This week the government said that retail inflation has shot up to 6.52% for January from 5.72% in December 2022. This is much in line with the RBI’s household survey on inflation expectations, released earlier this month, wherein it shows that retail inflation would be hovering high this whole year with price rise across the board. This again is congruent with the prediction of the Global Risks report 2023 that identified the cost of living crisis to be our biggest headache. Driven largely by food inflation, it is obvious that the ones on the receiving end are the poor who spend a much larger share of their income on food. And yet inflation mentions no mention either in the 8000 words budget speech of the Finance Minister or in the 85 minutes talk time of the Prime Minister in the entire budget session.
Mandatory safeguards remain a far cry as RBI takes baby steps towards greening financial frameworks

Following up on its July 2022 discussion paper on Climate Risks and Sustainable Finance the RBI has announced that it will release guidelines on the following areas in a phased manner:

- Broad framework for acceptance of Green Deposits;
- Disclosure framework on Climate-related Financial Risks, and;
- Guidance on Climate Scenario Analysis and Stress Testing.

While RBI’s actions have come in too late given the intensity of the climate emergency, the sheer absence of environment and social accountability in the bulk of Indian banks’ lending activity makes this announcement a tiny step forward. Yet, there is much to be desired. Sustainable financing needs to be part of banks’ lending practices in general and not remain limited to portions demarcated under green portfolios. The social impacts of financing projects have disappeared from the scope of the proposed guidelines. There is no mention as yet of mandatory safeguard mechanisms, with independently conducted environment and social impact assessments, institution of grievance redressal mechanisms and free, prior and informed consent. The disclosure regime has mostly proved to be largely ineffective and inadequate with regard to certain basic questions such as who verifies the ‘disclosures,’ what are the penalties/actions prescribed if impacts go above certain thresholds? The RBI needs to take this initiative to its logical conclusion and prescribe mandatory safeguards from an impact-risk perspective rather than solely from a financial risk standpoint.
“The allegations related to group governance and disclosures may affect the appetite of fund providers and business partners in supporting Adani Transmissions Ltd’s growth” said the S&P global ratings agency while placing its ESG (environment, social and governance) evaluation for Adani Transmission Ltd (ATL) under review in the aftermath of the Hindenburg revelations about Adani Group’s stock manipulations and accounting fraud. Meanwhile, adding to the claims in the Hindenburg report, now Forbes also has furnished previously unreported transactions involving offshore funds with ties to Gautam Adani’s brother Vinod Adani that appear designed to benefit the Adani Group. While the revelations clearly point towards the ballooning of Adani’s stocks with the help of “enablers” in the government, the Prime Minister refused to answer sharp questions from the opposition about the same in the budget session even as the concerns around the health of our regulatory institutions is deeply disturbing.

The Supreme Court on Friday refused to accept names of experts suggested in sealed envelope from the centre. It instead insisted on full transparency saying it will pick a panel headed by retired SC judge that has experts for a detailed probe into the allegations raised in the Hindenburg report.
‘Ease of doing business’ trumps the rhetoric of ‘net-zero’ & sustainable development

In line with the finance minister’s budget speech and this government’s policy in actual practice the erosion of environmental safeguards continues in the name of ease of doing business. The last few years have seen dilution of environmental laws and an emphasis on providing swift ‘single window’ clearances to business ventures and projects. While some of the dilutions envisaged as legislative changes have met resistance in parliament and civil societies, the same have been introduced through office orders.

The latest office orders by the Ministry of Environment, Forests and Climate Change allow forest clearance for acquisition of one hectare of forest land for residential projects in undefined ‘exceptional circumstances.’ Another order introduces a ‘star rating system’ which ranks and incentivizes state environment authorities on providing clearances in the shortest possible time. Such changes through the surreptitious route of office orders deny the chance of them being subjected to democratic scrutiny.
Empty promises: MSMEs continue to remain in crisis

The union government claims to have made plans to revive and support the MSMEs through credit support. And yet in reality the picture seems to be quite grim. A survey by the Consortium of Indian Associations shows that 76% of the respondents are not making profit and 72% is either stagnant or decreasing or stopped or wound up. This is not surprising as the rhetoric aside, government policy has decidedly favoured the organised sector. As Arun Kumar notes, the organised sector has grown at the expense of the unorganised sector, which is declining. “The latter is being colonised by the former”, he said. Despite the claims made during the pandemic about atmanirbhar bharat and the emergency lending scheme, as per the recent survey, only 21 per cent of the respondents stated that the government has supported MSMEs adequately during the pandemic.