecting a cess on coal. (NCEEF, 2017) Initially it was called the National Clean Energy Fund and later it was renamed the National Clean Energy and Environment Fund. It was imposed under section 83 of Finance Act, 2010 on row coal, lignite and peat produced in India. The cess has come into force from 01.07.2010 and it is collected as duty of excise.

The cess has been subsumed under GST from 1st July, 2017 (Budget 2019). Arrear Collection: The actual collection of arrears of Central Excise duties in 2017-18 was Rs 1866 crore. R.E. 2018-19 and B.E. 2019-20 for collection of arrears of Central Excise duties are Rs 2338 crore and Rs 3000 crore respectively. If we look at the total fund collection and the unconstitutional way the cess collected for a purpose has been subsumed, it shows a nearly 14 billion-dollar opportunity to transform our energy systems has been frittered away.

CLIMATE AND HUMAN IMPACTS AND IMPLICATIONS

Coal is characterised by the energy content and the water content from Lignite to Anthracite coals. Indian coal and lignite deposits are of poor quality, mostly sub-bituminous with high ash, heavy metal and trace radioactive elements. The poor quality of coal leads to almost a Kg/KwH of CO2 emissions from coal based thermal plants.

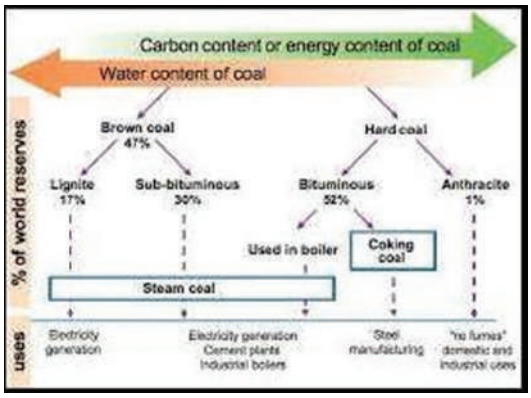


Figure 4: Types of Coal

The IPCC special report released last year clearly warns of a runaway climate change leading to a global crisis. The efforts needed to stay within

Table 5: Emission Data

	2013-14	2014-15	2015-16	2016-17	2017-18
Absolute Emissions Total (tCO2)	72,73,64,166	80,53,84,471	84,62,61,119	88,83,41,294	92,21,82,366
Absolute Emissions OM (tCO2)	72,73,64,166	80,53,84,471	84,62,69,450	88,83,41,294	92,21,82,366
Absolute Emissions BM (tCO2)	17,12,18,145	18,08,08,003	18,68,63,159	18,84,56,479	19,43,01,045
Net Imports (GWh)	3,405	1,594	0.0	0.0	0.0
Share of Net Imports (% of Net Generation)	0.4%	0.2%	0.0%	0.0%	0.0%

limits demand a very concerted effort, even with which the task is humongous. Energy systems contribute to a large proportion and among these sources coal is undoubtedly the deadliest. It is therefore an urgent necessity to transition from coal. The climate footprint of coal mining and thermal power is large and significant.

The generation of power and the corresponding emissions as estimated by the Central Electricity Authority (CEA) for its baseline reports indicates that in 2017-18, the Electricity Sector alone resulted in emissions of nearly a billion-tonnes of CO2 into the atmosphere.

There has been a steady rise in emissions from the sector over the past few years. Despite the claims of reduction in intensity of carbon emissions, there has been no variation over the past few years. Since a number of plants have been established in the past decade, this would portend long term emissions from these units.

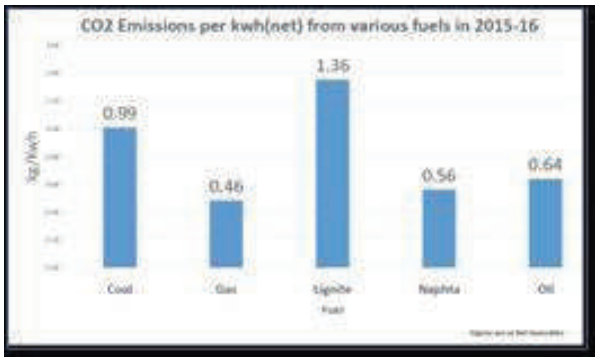


Figure 5: CO2 Emissions per kwh(net) from various fuels in 2015-16

The Central Electricity Authority estimates that the total coal requirement in 2027 would be around 900 million tonnes and would produce nearly 1250 billion units of power.

Thus, unless reversed, India's coal-led power generation systems alone will contribute an annual emission load of over a billion tonnes of CO2 in the atmosphere. Long-term implications of these emissions may demand early retirement of many of these plants.

Coal-based Thermal Power plants were to adhere to stricter pollution norms from December 2017. The Government did not make any effort or push the industry to initiate action on this notification issued in 2015. However, it surreptitiously approached the Supreme Court with a dubious report, to seek its intervention in extending the period for compliance to 2022. Coal Based thermal power plants are undoubtedly the biggest emitters of GHGs. Promotion of such a destructive energy source in a period when renewables have even become financially attractive and dilution of the norms for their emissions clearly indicates the utmost lack of concern of the government towards the environment, and in this case, the very health of the citizens. Now the Supreme Court is seized with it and has asked a time-table of installation of emission control equipment in each coal-based power plant.

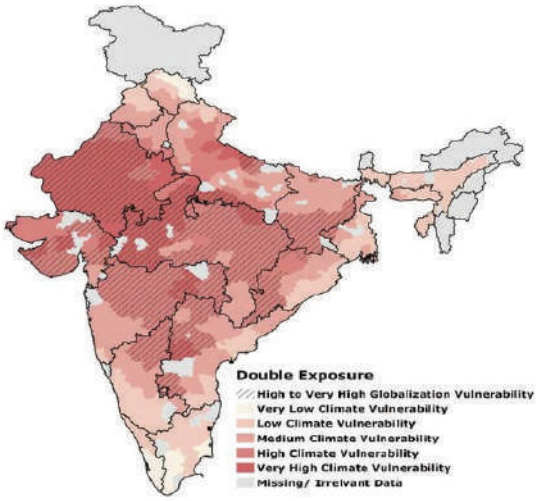


Figure 6: Levels of Climate Vulnerability across India

The implications of climate change are severe for those in the coal belt (O'Brien et al., 2004). Studies on the impacts of global warming and globalisation indicates a strong overlap of the areas in central India.

This portends the possibility of enhancing poverty and vulnerability of the communities living in this region. It seems so blatantly unjust that not only are resources for the profit and growth of other regions being provided by the communities in coal-bearing areas, the revenues raised by government are not being utilised for the welfare of the people in the region to enable them to become more climate resilient. Instead their lives are being sacrificed in the name of development. An estimate of the potential number of people who will be impoverished because of reduced crop yields, places it between 8 and 26 million between now and 2030. This calls for massive corrective actions and investments.

The performance audit by the Auditor General states "Mining operations damage the environment and ecology to an unacceptable degree, unless carefully planned and controlled. Therefore, there is a need for balance between mining and environmental requirements. Further, the problem of mining-induced displacement and resettlement poses major risks to social sustainability. Therefore, the coal mining companies have a special responsibility towards environment protection and social development." However, in reality this seems to be completely overlooked.

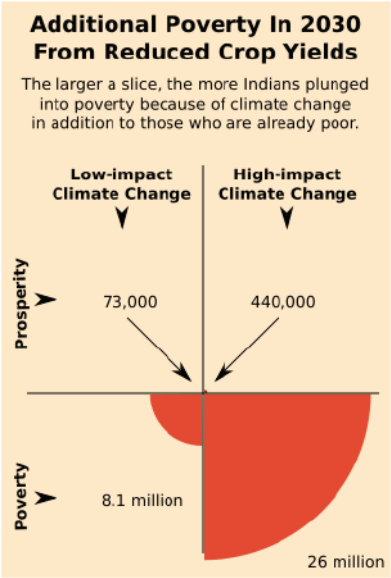


Figure 7: Additional poverty in 2030 from Reduced Crop Yields

The environmental clearance conditions stipulate that a compliance report of all the conditions under which the clearance is granted be prepared and submitted after monitoring and assessment. These documents are also mandated to be on the website of promoter and on the Ministry's website. Of the 700 mines granted clearances and listed in the website, 297 have not submitted even a single compliance report. The CAG in 2011 pointed out that all 239 mines in CIL, which existed prior to 1994, when the first notification was issued, 48 open cast mines, 170 underground mines and 21 combined mines were found to be working without environmental clearance. The situation has only worsened over the decade.

The Comptroller and Auditor General in its performance audit report of 2016 pointed out that "In 25% cases, the Environment Impact

Assessment reports did not comply with Terms of Reference and in 23% cases they did not comply with the generic structure of the report. Cumulative impact studies before preparing the Environment Impact Assessment reports were not made a mandatory requirement, thus the impact of a number of projects in a region on the ecosystem was not known. The ministry had not followed due process in issue of Office Memoranda and the Office Memoranda so issued had the effect of diluting the provisions of original notification."

The report also noted that there was no provision for the Project Proponents to fulfil their commitments in a time bound manner and to ensure that the concerns of the local people were included in the final Environment Assessment and Environmental Clearance granted by the State. The public hearing process did not have a quorum requirement to participate in the public hearing process. Commitments made by Project Proponents in Environment Impact Assessment reports during a public hearing was also not monitored. Besides, the reservations expressed during the public hearings were not included in the Environment Impact Assessment reports.

Table 6: Impacts of Mining on Water
Open cast mining/quarrying/excavation not intersecting ground water table
Affecting natural surface water regime. Affecting ground water recharge regime
Open cast mining/excavation intersecting ground water table
Pumping of ground water Declining of water table Affecting natural surface water regime Affecting ground water recharge regime Affecting natural springs

Table 6: Impacts of Mining on Water
Underground mining
Affecting ground water recharge regime Shallow aquifers Deep aquifers Affecting ground water flow direction Affecting ground water recharge
CBM/ Underground Coal Gasification
Ground water resource/potentials-drying of upper aquifers and impact on deep and cognate aquifers

The exact total area under mining and abandoned after mining is not known. The total land under mining is estimated to be greater than 1.30 million hectares. Land under coal mining and abandoned coal mines alone is around 0.36 million hectares. Land required depends on the geological occurrence and the surface environment; however, on an average, 6–9 hectares per million tonnes is destroyed. This could be much higher in areas of high slope. The problem becomes acute in densely settled lands. A large tract of land is continuously impacted by Coal Fires. This too happens to be in a densely populated region in the Asansol-Dhanbad region.

Wherever the mines have breached the ground water table, the adjoining areas have had to suffer the consequences of lowering of the water table and it has directly resulted in drying up of wells and other near surface sources. The long-term effects on groundwater are even graver. In areas such as in the north-east, the high sulphur content leads to a large volume of Acid Mine Drainage.

It is clear that intersection of water table by the mining industries must be considered seriously as in several places the major resources lie beneath the water table. The breaching of the ground water table must be subject to stricter regulation as the

very basis of survival of the local communities is sacrificed at this stage.

Merely to say that the mine water is put to "gainful" use can lead to unsustainable management of the aquifer. While this may include several uses such as water supply to adjacent area, utilisation for dust suppression by the industry, utilisation by the mining industry for its different purposes, supplying to local communities, to water supply agencies, utilisation for artificial recharge etc., it will be tantamount to mining water.

In a recent tragedy, the bodies of the miners trapped in Meghalaya's rat-hole mines decomposed faster as the mine waters were more acidic. Occupational hazards of mining are largely neglected, and we estimate that per 5 million tonnes of coal input to a plant, there is one person losing their life and about 8 suffering disabling injuries. Besides, there are also hazards associated with coal washing, transportation and disposal of waste. Safety could also be correlated to environmental practices which decides how the operational design exists which is usually bad in context of mining. The assessment by CAG also revealed that Initial and periodical medical examinations were being done for the company employees while only 1.58% to 7% of contractors' employees underwent medical examination, even though it is mandatory.

Human Rights violation in coal mining begins with non-provision of adequate information to ensure Free Prior and Informed Consent. The land is acquired under the Coal Bearing Areas Act which provides no scope for the people affected to question the need for the project and the quantum of land. The principle of eminent domain is used by the state to deny the people basic right to be informed, to participate and ensure their rights are not trampled with in the process of establishment.

The Universal Declaration of Human Rights and the fundamental rights are supposed to guarantee right to equality. However, the state policies and high-handedness of government, corruption and intimidation by the industry, more recently through the use of "goons", has forced many a community faced with displacement through mining. The right to life includes the right to live in a safe environment, which is denied not only to these people who are displaced but also to those working in the mines and living in surrounding areas. Complaints of damage to houses due to blasting are outrightly denied and have become a common phenomenon in villages adjoining the mines. Since safety in the mines itself is largely compromised as most of the actual mining operations are outsourced to contractors, the concerns of the community are never recognised and even if recognised, they are never addressed to the satisfaction of the affected.

