ECONOMIC SURVEY 2023

Context

Recently, the government tabled the Economic Survey 2022-23. The Survey laid out the outlook for India's growth, inflation and unemployment in the coming years.

About

The Survey provides a detailed report of the national economy for the year along with forecasts.

It touches upon everything from agriculture to unemployment to infrastructure. It is prepared by the Economic Division of the Department of Economic Affairs (DEA).

Refrence to 2003

The Survey argued that the situation in 2023 is similar to how the economy was poised in 2003.

It said the period between 2014 and 2022 is analogous to 1998-2002, when despite transformative reforms by the government the Indian economy lagged growth returns.

This was due to temporary shocks such as the US sanctions after India's nuclear test, two successive droughts, the collapse of the tech boom, etc.

But once these shocks faded, the structural reforms paid growth dividends from 2003. The Survey claims the same story is set to repeat from 2023.

India's economy

The central thrust of this year's Survey is that India's economy has recovered from the Covid disruption and, at long last, is poised to see sustained robust growth in the rest of the decade.

The phase between 2014 and 2022— has witnessed "wide-ranging structural and governance reforms that strengthened the economy's fundamentals by enhancing its overall efficiency".

Key Highlights

GDP Growth: The Survey said India's growth estimate for FY23 is higher than for almost all major economies. Despite strong global headwinds and tighter domestic monetary policy, if India is still expected to grow between 6.5 and 7.0 per cent, and that too without the advantage of a base effect, it is a reflection of India's underlying economic resilience; of its ability to recoup, renew and re-energise the growth drivers of the economy.

Inflation: The RBI has projected headline inflation at 6.8% in FY23, outside its comfort zone of 2% to 6%. High inflation is seen as one big factor holding back demand among consumers.

Unemployment: The Survey said "employment levels have risen in the current financial year", and that "job creation appears to have moved into a higher orbit with the initial surge in exports, a strong release of the "pent-up" demand, and a swift rollout of the capex."

Outlook for 2023-24: The Survey projected a baseline GDP growth of 6.5% in real terms in FY24. However, it detailed some downside risks. For instance, low demand for Indian exports, (due to poor global growth), may widen India's trade deficit and make the rupee depreciate. Similarly, sustained monetary tightening (higher interest rates) may drag down economic activity in FY24.

Conclusion

India is the world's most populous country with a growing youth bulge. It has the world's largest pool of poor people and the largest pool of malnourished children.

A growth rate of 4% in India can feel like a recession and even though a 6% growth should be achievable, it may not create enough jobs to satisfy a growing population.

GST COMPENSATION

Context

Finance Minister Nirmala Sitharaman said that a total of Rs. 86,912 crore had been released towards Goods and Services Tax (GST) compensation payable to all States up to May 31, 2022, but it had been delayed for some States due to the non-availability of the Accountant General's (AG) authenticated certificate.

Backgound

The introduction of the Goods & Services Tax (GST) required States and Union Territories (with Legislature) to subsume their sovereignty in a GST Council.

States had to cede almost all their powers to impose local-level indirect taxes and agreeing to let the prevailing multiplicity of imposts be subsumed under the GST.

While the States would receive the SGST (State GST) component of the GST, and a share of the IGST (Integrated GST), there will be loss in total revenue of a state on account of migration from Value Added Tax/Sales Tax to GST.

Thus, it was agreed that revenue shortfalls arising from the transition to the new indirect taxes regime would be made good from a pooled GST Compensation Fund for a period of five years.

GST law prescribes that the financial year 2015-16 shall be taken as the base year for the purpose of calculating compensation and States were assured of a 14 percent growth in revenues every year.

How Funded?

In order to mobilize resources for compensation, a cess is being levied on such goods, as recommended by the Goods and Services Tax Council, over and above the GST on that item. It is levied on so-called 'demerit' goods. And it is called compensation cess.

As on date, compensation cess is levied on products such as pan masala, tobacco, aerated waters and motor cars apart from coal.

Compensation

The consumer is required to pay for compensation. It is collected by the Centre which releases it to States.

The proceeds of the compensation cess are credited to a non-lapsable fund known as the Goods and Services Tax Compensation Fund in the public account.

All amounts payable to the States as compensation are released bi-monthly,provisionally, from said fund against figures given by the Central accounting authorities.

Final adjustments are done after receiving audited accounts of the year from the Comptroller and Auditor General of India.

Salient Aspects of GST Cess

The GST Cess of The Goods and Services Tax (Compensation to State) Act, 2017 provides the manner of ascertaining the amount of compensation payable to the state during the transition period of 5 years by the Central Government on account of revenue loss attributable to levy goods and services tax.

- To ascertain the Base year.
- To identify the revenue for the base year
- Computation of compensation and release of compensation
- Projected revenue.

GST Cess Applicability

GST Cess would apply to both the supply of goods or services that the Central Government has notified. Also, inter and intra-state supplies of goods and services would attract GST cess. Under GST, all taxable persons, except registered taxpayers under GST composition scheme, are expected to collect and remit GST cess.