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THE UNACCOUNTED COSTS OF RENEWABLE ENERGY

Bhargavi Rao

INTRODUCTION

With massive investments in renewable energy (RE) projects, there is a celebratory mood for every gigawatt commissioned and produced. At the same time, there is a constant trickle of news and reports on what is represented as unintended impacts: the increasing rates of deaths of critically endangered Great Indian Bustards from crashing into high tension electric cables running from solar and wind energy parks coming up across deserts and grasslands across India—the birds' major habitat; farming communities reporting a massive loss of livelihoods due to displacement from such parks; corporate and state violence against communities who refused to part with their lands; the collapse of pastoralism in areas where such mega energy projects have come up; this list is growing.

Local governments are also reporting they have not been consulted in any of these massive and irreversible transformations, especially in land use that is within their jurisdiction, and point to constitutional and federal processes being violated in promoting RE mega projects. There are concerns also raised over enormous waste that will inevitably pile up once the wind and solar energy parks are stripped down as the blades and panels weather and break down.

Such consequences should not come as a surprise and can be considered unaccounted, perhaps deliberately unanticipated, impacts of RE. The question is if they are unaccounted for due to oversight or due to a systemically cultivated blind spot amongst decision makers regarding the true costs of energy development. This chapter is an attempt to discuss some of these oft overlooked concerns and impacts.

INDIA'S EFFORTS AT MAXIMISING RENEWABLE ENERGY PRODUCTION

India's RE sector is now a major destination for global investments. The sector received USD 70 billion (Rs. 525,000 crores) over the past 7 years (Singh, 2021) to achieve 175 GW of RE by 2022. The country now hopes to raise another USD 500 billion to reach the 450 GW of RE energy goal by 2030 (Koundal & ET EnergyWorld, 2021), set by Prime Minister Narendra Modi. Global RE-INVEST, the RE investors meet and expo was held in November 2020 by the Ministry of New and

Renewable Energy (MNRE).[1] It was the third such event focused on energising global and national investments for expanding the RE sector in India. Such programmes have the direct support of the Prime Minister's office and are projected as India's efforts to abide by the Paris Agreement. Recently, India also celebrated crossing the 100 GW energy generation from RE (2021).

All such developments must be taken note of in the context of the target of 450 GW of energy generation from RE by 2030: an ambitious goalpost to grandstand India's capabilities and also its commitments to tackle climate change. From all accounts, it does not appear to be the outcome of a carefully constructed rationale to shift dependency from fossil fuel (especially coal) and big hydro to RE. For instance, there is no clear understanding of the actual need for such massive amounts of electrical energy, particularly when RE projects, given prevailing conditions in India, are not dependable for urban and industrial consumption unless they are backed by massive energy storage systems—which is not the case now.

EVOLVING RENEWABLE ENERGY POLICY LANDSCAPE IN INDIA AND IMPACT OF TECHNOLOGY SHIFTS

One of the first major incentives for the RE sector issued by the Government of India, particularly for utility-scale solar projects, was when the Indian Ministry of Environment, Forests and Climate Change exempted such projects from the need to secure environmental clearances with nothing more than an office memorandum (MoEF, 2011). The National Green Tribunal responding to a challenge[2] to this exemption policy directed the Ministry to revisit this decision, holding out the enormous adverse consequences of promoting RE projects, in this case, a mega solar park and its impacts on pristine grassland ecosystems that communities had conserved for centuries. Despite this categorical direction, which was upheld by the Supreme Court later, the Ministry continues to resist (Aggarwal, 2017) complying with the order. A stringent reminder of its obligations from the Central Information Commission is also being sidestepped.[3]

In much the same way, the Ministry continues to promote the hydropower sector across India and even declared in 2019 that all hydropower projects—including medium and large dams that have irreversible and substantial social and environmental impacts—are RE projects. (ET EnergyWorld, 2019) Before this, hydropower projects up to 25 MW were considered renewable. This relaxation now allows large hydro to benefit from subsidies and easy credit facilities as though they are RE projects. The landscape for turning RE into a major business has thus been greatly eased,

1 The 3rd Global RE-INVEST Renewable Energy Investors Meet & Expo organised by the Ministry of New and Renewable Energy (MNRE), Government of India, was held from 26–28 November 2020 on a Virtual Platform with the theme '*Innovations for Sustainable Energy Transition*'. More details are at: https://mnre.gov.in/re-invest/2020

2 Environment Support Group challenged these exemptions along with other issues it raised over the promotion of a military-industrial-solar energy-uranium enrichment complex in grassland ecosystems of Challakere, Chitradurga (Karnataka), and details are accessible here: https://esgindia.org/new/campaigns/challakere-science-city/esg-application-before-ngt-challenging-illegal-diversion-of-challakere-amrit-mahal-kavalgrassland-ecosystem-designated-as-district-forest-for-defence-nuclear-industrial-and-infrastructure-projects/

3 See *Davis George Thomas vs Ministry Of Environment & Forests*, Central Information Commission direction dated 21st October 2015: https://indiankanoon.org/doc/94557176/

and this has been achieved by exempting them from their environmental and social impacts. This is also contributing to bringing down their capital costs in what can be termed as a patently illegal practice. The fact the courts have repeatedly held out against such legal and policy manipulations, appears to have not affected the decision-making process.

In this context, NITI Aayog's Draft Energy Policy (DNEP) (Niti Aayog, 2017) needs to be seen as a framework for aggressive promotion of RE across the country. This policy addresses several challenges of integration of RE in the overall energy mix, particularly focusing on technical and commercial challenges. However, several years after it was issued, the policy continues to be in a draft stage due to difficulties implementing its prescriptions in an existing energy generation paradigm responding to a growing economy like India, which is heavily reliant on coal and hydro. Besides, critical concerns have been raised relating to production targets of RE that have been set, (Shenoy, 2017) and various Union ministries and their subsidiaries have resisted unrestrained price controls that particularly affect the coal sector adversely (2017). Interestingly though, some states have already integrated some aspects of DNEP, as and where they find it to their advantage—particularly in advancing the RE production. (Elavarasan et al., 2020)

One major factor that finds the RE sector being promoted aggressively is the considerable reduction in generation cost; in the solar energy sector, the reduction has been vastly contributed in the substantial drop of manufacturing costs of panels and increased efficiencies. Such development has been matched with MNRE announcing a reduction in RE tariff, especially under the second phase of the Central Public Sector Undertaking (CPSU) programme (Tayal, 2020)—when it increased the period for implementation of projects with capacity of up to 500 MW from 18 to 24 months. (Gopal, 2020) A range of such policies favouring the RE sector are being introduced, such as the Repowering Policy 2016 (Ministry of New & Renewable Energy (Wind Energy Division), 2016) which supports the replacement of old wind turbines. This has been followed by the National Wind-Solar Hybrid Policy in 2018 (Wind Ministry of New & Renewable Energy (Wind Energy Division), 2017) which promotes grid-connected wind-solar photovoltaic hybrid systems and the hybridisation of existing projects. The National Offshore Wind Policy 2015 (Offshore Wind | Ministry of New and Renewable Energy, Government of India, 2015) is aimed at encouraging investments on sea-based wind turbines. The Feed-in Tariff Policy 2018 (Kurian, 2018) revised and notified new tariffs to promote rooftop solar and also make energy inexpensive for consumers, all in the hope of attracting more investments. Such policies are pitched on promoting the optimal and efficient use of the transmission infrastructure, and also fixed resources, particularly land. They are also oriented to help achieve grid stability and reduce variability in RE production.

To build the human resources and technical capacities needed to support this transformation, a RE education and training system is being developed by the Ministry of Human Resource Development (MHRD) by invoking the National Policy for Skill Development and Entrepreneurship, 2015.(National Skill Development Initiative In India, 2015) Various courses are being developed for building skills in support of the RE sector by the National Council for Vocational Training. These courses focus on building skills that suit the needs of the RE sector.(Kumar. J & Majid, 2020)

Perhaps the most critical supportive factor benefiting the RE sector is in policies initiated by various State Governments to invite investments in their regions. This has turned into a highly competitive process with states vying with

each other to present the most attractive terms to investors, particularly in solar and wind energy projects. This has largely been through liberalisation of access to land, as most RE projects are land-intensive. Karnataka, Andhra Pradesh, Uttar Pradesh, Madhya Pradesh and Rajasthan are considered to be the most active in ensuring controls over land supply to RE are liberalised. (Shakti Sustainable Energy Foundation, 2017) This has been through the amendment of land-related laws to ensure farmland can be transitioned to RE or actively easing access to commons by diluting revenue laws. (Environment Support Group, 2013) Despite all this, RE investors blame inconsistent approaches adopted by the Union Government and the States as hurdles in slow rate of development of RE projects. (Gupta, 2019)

Enhanced efficiency in the manufacture of solar panels, wind rotor blades and hydro turbines, and easier access to improved and efficient designs at competitive rates have resulted in increased life and cost efficiency of RE projects. This has had a direct impact on the fall in prices of energy produced. To compensate capital costs that are still considered very high, megaproject capacities are promoted in the hope that *economy at scale* principle would operate in bringing down cost of energy produced. Vastly improved experience in installations of mega projects in recent years has helped streamline commissioning of new plants, and bring down per-unit installation costs. This is evident in the startling speeds with which wind and solar energy units are being installed and commissioned almost everywhere.

SPECIAL INCENTIVES PROMOTING RE PROJECTS

Promoting Special Purpose Vehicles (SPVs) to launch, support and commission RE projects, such as the Solar Energy Corporation of India (SECI)[4] and Karnataka Solar Power Development Corporation Ltd. (KSPDCL),[5] has helped in multiple ways to energise the RE sector. Primarily, these agencies have served to insulate RE developers from having to interact with local communities, and also not having to secure specific clearances and permissions for their projects. In almost every respect, such agencies have worked to shelter project promoters, which are almost all private corporations, from having to deal with any local or state government agencies. Oftentimes, this has meant a deliberate side-stepping of statutory clearances, particularly from revenue authorities and forest departments and environmental agencies. Given that RE projects are summarily exempted from the need to secure environmental clearances, there is no interaction whatsoever between the project developer and the impacted communities.

Although such SPVs are not new to India, they have become a marked feature in the energy sector, particularly RE. Such SPVs have been set up across the country to get specific functions executed for developers and have served a critical role in delivering projects on time. Such roles include securing land, developing essential infrastructure, securing statutory permissions—all intended at reducing the burden for RE developers. While the cost of development of landscape for RE projects is borne by the State, at public expense, this contributes substantially to the benefit of private entrepreneurs as it translates into a decline in capital cost and maximizing profit.

A further advancement has been in turning SECI into a Section-3 company from its earlier

4 More about Solar Energy Corporation of India, see: https://www.seci.co.in/

5 More about the Karnataka Solar Power Development Corporation Limited, see: http://www.kspdcl.in/Index_eng.htm

status of a Section-25 company. This allowed SECI to become a project developer, and turn into an energy entrepreneur on the bsais of self-sustaining of costs by engaging in owning, generating and selling power. (Conversion of SECI from Section 8 Company to Section 3 Company under the Companies Act, 2013, 2015) Similar measures are being adopted in the wind power generation sector, with profits accrued shared with shareholders that include the Government of India.

A major transformation introduced by the Electricity Act 2003 is in introducing State Electricity Regulatory Commissions (SERC) which would monitor deregulation of power generation and have oversight over open access in production and transmission of energy. The new policies utilise this role of the SERC and have padded the RE sector with further advantages by introducing schemes such as the Generation Based Incentive (GBI), Accelerated Depreciation (AD), RE Credits (REC), Income Tax exemptions and Clean Development Mechanism (CDM), etc. Besides, the government has started the RE Certificate mechanism to enable obligated entities to fulfil their Renewable Power Obligation (RPO) by purchasing REC from the market. This is under discussion for redesign as of June 2021 (Ministry of Power, 2021)

The experience with such schemes has been rather rocky, however. (Bhushan et al., 2014) An assessment of the 2011 National Clean-Energy Fund, (Dwivedi, 2019) established to fund innovation and research in RE by raising resources from a Rs 50 cess imposed on every tonne of coal, peat and lignite produced, found these financial resources being diverted to non-RE ventures. (Bhati & Ramanathan, 2017)

ENUMERATING THE UNACCOUNTED COSTS OF RENEWABLE ENERGY

Most policies that promote RE today are oriented to guarantee the success of projects and have very little to do with the improvement of the region they are developed in. This is a direct outcome exempting RE projects from environmental and social impact assessments, and thus there are no systemic accountability provisions tying the project developer to local development commitments. In the case of KSPDCL, contractual obligations do require setting aside a small percentage of the capital cost for local area development. But there does not appear to be evidence of this money being invested in the designated task.

Such factors have assisted RE projects to turn financially viable, and presented them as environmentally friendly. There is, of course, the wider debate that this does not factor in the embedded fossil fuel used in production of RE infrastructure, raising fundamental questions of them being truly renewable.

Meanwhile, there is growing evidence of adverse impacts of RE projects across India. For instance, Karnataka's mega Pavagada Solar Park is throwing up a host of unaccounted for social impacts. (Rao, 2019) In Assam, the Azure Power Solar Project has been exposed as an example of corporate-state collusion in grabbing land, based on violence against indigenous farming communities, denial of their rights to cultivate and also their rights to land (Delhi Solidarity Group, 2021). In Madhya Pradesh, RE projects have come up in riverine territory with disastrous consequences (Munshi & Dwivedi, 2021) And in Rajasthan, RE projects are being held directly responsible for pushing the critically endangered Great Indian Bustard closer to extinction.(Bindra, 2017) In every

one of these instances, field studies reveal that RE projects have not been beneficial to local people, especially small and marginal farmers and landless tillers. Besides, the model of their development is coming across as based on coercive tactics supported by new policies of the State and Union Governments that sidesteps, overlooks, even openly flouts various statutory mechanisms meant to guarantee the rights of natural resources dependent communities, especially *Adivasis* (ancient dwellers) and indigenous populations.

In almost every case that is verified, it appears that communities are being persuaded to lease their land to RE developers, or risk being forcibly and violently dispossessed. There is rarely evidence of healthy negotiations complying with Principle of Free, Prior and Informed Consent. The fact that farmers are distressed, and that the vagaries of the monsoon accentuate loss of farm productivity, contributing to their economic weakening, is being employed to secure their land with the promise that such transitions are to their benefit. This is particularly the case with utility-scale RE projects which are systematically transforming landscapes, destroying their natural contours and vegetation patterns, and replacing them with sterile concretised infrastructure. The impact on local ecology, geography and wildlife populations, besides the direct impact on farming and pastoral livelihoods, is hardly ever accounted for in conceptualisation, financing, development and commissioning of RE projects.

The consequences of such impacts on local populations, which remain largely undocumented today, could potentially take decades to reflect in the Census of India. As entire villages are de-farmed and de-vegetated, the ruinous impact of such scales of transformations, which are irreversible, can only be fathomed. What's worse is that the progressive features of The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act 2013 are rarely, if ever, applied to securing land for RE projects. Similarly, there is almost a total neglect of features protecting agrobiodiversity as embedded in the Biological Diversity Act 2002. Moreover, the rights of tribals and forest-dwelling communities are being systematically disregarded by not only not acknowledging their due right to land as per the Forest Rights Act 2006, and with inactive disregard for community conserved areas—especially village forests and village commons.

Land taken on lease from farmers, as in the case of Pavagada where land was leased for Rs.21,000/- per acre per year and a 28-year lease term, appears to have become a standard process to secure land for RE projects nationwide (The Hindu, 2016). In the case of Azure Power in Assam, land was grabbed overnight. In almost every case, landless farmers, pastoralists, artisans who depend on commons for natural resources and raw materials, are being dispossessed and this is unaccounted for.

In every project, it appears that the local populations are actively disregarded for employment, even when policies promoting RE claim they will be employed in projects developed. All project developers import labour from regions far away, and this appears to be a norm. In the case of Karnataka's projects, labour is typically male, and is drawn from Uttar Pradesh, Bihar, West Bengal, Odisha, Madhya Pradesh, Chattisgarh, Jharkhand, etc. Local communities report they have sought work, but are denied them as project proponents prefer labour from faraway regions to avoid labour disputes. This also contributes to exploitation of labour, as those from far away regions are unlikely to have the agency to organise and demand their legitimate rights.

The Work Participation Rate (WPR), a metric computed by the National Sample Survey

Office (NSSO), highlights that WPR is at 34.7% for the country, and there is a huge difference between males and females at 52.1% and 16.5% respectively. Long-term trends over the last 40 years clearly show a clear decline and the short-term trends over the last 15 years showed a sharp decline. (Access Development Services, 2019) As a result, local youth have been forced to migrate to other cities leaving behind senior citizens and women to take care of households and livestock. Those who migrate to cities are forced into low-skilled jobs in construction, in security services and sometimes driving taxis. The pandemic has made this situation even worse. (Gulati & Singh, 2021) There has simply not been any effort to train rural youth in skills relevant to these emerging investment sectors, despite several Central schemes claiming success. (Sabikhi, 2021)

Such mass migration is resulting in a variety of socio-cultural impacts on families, making them extremely vulnerable to economic distress, increasing conflicts within families over the distribution of small resources (especially land), increasing distress sale of livestock and farm equipment, and turning villages into zones filled with elders, women and children. Besides, all the social infrastructure developed through various Panchayat Raj schemes are wasted or falling into ruin.

With men having left homes in search of jobs, women who are left behind with children and elders are burdened with almost all of the decision-making responsibilities. (Sanghera, 2019) Often they also bear the brunt of having to collect water, firewood, graze animals, whilst also taking care of the households, besides also working to supplement family incomes, which is taking a toll on their emotional and physical well-being. Nutrition and access to healthcare of these women are quite often neglected, making their reproductive health even more vulnerable. Adolescent girls are facing newer vulnerabilities as their education is truncated and they are forced to stop schooling and work to supplement family incomes, or simply help out at home. (Scroll, 2018) Engagements with local communities reveal that the situation is also resulting in a push to marry them young, so the 'burden' on the family is reduced. Villages that should have been bustling with active farming and pastoral communities, active educational institutions, skill training centres and public health facilities, are turned into ghost villages with little to sustain the resident populations everywhere RE projects are coming up.

The fact that such situations are developing, when studies reveal consumption of nutritious food at the household level in the rural area is coming down fast—due to loss of access to land, and consequent loss of financial security, thus transforming into a crisis of nutritional security—is alarming. (The Hindu, 2021) Lack of access to land, especially commons, can instantly turn into lack of access to protein (as chicken breeding and livestock rearing declines immediately), and also lack access to greens, fruits, tubers and vegetables foraged from such lands at no cost. The implications are of an impending public health disaster, likely to be worsened by the debilitating impacts the pandemic has had on the rural poor. As health costs increase, rural indebtedness is increasing as the increasing reliance on local money lenders indicate.

Several RE projects have already disturbed several ecologically sensitive areas as is evident from the devastation of grasslands of Challakere, (Vaidya, 2016) the deaths of 18 elephants in Mikir Bamuni Grant village of Assam, (Mazumdar, 2021) and serious threat to the survival of the last remaining Great Indian Bustards in India. (Dutt, 2021) While these are documented examples of what can be termed as direct adverse fallouts of the development of RE projects in ecologically

sensitive areas, the true scale of the devastation can only be learned when there are systematic studies of the before and after scenarios everywhere, RE projects have been promoted. However, such studies are unlikely because RE projects are claimed to be environmentally benign, and thus there is no statutory requirement to assess their impacts. It is only when there are shocking instances, such as of deaths of elephants and bustards, that there is some attention paid to the costs of this transition.

Another unaccounted for cost is related to decommissioning and replacement of renewable energy projects. In most contracts that have been entered into, there appears to be no comprehension of the need to factor in the processing of used solar panels (Grist, 2021) or the blades of wind turbines. (Bhatti, 2021) That pollution resulting from their accumulation as debris will damage ecosystems and have a direct impact on human health, which is not considered now. There also is very little effort to comprehend the devastating impacts back-to-back mini-hydel projects have on river systems (Lakhanpal, 2021) and their ecologies, especially in mountainous and biodiversity-rich Western Ghats and the fragile Himalayas.

Attention is also not invested in the wider implications of the policy of promoting storage facilities for RE projects. Given that these systems are heavily reliant on rare earth, which needs to be sourced largely from volatile overseas markets, the lack of attention to the recovery of rare earth contained in discarded electronic equipment and also the lack of regulatory control over the disposal of spent RE equipment, need serious attention. Such lack of rigour in considering the true impacts of this way of transitioning to RE needs to be noted because grid technologies are yet to stabilise to factor in the high variations of energy productions from RE from day to night and across seasons. While large investments are being made in research and development of energy storage facilities for renewable energy, the sourcing of raw materials is an area of concern in the volatile geopolitical situation.

CONCLUSION

While the government of India has introduced a host of policies and measures to ease not only the setting up of RE projects but to also reduce the cost of power from RE, it appears to have paid little or no attention to several of the social and environmental impacts of this transition. In every instance where there has been field verification of impacts, it appears that local people and ecosystems are bearing the costs of the transition, while corporations are making a windfall. As yet, there appears to have not been any investment to attend to such social and environmental impacts.

India is ranked 131 among 189 countries in UNDP's Human Development Index as of 2020. Despite enormous investments made claiming it is to the benefit of the larger section of the population, particularly the working classes and the urban and rural poor, HDI suggests these groups of the population are hardly benefiting. Post-pandemic it is being noticed that the most vulnerable are slipping quickly into abysmal poverty as well, and indicators of status in quality of life appear to be falling. (Furceri et al., 2020) In a country where a large section of the population relies on land and nature to sustain their lives and livelihoods, there is a critical need to strengthen their securities primarily. A transition to RE by displacing these communities and without their consent even, can hardly be termed as a 'just' and 'net zero' transition that several national and international agencies and networks project prevailing solar, wind and small hydro project development to be. (Pooran et al., 2020)

Laws and policies that have evolved to protect natural resources, and involve and engage local

communities and local governments, towards influencing transitions that would genuinely secure the planet from climate change, needs to be reaffirmed. International Union for Conservation of Nature and Natural Resources (IUCN) has released a set of guidelines to make RE projects ecologically sensitive, and a key thrust is to ensure their siting is ecologically wise, thus arguing for at-inception introspection of impacts.(For Renewable Energy Projects, Location Is Key to Protect Biodiversity - IUCN Guidelines, 2021)[6]

RE also is about ensuring that the benefits of the transition do not result in the accumulation of wealth in the wealthy, as is the case now. RE projects can operate effectively through cooperatives of local communities and governments, and not necessarily through centralised ventures of mega-corporations. If the SDG goals are to be met, such deep thinking into this energy transition is essential, for it has the potential of truly guaranteeing food, water, energy, health care, education and other securities at all levels, and also based on the principles of gender equity.

This also means that there has to be an investment in small scale projects that coexist with rural agrarian and pastoral livelihoods. Besides, it demands deep reflection of how much electrical energy is needed, and for what it is employed, and thus ensure overall quality of life is better for all. Electrical energy is crucial to pump water, to keep hospitals operating with life-sustaining equipment, ensure all homes are electrified, to move metros and buses, and also to light up schools, offices and industries. The real challenge is to invest judiciously and in smart ways, with a consciousness that every unit of power comes at a great and irreversible cost—be it conventional or renewable.

6 "*For renewable energy projects, location is key to protect biodiversity-IUCN guidelines*". IUCN 24 February 2021 https://www.iucn.org/news/business-and-biodiversity/202102/renewable-energy-projects-location-key-protect-biodiversity-iucn-guidelines

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Labour

NEOLIBERAL POLICIES AND LABOUR REFORMS

Impact on Workers' Rights

Anamitra Roychowdhury and Pratibha Lohiya[1]

One of the easiest ways to understand policy priorities of the ruling establishment in India is to simply check its effort and outcomes along different indices. India's rank in the Human Development Index (HDI) in 2014 was 135 out of 187 countries; it moved up six places to 129 out of 189 countries in 2019. Looking at the Global Hunger Index (GHI), India's rank plunged between 2016 (97 out of 118 countries) and 2019 (102 out of 117 countries).[2] Compare these with India's rank in the Ease of Doing Business (EoDB) index: in 2014, India's rank was 134; by 2019, it jumped to 63. This came with an aggressive push by the government aspiring to rank below 50. Under the stewardship of Prime Minister Narendra Modi, this is sought to be achieved, as he went on record stating: "We are just a few steps away from breaking into the top 50 in the [EoDB] rankings. India has improved on 8 out of 10 markers … Our country is on a path of reform and improvement. Global institutions such as the IMF [International Monetary Fund] and World Bank have acknowledged India's rise" (The Times of India, 2018).

Now, among the various indicators considered to construct the EoDB index, statutory provisions governing employment conditions is an important constituent. The question which then arises is: how can a country improve in the labour component of the index? The short answer is by rendering labour powerless; for instance, a country's rank would go up, if fixed term employment is offered in place of permanent jobs, minimum legal wages are removed, 'hire and fire' at will are allowed, weekly holidays and annual paid leaves are suspended and an eight-hour workday is done away with (see, Doing Business Report, 2020: 57-65). In what follows, we shall demonstrate that the current spate of labour reforms in India closely follows the aforementioned factors.

But why aspire for improving EoDB rank at all? Such improvement is sought to boost India's manufacturing sector, so as to ultimately succeed in the 'Make in India' project. But is there any evidence of improvement in EoDB rank providing a fillip to manufacturing growth? Figure 1 investigates this question.