INDIAN COAST GUARD

Missions

- Safety and protection of artificial islands, offshore terminals and other installations
- Protection and assistance to fishermen and mariners at sea
- Preservation and protection of marine ecology and environment including pollution control
- Assistance to the Department of Customs and other authorities in anti-smuggling operations
- Law enforcement in territorial as well as international waters
- Scientific data collection and support
- National defence during hostilities (under the operational control of the Indian Navy)

Additional responsibilities

- Offshore Security Coordination Committee (OSCC) – The Director-General of the Indian Coast Guard is the Chairman of OSCC
- National Maritime Search and Rescue Coordinating Authority (NMSARCA) – The Director-General of the Indian Coast Guard is the NMSARCA for executing / coordinating search and rescue missions
- Lead Intelligence Agency (LIA) – For coastal and sea borders
- Coastal Security – The Director-General of the Indian Coast Guard is the commander of coastal command

Leadership

- The Indian Coast Guard organisation is headed by the Director-General
- He is assisted by four Deputy Director-Generals
- Director-General of Indian Coast Guard is equivalent to Vice admiral of Indian Navy.
- The Indian Coast Guard operates five regions. Each region is headed by an officer of the rank of Inspector-General. Each of the regions is further divided into multiple districts, typically covering a coastal state or a union territory.

Context

The Prime Minister, Shri Narendra Modi has extended his best wishes to all Coast Guard personnel on their Raising Day.

About

- The Indian Coast Guard (ICG) is an Armed Force of the Union of India for ensuring the security of the maritime zones of India with a view to the protection of maritime and other national interests in such zones and for matters connected therewith.
- It operates under the Ministry of Defence.
- Headquarters in Kochi, Kerala
- The Indian Coast Guard's motto is "वयमरक्षाम:" (VayamRakshamah), which translates from Sanskrit as "We Protect".

History

- The Indian Customs Department frequently called upon the Indian Navy for assistance with patrol and interception in the anti-smuggling effort.
- The Nagchaudhuri Committee was constituted with participation from the Indian Navy and the Indian Air Force to study the problem
- Admiral Kohli in 1974 made a recommendation outlining the need for a separate maritime service.
- As a result, in September 1974, the Indian cabinet set up the Rustamji Committee to examine gaps in security and law enforcement between the roles of the Indian Navy and the central and state police forces.
- The Indian Coast Guard was formally established on 1 February 1977 by the Coast Guard Act, 1978 of the Parliament of India.
- After the 2008 Mumbai attacks, the Indian government initiated a programme to expand the ICG force, assets and infrastructure.

MARRIAGE LAW FOR MINORS

Concerns

About a quarter of 20-24-year-old women are married before the age of 18 years, despite that being the minimum age of marriage since 1978.

According to NFHS-5 (2019-21), the prevalence of underage marriages remains high, with 23% of women between 20 and 24 years of age married before the age of 18.

Increasing the legal age for marriage for women will increase the number of marriages performed underage and render young adults without legal protection.

Government steps

BetiBachaoBetiPadhao to address the declining Child Sex Ratio.

PM MatruVandanaYojana (PMMVY) Providing Cash incentives for improved health and nutrition to pregnant and nursing mothers.

Scheme for Adolescent Girls aims at girls in the age group 11-18, to empower and improve their social status through nutrition, life skills, home skills and vocational training.

Pradhan MantriMahila Shakti Kendra scheme promotes community participation through the involvement of Student Volunteers for the empowerment of rural women.

National Crèche Scheme to provide daycare facilities to children of the age group of 6 months to 6 years of working women who are employed.

Way forward

The issue of raising the age of marriage for women must be supported with other measures that help delay underage marriages such as access to education and improving women's safety.

There is a need for improved access to education, skill training and employment opportunities, safety for women and strengthening maternal health services to reduce maternal and infant mortality rates.

More awareness needs to be generated to make more children come forward for their child abuse.

Proper training of police, forensic staff and public prosecutors need to be put in place for enhancement of the conviction rate.

The introduction of sex education in schools and educating the children about good touch and bad touch is significant. In 2008-09 Parliamentary committee report mentions the introduction of sex education, but it never materialized. It has to be implemented.

About POSCO Act

The POCSO Act was enacted in 2012. It is a gender-neutral act; it also recognizes that boys can also become victims of sexual violence as well. It defines a child as someone under the age of 18.

It also specifically lays down stringent punishment for exposing children to or using them to create child sexual abuse material. The law lays down the procedures for reporting sexual crimes against children.

It places the burden of proof on the accused, following 'guilty until proven innocent' unlike the IPC.

The Act penalizes storage of pornographic material for commercial purposes with a punishment of up to 3 years, a fine, or both.

Prohibition of Child Marriage (Amendment) Bill 2021

According to the National Family Health Survey 2019-21 (NFHS-5), 23% of women between the age of 20 and 24 were married before 18 years of age.

In India, the practice of child marriage was first legally prohibited in 1929 through the Child Marriage Restraint Act, of 1929.

As per the 1929 Act, marriage of girls below the age of 14 years and boys below the age of 18 years was prohibited.