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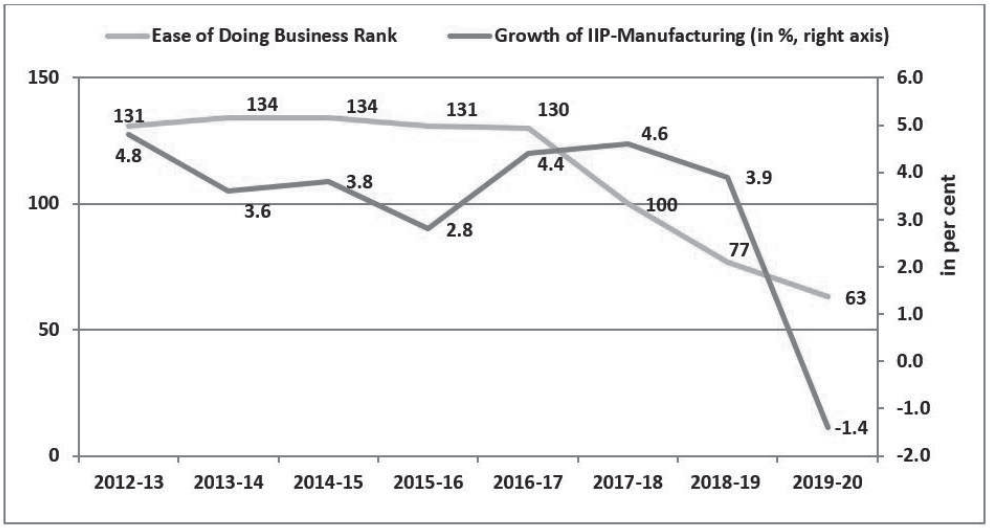
2 India's rank in 2014 was 55 out of 76 countries and therefore not comparable with 2019.

Figure 1: Relation between EoDB rank and manufacturing growth



Source: Handbook of Statistics on Indian Economy, Reserve Bank of India and Department for Promotion of Industry and Internal Trade

Figure 1 shows that India's sharp improvement in the EoDB rank since 2017-18, did not result in energising manufacturing growth; in fact, highest achievement in EoDB rank (63) coincided with a negative manufacturing growth (-1.4%; captured by Index of Industrial Production for manufacturing sector [IIP-Manufacturing]) in 2019-20.

Even though there is scant evidence of positive association between improvements in EoDB rank and manufacturing growth, nonetheless, Indian government's single-minded pursuit to attain high rank in the EoDB index and the concomitant changes brought in the country's labour laws necessitate deeper investigation.

Indeed, sweeping changes in labour laws were undertaken in India. The union government envisaged to combine 44 Central labour laws into four labour codes. These are: (a) The Code on Wages; (b) The Code on Industrial Relations; (c) The Occupational Safety, Health and Working Conditions Code and (d) The Code on Social Security. All four codes have been passed by both houses of the parliament without much discussion and whereas, Wages Code got the assent of the President on 8th August 2019, the rest of the three codes received such assent on 28th September 2020. In what follows, we shall discuss some crucial changes brought in these codes and examine their likely impact on the working class.[3]

As noted earlier, EoDB puts a premium on converting permanent jobs into fixed term employment (FTE); although FTE was introduced in 2018 in the Industrial Employment (Standing Orders) Act 1946, the code on Industrial Relations (IR code) proposes to take out FTE from the definition of retrenchment, paving the way for 'hire and fire' at will. This, it is easy to see, would severely hamper collective bargaining and freedom of association of workers and thus needs to be strictly regulated. Many countries regulate FTE by putting a cap on the number of renewals and maximum cumulative duration for which a worker can be

3 It goes without saying that the following discussion is in no way exhaustive and such an attempt would at the least require a book-length treatment.

employed on fixed term basis. No such clarity is available in case of India and, without restrictions, has the potential to completely deregulate the labour market and, in effect do away with the security of job tenure.

In order to provide a further fillip to non-standard form of work arrangements, the occupational safety and health (OSHWC) code 2020 relaxed the criterion for employing contract workers. Previously, regulations governing employment of contract workers were applicable to any establishment or contractor employing 20 or more contract workers on any day in the last one year. This threshold has been raised to 50 or more contract workers under the OSHWC Act 2020. In addition, earlier, to employ contract labour, it was mandatory to obtain a *full licence*—clearly stating the hours of work, wage fixation procedure and other essential amenities to be made available to contract workers. The present code allows a contractor to obtain a *work specific licence*, even if s/he fails to obtain full licence; potentially leading to proliferation of contract employment and exposing workers to unregulated exploitation.

The OSHWC code further changed the definition of a factory. Earlier, a factory was defined as any manufacturing unit employing, 10 or more workers (if activity was carried out with the aid of power) and 20 or more workers (if run without power) [Factories Act 1948]. These thresholds have been now raised to 20 and 40 workers, respectively; implying working conditions in some manufacturing units would be less regulated.

In a further move to dismantle workers' bargaining power, the IR code raised the threshold of workers from 100 to 300, for the purpose of requiring prior permission from the government for carrying out layoff, retrenchment and closure of establishments. Thus, firms employing 100-299 workers can now resort to 'hire and fire' at will without facing any restraint, making it very difficult for workers in these units to organise. The code further allows a trade union (TU) to be recognised as the *sole* negotiating union, if it has 51% membership in an establishment. Such a provision would restrict representation of smaller TUs in the negotiating table and facilitate the emergence of a unitary TU structure.

Figure 2: Share of Fatal Injuries in Total Industrial Injuries in Factories

Source: Indian Labour Statistics, various years

Not only employment contracts, there is even provision for dilution of safety norms at the workplace. This is when the proportion of fatal accidents in total accidents has sharply increased, especially, since 2006 (Figure 2). In particular, the second schedule of the Factories Act 1948 *exactly* mentioned the maximum permissible threshold limits of exposure of chemical and toxic substances in manufacturing processes (whether hazardous or otherwise) in any factory.

This permissible upper limit is absent from the OSHWC code; instead, it is simply mentioned that the maximum permissible limits of exposure in the manufacturing process of any factory shall be decided by the State governments. There is a distinct possibility that this move would increase the permissible threshold, due to competition among States, trying to project themselves as investor friendly.

In the Social Security code, far reaching changes are introduced with the potential to jeopardise workers' interests in the long run. The pension, insurance and retirement saving bodies including Employees' Provident Fund Organization (EPFO) and Employees' State Insurance Corporation (ESIC) have been converted to corporate bodies. This would pave the way of handing over a huge corpus of Rs 11 trillion available with the EPFO and Rs 0.75 trillion available with the ESIC to the corporates and expose lifetime earnings of the workers to the fluctuations of financial markets with devastating consequences and socialization of risk.

Finally, we turn to the wages code; here, deliberately two categories of wages have been introduced, namely, minimum wages and floor wages. Now the trouble is, there is an objective criterion[4] to calculate minimum wages (which is the product of a long drawn struggle of the working class), on the other hand, there is no objective basis to estimate floor wages (it is vaguely stated that the floor wage should take into account 'minimum living standards' without explicitly stating it). This led to a huge divergence between the two wages; for example, the minimum wage calculated by a government appointed committee (known as the Anoop Satpathy committee) in 2018 was Rs 375 per day, whereas, the national floor wage in the same year was merely Rs 176 per day (thus floor wage was just 47% of minimum wage). It is also provided that the states cannot set their respective minimum wages below the *floor wage*. Therefore, states competing with each other to attract private capital would effectively use the floor wage as their reference point for setting minimum wages, ultimately, diluting the whole idea of minimum wage.

Additionally, the enforcement machinery for implementing minimum wages has been weakened. According to the wages code, inspector-cum-facilitators (earlier known as inspectors in the Minimum Wages Act 1948) cannot conduct surprise checks in establishments, even if they have information about laws being violated (this abrogates International Labour Organization's convention 81,[5] to which India is a signatory).

4 These are: (a) net intake of 2700 calories per person per day; (b) 66 meters cloth per family per year; (c) rent expenditure – calculated as 10% of combined expenditure on food and clothing; (d) fuel, electricity and other miscellaneous expenditure to be 20% of minimum wage; (e) expenditure on education, health, recreation and other contingencies to be 25% of minimum wage.

5 ILO convention 81 states that: Inspectors can 'enter by day *any premises* which they may have reasonable cause to believe to be liable to inspection; and to carry out any examination, test or enquiry which they may consider necessary in order to satisfy themselves that the legal provisions are being strictly observed'(emphasis added).

This will be centrally controlled now and inspector-cum-facilitators can only investigate establishments *assigned* to them through random draw of lots. There is a further dilution of the inspection system since the new code allows for a web-based inspection along with electronic submission of the required information.

The powers of the inspector-cum-facilitator get further diluted due to the deletion of schedule employment (industries employing at least 1,000 workers) which increases the numbers of establishments to be inspected. This is going to put immense pressure on an already overburdened system, in which the turn of an establishment comes only in three to five years (Jayaram 2019).

The capital-labour relation is additionally tilted in favour of the former by the procedure to be followed *after* violations are detected. For any detected violation (say, non-maintenance of records), other than minimum wage violation, inspector-cum-facilitators are supposed to draw the attention of the employers in written format first and provide opportunity for compliance within a specified date. If employers comply within the given date then no action would be taken; it is only when employers fail to comply within due date or repeat the same offence within five years from the first violation, that prosecution is initiated. Even for minimum wage violations, earlier there was provision for prison term in the Minimum Wages Act 1948, this has been commuted to fifty thousand rupees fine for the first violation; it is only if such violation is repeated within five years that the provision for prison term has been retained.

From the above discussion it is clear that the policy of the Indian state has decisively shifted in favour of capital and the act of balancing of interests of capital and labour has been completely abandoned. While this is expected from a state deeply wedded to neoliberal logic, however, the aggressiveness of the push in recent times signals a larger crisis, namely, undermining of the democratic process itself and a decisive turn towards authoritarianism.

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Commons

WATER LAWS, POLICIES AND REFORMS – WHERE ARE THESE LEADING?

Philippe Cullet

INTRODUCTION

Water has never seemed so important. This is reflected in the fact that water and sanitation have been chosen as two of the main focus areas for large-scale social interventions by the Government of India in recent years. While the Swachh Bharat Mission (SBM) was one of the central policy initiatives during the 14th Lok Sabha, the Jal Jeevan Mission (JJM) is the current point of emphasis.(Ministry of Drinking Water and Sanitation, 2018; Ministry of Jal Shakti, 2019)

Interventions like SBM and JJM may seem relatively insignificant as legal instruments because they come in the form of administrative directions that create no rights and obligations. Yet, they are crucial because they constitute a central vehicle for channelling investment. At the same time, the legal framework concerning water is found elsewhere. It includes all the sectoral laws adopted by states over decades, union legislation adopted in sectors where the Union has constitutional competence or where states delegate such competence, and crucially decisions of the higher judiciary setting down the principles governing protection and use of water. The latter is of the highest importance because no water legislation defines the basic principles governing water protection and use.

The result is that the water sector is replete with sectoral legislations, which do not necessarily conform with the strictures of the Supreme Court. Further, water laws have remained largely focused on use and the protection dimension, to the extent that it is addressed and found in environmental laws that are often seen as a separate domain. This is further complicated by the use of administrative directions, which like in the case of SBM and JJM, are not linked to any legislation since there is no specific legislation in the concerned field.

DEVELOPMENT OF WATER LAW SINCE 2000

There has been significant legislative activity in the water sector since the beginning of the century. This is in part a response to multiple crises in the water sector, often perceived in policy terms as being centred on the increasing scarcity of water. (Ministry of Water Resources, 2002) Water law reforms in the 2000s were linked to a broader push at the international level to push for so-called water sector reforms centred on the need to manage water efficiently as an economic good and on the need for the inefficient state to take a back seat in water

management.(International Conference on Water and the Environment, 1992)

Water sector reforms were thus part of a broader push for privatisation and user participation. In other parts of the world, IFI-led privatisation had led to some spectacular failures in the 1990s. At that point, water sector reforms were often linked to specific projects, such as in the case of water privatisation in Cochabamba, Bolivia where the project failed after significant protests during which hundreds were injured.[1] In the wake of these challenges to proposed reforms, a new articulation of their delivery was proposed. This envisaged delinking the promoters of the reforms from the actual reforms by getting laws democratically adopted that would enshrine the reform principles in law and let elected governments implement them directly.

In India, this included a series of sectoral laws generally focused on the management of water. Some focused on existing infrastructure and ways to ensure better use of the same by involving users more directly in their management. A series of water user association laws reflect this trend.[2] Another broader and more controversial strand consisted of laws setting up so-called independent economic regulators. These new statutory bodies were meant to depoliticise decision-making in the water sector by delinking allocation decisions from the political process, based on the template used earlier for electricity despite the fact that water is completely different. (Koonan & Bhullar, 2012)

In the mid-2000s, the process seemed to unfold relatively easily, even if this was linked in certain cases to direct IFI conditionality.[3] The star regulator was the Maharashtra Water Resources Regulatory Authority (MWRRA), which was supposed to act as a model for other states. A number of other acts were adopted, partly linked to prodding from the Union (including financial conditionality),(Government of India, 2009) but besides the MWRRA, other regulators have been slow to start functioning. The MWRRA itself has not managed to fulfil the promises its promoters had envisaged in the first place. In addition, it constitutes an interesting example of the great difficulties encountered in seeking to de-politicise water. In this case, the state government repatriated some key water allocation functions given to the MWRRA after a little more than half a decade.[4]

Legislation adopted since the beginning of the century has generally been unspecific with regard to the issue of privatisation. At the same time, some legislations have been quite direct in pushing for the withdrawal of the state from certain functions because of its perceived inefficiency. The introduction of independent water regulators is the key intervention in this regard since it seeks to offer an alternative to state regulation. In practice, this was done only to a limited extent given that regulators like the MWRRA are headed by a retired senior bureaucrat or judge.[5] The second trend has been towards fostering user participation, particularly in the context of irrigation, which is meant to ensure better management by the beneficiaries themselves.

1 For example, see Gómez & Terhorst, (2005)

2 For example, see Madhav (2010)

3 For example, see (World Bank, 2004) 10 directing the state to 'prepare and submit for consideration for adoption' an appropriate draft enabling legislation for the establishment of a State Water Tariff Regulatory Commission.

4 Maharashtra Water Resources Regulatory Authority (Amendment and Continuance) Act of 2011.

5 Section 4 of the act as amended by the Maharashtra Water Resources Regulatory Authority (Amendment) Act, 2016.

THE 2010s: ATTEMPTED CONSOLIDATION AND CENTRALISATION

The 2010s were in part a period of consolidation. This was linked to the realisation that the types of sectoral interventions introduced largely a top-down manner in the 1990s and 2000s were not necessarily able by themselves to engineer the kind of change required. This is hardly surprising to the extent that water uses cannot be easily segmented, in part because many water sources are used for multiple uses and many water uses are linked to each other. This does not even take into account questions related to the protection of water, which is at best peripheral in existing laws that all focus in one way or another on use(s) of water.

Some new initiatives in law and policy have emerged in recent years. Some build on what policy-makers tried to do earlier. This is, for instance, the case with the push for adopting a fourth National Water Policy, (Ministry of Jal Shakti, 2020) and the adoption of the Dam Safety Act, 2021. This was first proposed in 2010 and its final adoption took time, in part because of opposition by some states to what they saw as undue interference in their sphere of competence. Some build on developments that have taken place in other forums and have not been integrated in existing statutes. This is, for instance, the case of the several attempts at drafting framework water legislation bringing together the basic principles governing water protection and use under one roof. Several states have started a drafting process but none has completed it yet and the Union has commissioned three different drafts over the past decade.[6] One of the underlying rationales for adopting framework legislation is the need to give statutory backing to a number of significant judicial pronouncements over the past few decades that have, in principle, completely changed the nature of water law. However, since the various decisions have not been incorporated in water legislation, there is, in practice, a significant disconnect between what can be seen as grand principles and their non-implementation on the ground. The recognition of water as falling under the public trust doctrine by the Supreme Court as early as 1996 is one such case. Not only have laws asserting state control over water not been amended but also some subsequent laws still assert full state control over water.[7]

Other new initiatives have built on the general trend of focusing on water use and management in preference to focusing on its protection. This is, for instance, the case of the National Waterways Act, 2016. This act seeks to promote the use of rivers for navigation and thus focuses entirely on an instrumental use of rivers. It opens up vast new avenues for large-scale investments that are directly targeted at fostering commerce and thus economic growth. Another impact of the act is that by declaring a significant number of rivers as national waterways, it reduces the authority that individual states have over rivers and contributes to a trend towards centralisation of control over water. Overall, its main concerns are centred around investment and infrastructure, and it fails to acknowledge potential impacts on the realisation of the fundamental right to water, on fisher people, on riverbed farming and various other traditional uses of water. In addition, the very significant ecological impacts of the massive infrastructure development that may be called for here are not mentioned.

6 The latest is the Draft National Water Framework Bill, 2016.(*Draft National Water Framework Bill*, 2016)

7 eg Bihar Irrigation Act, 1997, s 3; Gujarat Irrigation and Drainage Act, 2013, s 4.

RENEWED FOCUS ON DRINKING WATER

Drinking water is not the object of any specific legislation that would, for instance, reflect the recognition of the fundamental right to water, lay down binding quality standards and set out accountability standards for any provider. This gap has been filled in part through multiple administrative directions that have taken on different names over time. In the case of rural areas, these different schemes have been the vehicles for massive investments in infrastructure for accessing drinking water, from the crores of handpumps to multi-village piped water supply systems.

The latest avatar, the Jal Jeevan Mission (JJM) has as its central mission to provide every rural household a functional household tap connection. (Ministry of Jal Shakti, 2019, para 3.3) This presupposes further massive investments and infrastructure to deliver on this promise. This massive state-led enterprise is at the same time infused with a language that denotes a focus on the viability of the investment at least as much as the social goals pursued. Thus, in keeping with previous administrative directions concerning drinking water supply in rural areas, there is no mention of the fundamental right to water anywhere. There is thus a disconnect between the oft-repeated recognition of the right by the higher judiciary and its invisibility in policy frameworks that contribute to its realisation. At the same time, the JJM specifically mentions that water should be 'affordable' (as opposed to free),(Ministry of Jal Shakti, 2019) and calls on states to explore public-private partnerships to achieve the objectives of the mission, (Ministry of Jal Shakti, 2019, para 7.17) thus clearly placing drinking water supply in the list of resources that are commodified. In addition, as was the case already in the 2000s, there is a promotion of community ownership, which is linked to a contribution to capital costs (5 to 10%) of every household.(Ministry of Jal Shakti, 2019, para 6.12)

The JJM is not particularly novel since the push for including non-state actors in drinking water supply in rural areas has been a feature of reforms since the mid-1990s. It also does not go as far as pushing for privatisation of water supply services as has been done in some urban areas. As a result, more telling examples of the direction that drinking water policy is taking may be gleaned by looking beyond formal policy frameworks. One of the salient examples of new developments is that of water ATMs.

Water ATMs are particularly interesting because the very name signifies that they are associated with a push towards commodification of water. Indeed, there could be no better way to 'teach' water users that water is a commodity than by equating its access to that of bank notes. At this juncture, the term water ATM is often eschewed for the more neutral term of 'water vending machine' but the underlying idea remains the same.

The introduction of water ATMs was first linked to corporate efforts to spend their CSR funds. This was sometimes done through the setting up of social enterprises. Progressively, water ATMs have been taken up by a range of actors, from civil society to businesses and the state. These facilities have a social function. Yet, what the public discourse often misses is that each facility requires land (sometimes obtained free) and is thus a way to get a foothold in places where land may not be easily available. From a water perspective, the crucial element of these land allotments is that they are used to pump unlimited amounts of water, as the current legal framework governing groundwater allows. Since drinking water is recognised as the first priority for water use, it would be virtually

impossible to challenge such use, once it has been established.

Water ATMs are also directly associated with the push for bottled water advertised as an alternative to unsafe drinking water. Indeed, while water ATMs do not provide bottled water whose quality standards are higher than tapped water, the water is usually provided in unsealed bottles. Even in rural areas, 20-litre plastic bottles become the container of choice, not necessarily because they are more convenient than matkas, but because the machine dispenses water in 20 litre instalments.

Overall, a lot of investment is going to drinking water supply in both rural and urban areas. These interventions are partly guided by administrative directions; they are only guided to a limited extent by statutory frameworks since there is no single law directly applicable to drinking water supply in general; and they are not based on the understanding of drinking water as a fundamental right. At the same time, there is an increasing focus on the fact that water is expensive for the user, not only because it is scarce but also because it increasingly often needs to be treated before supply. There is thus a broad push towards ensuring that everyone understands that water is not free and that there is always a price to be paid, regardless of whether it is water used for survival, basic needs, the realisation of fundamental rights linked to water, such as the rights to sanitation, health and food, or whether it is water used for commercial or recreational activities.

CONCLUSION

Ongoing reforms since the beginning of the century have pulled in different directions. On the one hand, the recognition by the higher judiciary of the fundamental right to water and the recognition that water falls under the public trust doctrine reflect a completely new understanding of water that breaks with the old understanding of water as a resource whose main relevance is as an input for productive activities. There has thus been in principle a shift from the idea that water can be used (if not 'owned') by landowners to the idea that water is a public substance that no one can own.

On the other hand, the many laws that have been adopted over the past couple of decades have tended to reinforce the focus of water law on the use of water and ways to manage water infrastructure more efficiently. This has taken place in a broader context of distrust of the state as manager of water, of a push for commodification of water and need to bring in private sector actors to manage water more efficiently (rather than equitably), and of a progressive push for further centralisation of water management at the Union level. The fact that these different trends do not all pull in the same direction have unsurprisingly led to a situation where it is not possible to have a single reading of what is happening in the water sector. This is confirmed by the fact that while laws adopted to-date do not reflect the new thinking, several states and the Union have at least started the process of drafting water laws that would take water governance towards a less utilitarian framework and emphasise much more the social and environmental dimensions of water regulation.

In all this, the situation for individuals, in particular the majority of the poor is far from being as bright as it should be after decades of massive investments in drinking water supply. The difficulties cannot be attributed to a single cause but there is no doubt that the absence of a regulatory framework clearly setting out the rights of individuals and the responsibilities of water providers is a serious gap that urgently needs to be rectified, together with the need to re-orient water regulation towards giving water protection the priority it deserves.

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The Last Mile: Local Governance

FINANCES OF URBAN LOCAL BODIES OF INDIA

Ravikant Joshi

INTRODUCTION

Writing anything about finances of urban local bodies of India becomes possible only once in five years when the central finance commission undertakes review of finances of urban local bodies (ULB) for its report, otherwise neither any governments (Central or State), any of their institutions, nor any non-governmental institutions of any nature undertake even the compilation and publishing of financial data of urban local bodies. GoI or State Governments, even if they are compiling financial performance data of ULBs, are not putting it in the public domain, or put some minimum selective and disconnected data in public domain. In same manner, ULBs do not put their annual accounts, budget, and financial performance information in public domain. This review of finances of ULBs of India has become possible because of the study report prepared by ICRIER for 15 Finance Commission (Ahluwalia et al., 2019) and some data available in scattered manner here and there.

MINISCULE AND STAGNANT SHARE OF MUNICIPAL FINANCE IN GDP @ 1%

Right from the dawn of independence, municipal finances in India have shared an insignificant position in the country's public finance, largely characterised by poor resource base, lack of autonomy, appropriation of municipal resources by State Governments, low capacity to mobilise revenues coupled with internal inefficiencies for financial management and most importantly, no or very low importance /fund allocations by Centre and State Governments. Besides this, there was no or adhoc system of intergovernmental fiscal transfer or right-based devolution till the 74th Constitutional Amendment, which made the constitution of State Finance Commission mandatory and created Central Finance Commissions to investigate finances of urban local bodies and to recommend Central Assistance to urban local bodies.

The 10th Central Finance commission could not do much as its report was ready when 73 & 74 CA came in to force, so it just recommended a

Table 1: Urban Local Bodies' Finances over the Years

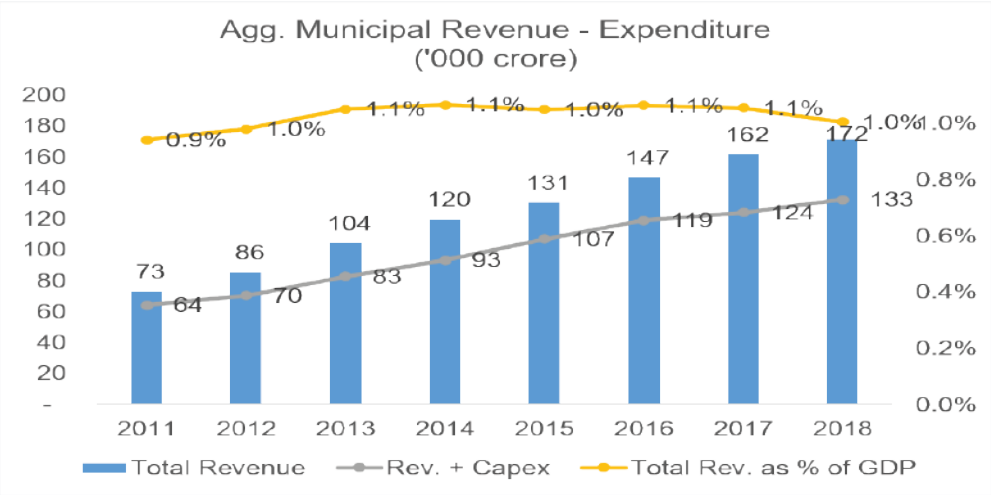
Accounting Heads	Year 2002 -2003 (Asian Development Bank, 2013)			Year 2007-08 (Asian Development Bank, 2013)			Year 2012-13 (Ahluwalia et al., 2019)			Year 2017-18 (Ahluwalia et al., 2019)			
	Amount Rs in crore	% of GDP	Per Capita (Rs)	Amount Rs in crore	% of GDP	Per Capita	Amount Rs in crore	% of GDP	Per Capita (Rs)	Amount Rs in crore	% of GDP	Per Capita (Rs)	Revised Per capita
Revenue Heads													
Own Tax Income	8838.13	0.39	311	15277.72	0.35	492	32260.1	0.32	991.8	42954.3	0.25	1148.2	1156.0
Own Non-tax income	4441.84	0.20	156	8243.66	0.19	265	20283.1	0.21	623.6	30377.0	0.18	826.8	832.4
Own Total Income	13279.97	0.59	466	23521.38	0.54	757	52543.2	0.53	1615.4	73331.3	0.43	1975.0	1988.4
Own income % of Total Inc	63.48%	**0.59**		52.94%	**0.54**		50.29%	**0.53**		42.71%	**0.43**		
Total State Transfers	5916.82	0.26	197	14847.36	0.34	478	33484.2	0.34	1029.5	55573.9	0.33	1496.7	1526.0
Assignments & devolutions	3657.06	0.16	128	9171.11	0.21	295							
Grant-in-Aid	2259.76	0.10	79	5676.25	0.13	183							
State transfers % of Total	28.28%	**0.26**		33.42%	**0.34**		32.05%	**0.34**		32.36%	**0.33**		
Total Central Transfers	585.39	0.025	21	3241.99	0.08		8068.0	0.08	248.0	20569.4	0.12	554.0	554.9
Central Scheme Transfers	308.86	0.014	11	2372.97	0.06	76	4237.1	0.04	130.3	8244.9	0.05	222.1	231.2
Central Finance Commission	276.53	0.011	10	869.02	0.02	28	3830.9	0.04	117.8	12324.5	0.07	331.9	323.7
Central Transfers % of Total	2.80%	**0.025**		7.30%	**0.08**		7.72%	**0.08**		11.98%	**0.12**		
Other source income	1137.52	0.05	40	2818.32	0.07	91	8171.7	0.08	251.2	18428.3	0.10	462.4	462.4
Borrowings							2209.0	0.02	62.7	3794.2	0.02		92.5
Total Municipal Income	20919.69	0.925	733	44429.05	1.03	1430	104476.1	1.05	3212.1	171697.1	1.00	4624.2	4624.2
Expenditure Heads													
Revenue Expenditure	15691.46	0.69	550	28431.45	0.66	915	48985.8	0.49	1506.0	78195.5	0.46	2105.9	2105.9
Capital Expenditure	5938.28	0.27	208	18594.08	0.43	598	33716.1	0.34	1036.6	54357.1	0.32	1464.0	1464.0
Total Municipal Expend	21629.74	0.96	758	47025.53	1.09	1513	82701.9	0.83	2542.6	132552.6	0.78	3569.9	3569.9
Year End Unspent Balance	(-710.05)			(-2596.48)			21774.2			39144.5			
Population (million)	285.40			310.81			325.26			371.30			
GDP	2261414			4320892			9944013			17095005			

token grant, but from the 11th Finance Commission onwards, Central Finance Commissions have investigated finances of urban local bodies and have recommended devolution of funds from central government to urban local bodies. The studies made for central finance commissions have made this chapter possible.

There is a general feeling that post-2000 onwards and particularly from JNNURM (year 2005) onwards. the funding from Central and State Governments has increased substantially. This general feeling is correct—funding from central and state governments has increased substantially (during 2002-03 to 2017-18 State transfers increased from Rs 5917 crores to Rs 55574 crores at CAGR of 16.11% and Central transfers increased from Rs 585 crores to Rs 20569 crores at CAGR of 26.78%) even then the share of municipal finance in GDP has remained miniscule and stagnant around 1.0%.[1] This is because, during this period, urban local bodies lost their sources and failed to mobilise income from whatever resources they were left with. As a result, municipal own source revenue during 2002–03 to 2017–18 increased from Rs 13280 crores to Rs 73331 crores at the CAGR of mere 12.07% which has been much less than the CAGR of central and state transfers. The same trend has continued in recent years. Central and State transfers grew faster at 14% and 21% during 2011–12 to 2017–18 but Municipal Own Source Revenue (MOSR) grew slower at 10% CAGR so its share in total receipts declined from 51% to 43%. (Table 1)

The story of municipal expenditure is a little worse compared to municipal revenue. Its share in GDP was 0.96% in 2002 which increased to 1.09% but has decelerated to 0.83% in 2012-13 and to 0.78% in 2017-18, which should be a cause of concern but has not been noticed by policy makers.

Per capita per annum municipal own source revenue (MOSR) is another good indicator to explain the extremely low level of municipal finance in India. Per Capita MOSR increased from Rs 466 to Rs 757 during 2002-07 and then to Rs 1988 in 2017-18 @ CAGR 10.16% which is lower than



Graph 1: Aggregate Municipal Revenue and Expenditure as % of GDP

1 The ratio of municipal revenue to GDP was 4.5% for Poland, 6.0% for South Africa, 7.4% for Brazil, 13.9% for the United Kingdom and 14.2% for Norway in 2010 (OECD 2012).

CAGR of MOSR of 12.07% during the same period. In sum, the macro picture of share of municipal finance in the GDP is of insignificance and stagnancy.

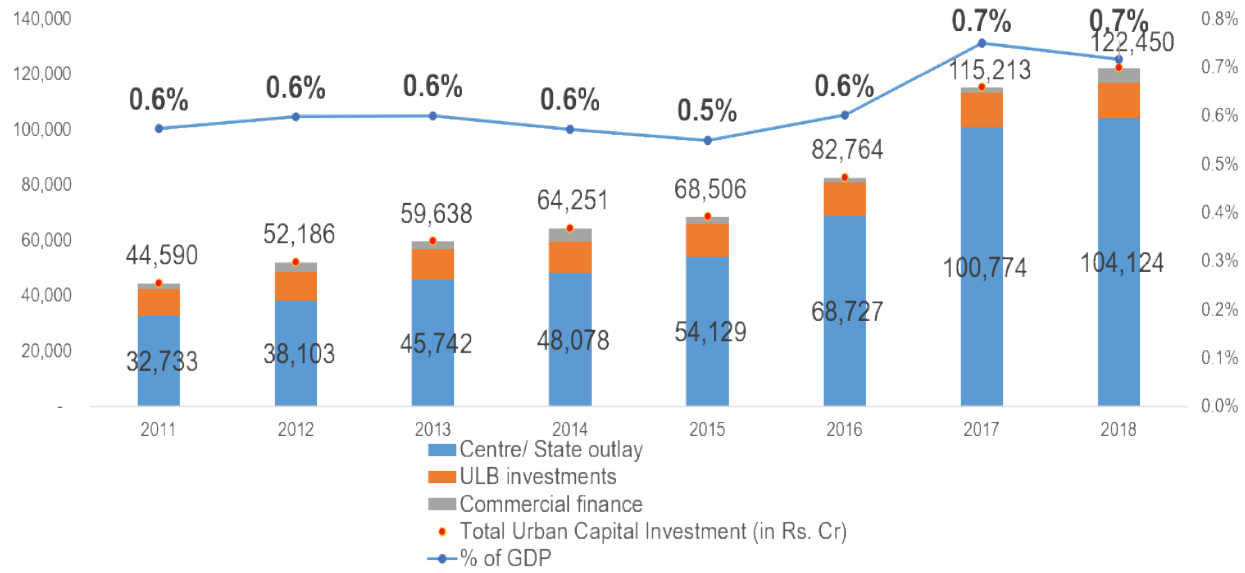
URBAN INVESTMENT STAGNANT AROUND 0.6-0.7% OF GDP AND ULBs SHARE IN URBAN INVESTMENT DECLINED DURING 2011-18

Not only has the share of Municipal Finances remained stagnant but India's cumulative urban investment (including investment by non-municipal organisation pertaining to Metro rail, Water and Sanitation, City Transport, Urban Housing) was an estimated Rs 6.1 lakh crore, translating to 0.63% of GDP. Investments in basic services alone estimated at Rs 4.2 lakh crore (or 0.44% of GDP) during FY 11–18. While it grew in absolute terms, its share fell from 74% of all urban investment to 66%.

There is a change in financing of the CAPEX. The central/State share is up from 73% to 85%, ULB share is down from 22% to 10% and Comm. financing averages ~ 4%. In share of GDP terms share of CAPEX by ULBs declined from 0.4% of GDP to 0.3% of GDP (please see Graph 3).

The capital expenditure reported by ULBs grew from Rs 27,458 crores to Rs 54,357 crores translating to a moderate CAGR of 10% during FY11 and FY18. In per capita terms, the FY18 capital investment (at Rs 1,464) is still lower than the HPEC 2011 norm of Rs 2,733 per capita (adjusted for inflation) and is sharply lower than the Rs 6,030 per capita,[2] (Sankhe et al., 2010) norm.

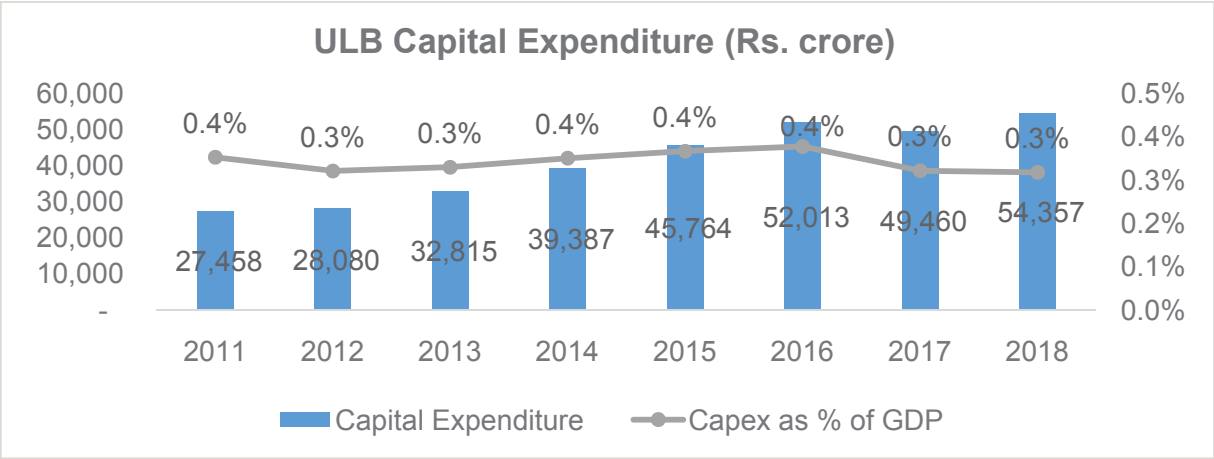
Another trend observed is that Capital expenditure by ULBs (Rs 54,357 crores) now just constitutes 45% of all urban investment in FY18, with the rest being implemented by government departments and parastatal agencies.



Graph 2: Urban Investment – sources of funding and % share of GDP

As one would expect, investment through ULBs was higher in states that had higher levels of functional devolution. For instance, four states (Gujarat, Maharashtra, Tamil Nadu, and Karnataka)

2 Estimates a capital expenditure of USD 134 per capita at 2008 exchange rate.



Graph 3: CAPEX by Urban Local Bodies as % of GDP

with relatively higher functional devolution (water and sanitation being fully transferred to ULBs), had 38% of urban population, but accounted for close to 60% of investment done by ULBs nationally.

DECLINING SHARE OF MUNICIPAL OWN SOURCE REVENUE

This is the most disturbing long-term phenomenon associated with Indian Municipal Finance, but no corrective measures have been taken. It can be observed from the Table 1 that the share of municipal own source revenue (MOSR) to GDP has declined from 0.59% in 2002-3 to 0.43% in 2017-18. MOSR share declined mainly due to reduction in share of municipal tax revenue from 0.39% in 2002-03 to 0.25% in 2017-18 of GDP while non-tax revenue reduced marginally from 0.20% to 0.18% during the same period. The reduction in MOSR share does not capture effect of loss of certain local taxes (octroi, entry tax, advertisement tax, entertainment tax etc.) due to GST as this data is up to 2017-18. If recent years' data is taken into consideration, then the same ratio must have reduced to 40% of the GDP.

Against decline in MOSR, the share of State Transfers has increased from 0.26% to 0.33% of GDP during the same period, but it is the share of Central Transfers which has increased dramatically from 0.025% to 0.12% of GDP. Notwithstanding their increasing importance vis-à-vis own revenues in municipal finance, intergovernmental transfers to urban local governments account for a very small and declining proportion of GDP. In comparison with 2.1% of GDP in Denmark, 6.0% in Norway, 7.8% in Italy, and 9.9% in United Kingdom, such transfers account for a meagre 0.45% of GDP in India (Mohanty, 2016).

Analysis of share of Municipal Tax Revenue /Municipal Own Source Revenue in respective GSDP during 2011–18 provides a declining picture with more interstate granularity as follows:

- The s hare of Municipal total revenue in GDP is around 1.0% but its share in GSDP is less than 1.0 in most of the states except states like Maharashtra, Madhya Pradesh, Gujarat, Karnataka, West Bengal and Tamil Nadu. Among these states, except Gujarat and Madhya Pradesh, the share of Municipal Total Revenue in GSDP has declined, which is a cause of concern.
- Share of MOSR in GDP as noted earlier is 0.429% in 2017-18, but its share in GSDP is less than this threshold in all the

states except Maharashtra, Gujarat, Punjab, Madhya Pradesh. Also, MOSR has declined in most of the States during the period except Gujarat and Madhya Pradesh.

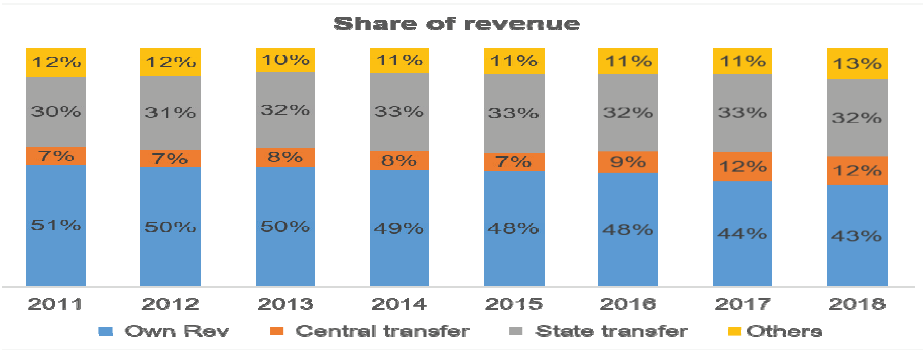
- The share of Municipal Tax Revenue in GDP is 0.251% in 2017-18 but share of municipal tax revenue is less than this threshold in all the states except Maharashtra, Gujarat and Madhya Pradesh. But share of municipal tax revenue has declined drastically in case of Maharashtra and Gujarat.

In terms of another indicator share of municipal own resource revenue in total municipal revenue reduced from 63.5% in 2002-03 to 42.7% in 2017-18. In recent years, that is 2011–18, it has come down from 51% to 43%. (Please See Graph 5)

MUNICIPAL BODIES LEFT WITH ONLY ONE TAX SOURCE

In contrast to access to goods and service tax and income tax to urban local bodies in many countries across the world, urban local bodies in India are now left with only property tax. Most of the local taxes—motor vehicle tax, duty on transfer of property, tax on professions and callings, entertainment tax, octroi were either appropriated or abolished by the State Governments before the GST came into force in 2017. With the coming in force of GST all local taxes such as octroi, account based octroi in the form of local body tax, advertisement tax, have got subsumed and most importantly, it has completely ended the possibility of state governments being able to give any consumption based tax to urban local bodies. Recent data corroborates the fact that the property tax is the only major tax source with municipal bodies as it constituted 60% share of municipal tax revenue and 37% share of total MOSR in 2017-18. Though it is the main source, it has been the most underutilised and ill-managed tax. Various studies have clearly pointed out this fact:

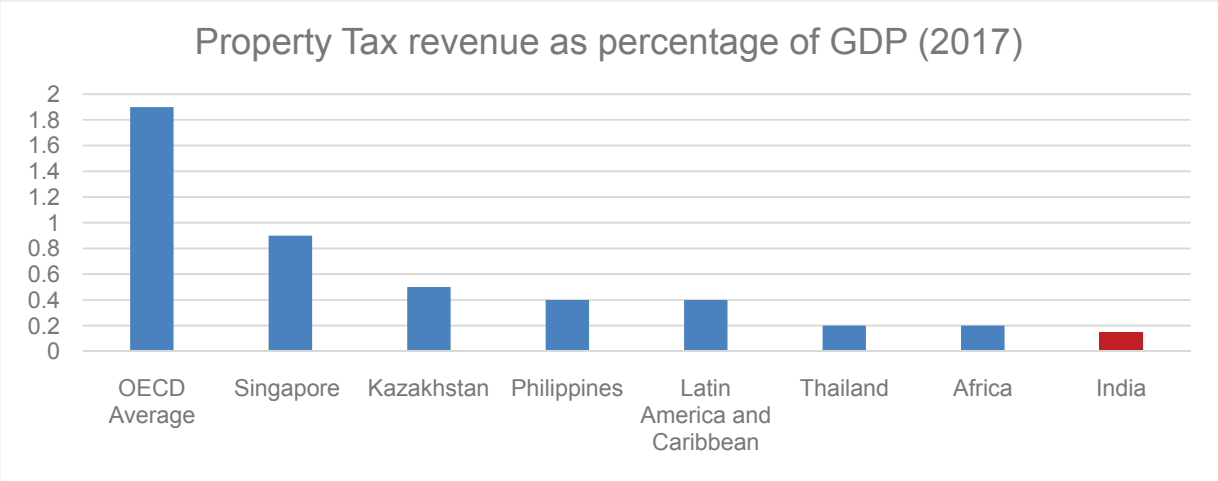
- According to chapter 10 of a study undertaken by the Thirteenth Finance Commission (TFC - 2007-08 data), property tax revenues in the 36 largest cities of India were estimated at Rs 4522 crores, yielding a per capita revenue of Rs 486. In these cities, on an average, property tax revenues constituted 23% of the total municipal revenues and 28.5% of own source revenues. There were large inter-city variations in property tax revenues, with the Mumbai Municipal Corporation registering per capita annual revenue of Rs 1334 as



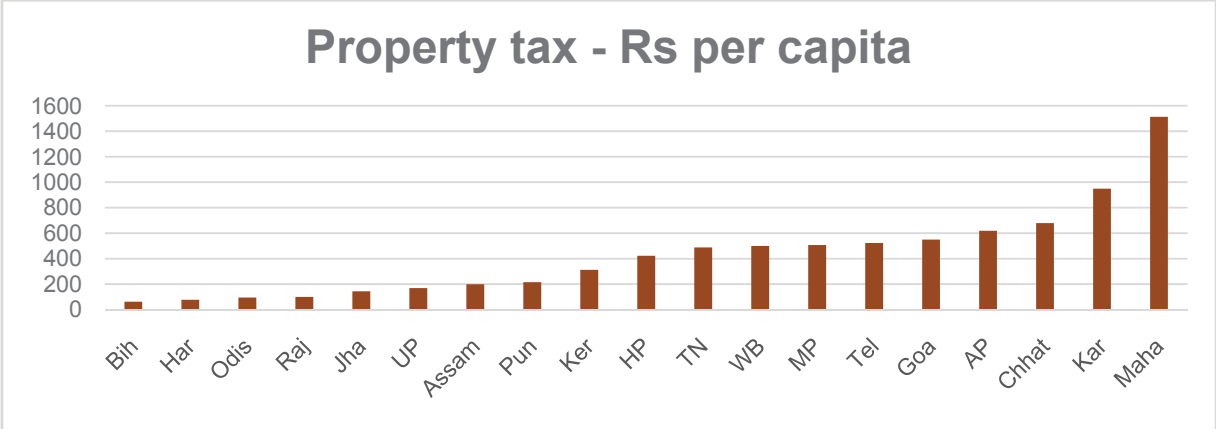
Graph 5: Share of different components of Municipal Total Revenue

against Rs 25 for the Patna Municipal Corporation.(Government of India, 2009)

- The all-India collection of property tax yield blown up from the 36-city sample is estimated by 13th FC was between Rs 6,275 crore and Rs 9,425 crore, or 0.15%–0.23% of the GDP (Government of India, 2009), compared with 0.6% for developing countries, 0.68% for transitional economies, and 1.04% for all countries.
- Economic Survey of India 2017-18 stated that Property Tax potential went unexploited –Evidence from satellite data indicates that Bengaluru and Jaipur collect only between 5% to 20% of their potential property taxes.
- Sub-optimal utilisation pointed out by earlier studies, has continued during 2011–18 period as property tax revenue grew slower than Central and State transfers at 13% CAGR during FY 11-18. In GDP terms, property tax revenue hovered at 0.14-0.15% of GDP, which is far below the level of 1% estimated for recurrent taxes on immovable property in OECD countries



Graph 6: Property Tax revenue as percentage of GDP



Graph 7: Per Capital Property Tax Revenue in different States

(OECD Revenue Statistics, 2018). As documented by Bahl et al (2008), in the 2000s this ratio was 0.6% in developing countries and 1.04% in all countries.

Cause for Low Property Tax Revenue: Various studies and TFC noted that the main causes for dismal performance with regard to property tax are low coverage, very low collection efficiency and lack of indexation of property value but barring some exceptions, in the past 10 years, the property tax system has not seen any improvement.

Potential of Property tax: As per TFC figures, municipal bodies were found to realise only about 21% of the potential. Consequently, TFC estimated that the property tax revenues could increase to Rs 22,000-32,000 crore, merely by bringing all cities to an 85% coverage level and 85% collection efficiency, without changing any other variables.

In the light of data collected for 15th CFC, it is estimated that tripling property taxes to 0.45% of GDP can yield an incremental Rs 60,000 crores at current prices and is an achievable target. (Ahluwalia et al., 2019)

DECLINING SHARE OF MUNICIPAL EXPENDITURE IN GDP AND SIZEABLE YEAR-END UNUSED BALANCE

This is a recent phenomenon clearly indicating lack of capacity of Municipal Bodies to absorb or to spend sizeable funds devolved under JNNURM, Smart Cities Mission, AMRUT and CFCs by the Central and State Governments, as a result a significant amount is remaining unspent at the end of year (See Table 2) since 2010-11. Not to have funds for development is a bad phenomenon but to have funds and not to spend on development is the worst ever situation in public finance. It can be observed from the Table 1 that Municipal Total Expenditure share in GDP has declined from 1.09% in 2007-08 to 0.78% in 2017-18 and this is in spite of the fact that Municipal Total Revenue remained around 1.0 of GDP that is there was no paucity of funds.

The share of municipal expenditure in GDP is 0.78% this benchmark in GSDP is less in case of all the states except Maharashtra, Madhya Pradesh, Gujarat, Tamil Nadu. Most importantly,

Table 2: Municipal Revenue and Expenditure and year-end unspent balance (Rs in Cr)

Head (Rs Crores)	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-17
Total Municipal Revenue	73259.8	85627.2	104476.1	119620.2	130794	146578.5	161978.9	171697.1
Total Municipal Expenditure	64192.8	70380.2	82701.9	93297.6	106916.7	118937.7	124006.9	132552.6
Unspent year-end balance	9067	15247	21774.2	26322.6	23877.3	27640.8	37972	39144.5
Unspent balance in %	12.37	17.80	20.84	22.0	18.25	18.85	23.44	22.79

Source: ICRIER study for 15th Central Finance Commission

the share of municipal expenditure has declined with respect to all the states except West Bengal, J&K and Himachal Pradesh, where it has increased, but this increase is marginal and these states are still below national average. The worrying fact is a sizable decline in share of municipal expenditure in GSDP has happened with most urbanised and most advanced states like Maharashtra, Gujarat, Karnataka and Tamil Nadu.

Inability of ULBs to absorb or to spend capital grants is substantiated by Smart City Mission and AMRUT implementation data:

- According to the Annual Report of the MoHUA for the year 2018-19 (2018) at end of March 2019, against the 5151 project proposals amounting to Rs 2,05,018 crores in all 846 projects of Rs 14,324 crores, have been completed. This means the combined performance of 100 smart cities at the end of 4th year of SCM is 16% in terms of number of projects and 7% only in terms of financial outlay.
- Similarly in case of AMRUT the total amount released by GOI is Rs 13,213 (26.5%) crores against total scheme outlay of Rs 50,000 crores. Against total scheme outlay (Centre + State + ULBs) of Rs 1,00,000 crores, 5530 projects of Rs 77,460 crores, only 1422 projects have got completed and Rs 3451 crores have been spent, so performance is 25.7% in number of projects terms and 3.45% in financial terms.
- Another data set indicates that GOI has been able to devolve on 42% funds against the contribution which it was supposed to give. Even though GOI released less than 50% of scheme funds ULBs implementing agencies at local level failed to utilise it fully—only 70% of funds were utilised, it means in reality less than 30% funds against the total contribution which GOI is supposed to provide has been utilised. Even if it is assumed that expenditure is two times more (Rs 2,25,000 crores) than the amount (Rs 1,09,807 crores) GOI has released (which is certainly not the case) the performance against total project outlay is only 23%.

Even though per capita municipal expenditure has increased in India, it still lags far behind the per capita spending of other countries. McKinsey (2010) estimates India's annual per capita

Table 3: GOI's Flagship Urban Schemes - Total Financial Outlays, Budgetary Allocations, Actual Release

Table 3: (amount Rs in crore)	PMAY	SCM	AMRUT	SBM	Total
Total Projects Outlays	661000	225000	77640	14623	978263
Total GOI Contribution	163161	48000	35990	14623	261774
Total GOI Contribution Released	63665	18569	18418	9155	109807
GOI contribution utilised	44881	10228	13186	6666	74961
Release against contribution %	39%	38.7%	51.2%	62.6%	42%
Utilisation against contribution %	70%	55%	71.6%	72.8%	68.3%

Source: Annual Report of Ministry of Housing and Urban Affairs and Author's Analysis

spending on cities in 2010 at $50. This is much less compared to $362 in China, $508 in South Africa, and $1772 in the United Kingdom. As for capital expenditures, India's per capita annual urban spending is $17 as against $116 in China, $127 in South Africa and $391 in the United Kingdom. The report argues that India needs to increase the figure eightfold from $17 to $134 by 2030, that is raising it from 0.5% of GDP to 2% of GDP a year (Mohanty, 2016).

NEGLIGIBLE ROLE OF DEBT FINANCING IN MUNICIPAL FINANCE.

While aggregate information on debt accessed by ULBs is unavailable in the public domain, the 15th FC 2019 (Ahluwalia et al., 2019) report pegs borrowings of ULBs nationally at Rs 27,427 crore or just 2.8% of all municipal receipts during FY11 to FY18. Of this, Rs 14,171 crore (or 52% of this) is reported to have been accessed by ULBs in Gujarat alone. An earlier study for the 14th FC pegged total debt in FY13 at Rs 920 crore or 1.4% of all ULB receipts.

Gujarat was the only state to access market and institutional sources of finance in a substantial way. On average, between 2010-11 and 2017-18, about 14% of its municipal revenue accrued through borrowing. Madhya Pradesh (8%), West Bengal (4%), Karnataka (2.2%) and Maharashtra (1.2%) were the other four states to tap the capital market, over this period. Telangana also raised Rs 300 crore through the issuance of Greater Hyderabad Municipal Corporation (GHMC) bonds amounting to 6.2% of Telangana's municipal revenue in 2017-18.

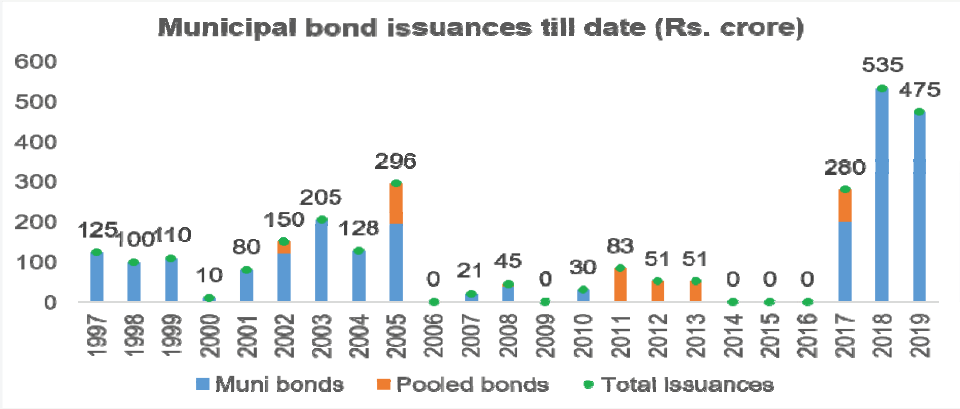
Municipal bonds have seen a recent spurt, but with a higher rating threshold, this option is limited to a narrow band of credit-worthy cities: India has a long history of municipal bond issuances with over 30 bonds issuances raising Rs 2800 crores till date, which can be viewed in three phases:

- Phase I during 1997–2005 when Rs 1200 crore worth of issuances were made, followed by a lull in phase II.
- Phase II during 2006–16 when issuances fell to about Rs 300 crores (of which Rs 200 crores were in the form of pooled issuances by Tamil Nadu state).
- Phase III starting 2017, has seen some revival of muni-bond interest with over Rs 1300 crore raised by 5 ULBs. Release of municipal bond regulations by the Securities Exchange Board of India (SEBI) and incentives provided by GoI under the AMRUT scheme have catalysed action.

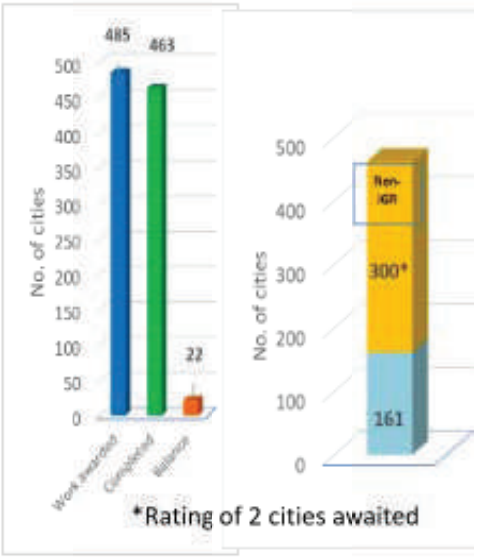
Municipal Bonds issued till date have a mix of tax-free (46%), taxable bonds (30%) and pooled bonds (24%). Recent issues have been taxable bonds. Except one issuance by Ahmedabad, all are structured obligations with credit enhancement of some form. All issuances had a rating > A out of which 80% issuances > = AA. On utilisation side, 80% of funds raised through municipal bonds have been utilised for Water supply, and sewerage.

Besides Central Schemes like JNNURM, Smart Cities Mission, AMRUT and other grant schemes / missions of the State Governments which crowded out raising of funds through Municipal Bonds, the main reason behind very low debt financing by municipal bodies is lack of creditworthiness.

One of the ways to measure creditworthiness is credit rating of municipal bodies. As per SEBI guidelines a municipal body is required to do credit rating when it goes for municipal bonds. Mass scale credit rating of municipal bodies has been done only twice. First time of 65 cities under JNNURM and recently under AMRUT.



Graph 8: Municipal Bond Issuances till date (Rs crore)



Graph 9: Credit Rating Status of Municipal Bodies

Credit rating work of 485 cities (Under AMRUT and SCM) was awarded and by end of November 2018 credit rating of 466 cities have been completed. Out of 466 cities, in all 163 cities (35%) have received investment grade rating (BBB--- and above). But Only 36 cities belonging to 12 States out of 163 cities have received high or adequate investment (A- and above). Out of these 36 investment grade cities only 21 cities belonged to Smart Cities Mission.

Beside municipal bonds, municipal bodies are borrowing from multiple sources like commercial banks, other financial institutions, multilateral loans and government loans. Recently, there have been some efforts to address regulatory issues particularly to ease supply constraints for municipal bond issuances, including (i) Release and revision of municipal bond guidelines by SEBI, (ii) Reserve Bank of India (RBI) nod for Foreign Portfolio Investors (FPIs) to invest in municipal bonds, and (iii) tax exemption for sovereign wealth funds and concessional withholding tax for investments in muni bonds announced in Union Budget 2020. A review of legislation in select States confirms that most states have requisite legal provisions to allow ULBs to borrow, but they are weak on enablers to nudge even the relatively better of cities to leverage more. Furthermore, in some cases, cities are even restricted to access commercial borrowing due to the delays/rejection in approvals for the same.[3]

The low level of borrowings by ULBs stem largely from demand-side factors including (i) narrow concentration of borrowing capacity

3 In most of the States, the ULBs need to get a mandatory approval from the State Government for raising loans

among few cities, (ii) weak investment planning orientation, (iii) weak institutional accountability to service outcomes and (iv) capacity gaps in financial management. To address these constraints and step up borrowings from the current levels, States (especially the larger and urbanised ones) have a big role to play beyond support to one-off bond issuances.

INCREASING INTER-STATE MUNICIPAL FINANCE DISPARITY

Inter-state disparities with reference to various components of municipal finance existed right from the beginning. The disturbing fact is inter-state disparity in municipal finances is increasing. For mapping inter-state municipal finance disparity, the data for 2007-08 (Asian Development Bank, 2013) and 2017-18 available from the studies conducted for 13FC and 15FC have been compared as follows:

- In 2007-08 four states of Andhra Pradesh, Maharashtra, Punjab and Gujarat accounted for 75% of the municipal tax revenue having 33% of the urban population of India. The five states of Orissa, Jharkhand, Uttar Pradesh, Bihar and Madhya Pradesh generated only 3.4% of the total municipal revenues while representing 26% of urban population.

  In 2017-18 four states of Maharashtra (37.4%); Gujarat (16.0%); Madhya Pradesh (9.3%) and Karnataka (6.8%) accounted for 70% of the total municipal tax revenue having 31% of total urban population of India. Thus in municipal tax revenue terms disparity has not come down and almost remained same, but Punjab and Andhra Pradesh have lost leading status while Madhya Pradesh and Karnataka got added to the list.

  While average annual MOSR per capita across states (2017-18 data) comes in at Rs 1988, Maharashtra, with an annual per capita realisation of Rs 5730, alone accounted for 43% of MOSR of all ULBs nationally while Gujarat accounted for 13.4%.
- In 2007-08 Maharashtra municipalities generated a per capita annual revenue income of Rs 2600, in comparison, per capita revenues of municipalities in Orissa, Jharkhand, Uttar Pradesh, Bihar and Madhya Pradesh were Rs 38, Rs 86, Rs 94, Rs 105 and Rs 121 respectively, which is a fraction of the revenues generated by municipalities in Maharashtra.
- This situation has not changed in 2017-18, Maharashtra municipal bodies generated a per capita annual revenue of Rs 5730, in comparison per capita own revenue of municipal bodies in Bihar, J&K, Odisha, Jharkhand, Uttarakhand and Uttar Pradesh was Rs 139, Rs 174, Rs 256, Rs 263, Rs 322 and Rs 348.
- The inter-state variations in terms of per capita municipal expenditures was also high in 2007-08; a municipality of Maharashtra spent as high as Rs 2237 per capita which was ten times compared to per capita expenditure in states like Bihar (Rs 205); Uttar Pradesh (Rs 245), Haryana (Rs 328). This ratio has come down to seven times in 2017-18 due to higher transfers from Central Government and State Government to ULB. In spite of this a municipal body of Maharashtra spent as high as Rs 5263 against per capita expenditure by municipal bodies in Aasam (Rs 706); Jharakhand (Rs 732); Rajasthan (Rs 776); Bihar (Rs 929).

- One positive aspect can be noted among all these negative trends and that is of number of major States with operating or revenue surplus at aggregate level. In 2007-08, municipal bodies of Maharashtra and Punjab were in operating or revenue surplus (operating ratio less than 1) but in 2017-18 there are seven major states (Maharashtra, Punjab, Gujarat, Madhya Pradesh, Andhra Pradesh, Chhattisgarh, Rajasthan) which are showing operating surplus (operating ratio of less than 1). Even at the all-India level operating ratio has improved from 1.21 to 1.05.
- During 2011–18 share of MOSR in total municipal revenue has come down with respect to almost all states except Andhra, Assam, Chhattisgarh, Madhya Pradesh and Odisha. (see Graph 7) But reduction in MOSR share at all-India level to 42.71% from 52.94% is mainly due to reduction in share of MOSR from Maharashtra and Gujarat due to abolition of Octroi. Share of MOSR in total municipal revenue also fell sizeably in case of Punjab, Karnataka, and Tamil Nadu, other most urbanised states.
- In 2017-18 Maharashtra accounted for 32.7% share of property tax revenue of all ULBs nationally followed by Gujarat with 20.8%; Karnataka 10.6% and Tamil Nadu 7.1%, in all these four states with 37.5% share of total urban population accounted for 70% share of property tax revenue of all ULBs nationally. Maharashtra and Gujarat report the highest realisation in annual per capita terms at Rs 1512 and Rs 1911 respectively. (National avg. ~ Rs 688).
- The share of property tax in own revenue in 2017-18 was the highest in Karnataka at 68% and the lowest in Punjab at 9%, among major states.

SKEWED STATE OF URBAN FINANCE AMONG DIFFERENT TYPES OF MUNICIPAL BODIES.

Municipal Corporations accounted for 48% of urban population but 82% of reported MOSR by ULBs nationally clearly indicating weak resource base and recoveries in rest of the ULBs. Municipalities with 31% population accounted 15% share while Nagar Panchayats with 21% population accounted only 3% share of MOSR by ULBs nationally.

SUMMING UP

It is clearly evident from the above discussion that the share of municipal finance in GDP has been historically miniscule and in past one and

Table 4: Per Capita Municipal Own Source Revenue, Per Capita Transfers and Per Capita Total Revenue

	Per capita MOSR (Rs)	Per capita transfers (Rs)	Per capita Total Municipal Revenue (Rs)
Municipal Corporations	2994.7	2787.8	5782.5
Municipality	840.3	2581.0	3421.3
Nagar Panchayat	484.4	2150.2	2634.6
All India	1988	2636.2	4624.2

Source: ICRIER Study for 15th Central Finance Commission and Author's Analysis

half decade it has remained stagnated at 1%. The share of investment in urban infrastructure has also remained miniscule and stagnant at 0.44%. Within this overall stagnant and insignificant picture of municipal finance, there is a story of emasculation of municipal bodies as follows:

- one, share of total municipal expenditure in GDP has declined and share of CAPEX by municipal bodies in total urban investment has declined
- two, share of municipal own source revenue in GDP and in total municipal revenue continuously declined as municipal bodies are left with only one tax source (property tax) which has remained highly unagumented and few user charges like water, sewerage, solid waste, which fail to recover even O&M cost.

Beside emasculation of municipal bodies, interstate and inter-municipal bodies disparity increased in terms of municipal owns source revenue and municipal tax revenue terms

There is an urgent need to address stagnant and declining share of municipal finance and urban investment in GDP to improve quality and quantity of urban infrastructure by assigning new sources of finance (local income tax and local GST or share of both) to municipal bodies because even if property tax reforms are pursued, universe of municipal finance will not increase substantially; (a) by undertaking property tax reforms; (b) by making it mandatory to levy user charges to cover at least the O&M cost of delivering services; (c) by giving assured untied devolution from the Centre and States to the ULBs; (d) by productive use of levies such as impact fee, development charges, betterment levy, etc. (e) continuous monitoring (quarterly basis) of financial performance of ULBs by various stakeholders—Central and State Governments, credit rating agencies, financial institutions etc.

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