The Prohibition of Child Marriage (Amendment) Bill, 2021 seeks to increase the minimum age of marriage for females to 21 years.

The Bill was referred to the Standing Committee on Education, Women, Children, Youth, and Sports on December 21, 2021.

The Bill was introduced to amend the Prohibition of Child Marriage Act, of 2006.

The main objective is to increase the minimum age of marriage for females to 21 years.

Under the 2006 Act, a person married below the minimum legal age (18 years) may apply for dissolution within two years of reaching majority (before 20 years of age).

Significance of the Bill

Increasing the minimum age of marriage for females to 21 years, ensures gender equality, as the legal marriage age for males is already 21 years, different ages of marriage promote the Stereotype that wives must be younger than their husbands.

The Bill increases the minimum age of marriage for females to 21 years. This signifies that a person married between 18 and 21 years may also apply for voiding the marriage.

Increasing the age of marriage will help in achieving various goals including improvement of maternal and infant mortality rates (IMR and MMR), nutrition levels, the sex ratio at birth (SRB), female labour force participation, and gender equality, and will lead to the empowerment of women.

INDIA'S MENTAL HEALTHCARE ACT

Important Initiatives

National Mental Health Programme (NMHP): India launched NMHP in 1982 to improve the status of mental health in India.

Central and State Mental Health Authorities: The Act established these authorities for the regulation & coordination of mental health services in India.

Right to make an Advance Directive: Under this, every person can state how to be treated or not be treated for the illness during a future mental health situation.

Right to appoint a Nominated Representative: Every person also has the right to appoint a nominee to take, on his/her behalf, all health-related decisions.

KIRAN helpline: It is a 24/7 toll-free helpline launched by the Ministry of Social Justice and Empowerment.

Manodarpan Initiative: It is an initiative launched by the Ministry of Education under Atmanirbhar Bharat Abhiyan.

RAAH app: It is a mobile application that provides free information to the public on mental healthcare professionals and mental healthcare centres.

MANAS App: MANAS stands for Mental Health and Normalcy Augmentation System. It is a comprehensive, scalable, and national digital well-being platform. It has been developed to promote the mental well-being of Indian citizens.

Mental Healthcare Act, 2017

This Act superseded the previously existing Mental Health Act of 1987.

The Act aims at decriminalizing the attempt to Commit Suicide by seeking to ensure that the individuals who have attempted suicide are offered opportunities for rehabilitation from the government as opposed to being tried or punished for the attempt.

The Act aims to safeguard the rights of people with mental illness, along with access to healthcare and treatment without discrimination from the government.

The Act includes provisions for the registration of mental health-related institutions and for the regulation of the sector.

The Act acknowledged that external factors; such as income, social status, and education — impact mental wellbeing, and therefore, recovery needs a psychiatric as well as a social input.

The Act has restricted the usage of Electroconvulsive therapy (ECT) to be used only in cases of emergency, along with muscle relaxants and anaesthesia.

Under the Act, the government was made responsible for creating opportunities to access less restrictive options for community living — such as halfway homes, sheltered accommodations, rehab homes, and supported accommodations.

The Act also discourages using physical restraints (such as chaining), and unmodified electroconvulsive therapy (ECT) and pushes for the right to hygiene, sanitation, food, recreation, privacy, and infrastructure.

Context

The National Human Rights Commission (NHRC) in a recently released report raised serious concern over the "inhuman and deplorable" condition of all 46 government mental healthcare institutions across the country.

The report mentions that the government facilities are "illegally" keeping patients long after their recovery, in what is an "infringement of the human rights of mentally ill patients".

Evaluation

The Act safeguards the rights of people in mental healthcare establishments, but enforcement challenges remain.

Almost 36.25% of residential service users at state psychiatric facilities were found to be living for one year or more in these facilities.

The Act takes on a human rights lens by shifting the obligation of care onto different stakeholders — including caregivers, government institutions, police officials, and mental health practitioners.

Poor budgetary allocation and utilization of funds create a scenario where shelter homes remain underequipped, establishments are understaffed, and professionals and service providers are not adequately trained to deliver proper healthcare.

Way forward

Urgent investment in child and adolescent mental health across sectors, not just in health, to support a whole-of-society approach to prevention, promotion and care.

Urgent investment in strategies to promote good mental health including the prevention of gender-based and other forms of violence

Integrating interventions across health, education and social protection sectors - including parenting programmes and ensuring schools support mental health

Breaking the silence surrounding mental illness, through addressing stigma and promoting a better understanding of mental health.

MUTUAL FUNDS

Context

The capital markets regulator Securities and Exchange Board of India (SEBI) recently proposed to review the role and accountability of trustees of mutual funds with an aim to protect unitholders' interests. Besides, the regulators also put forward some recommendations to enhance the accountability of the board of asset management companies (AMC).

About

A mutual fund is an investment vehicle that pools funds from investors and invests in equities, bonds, government securities, gold, and other assets.

Companies that qualify to set up mutual funds, create Asset Management Companies (AMCs) or Fund Houses, which pool in the money from investors, market mutual funds, manage investments and enable investor transactions.

Mutual funds are managed by sound financial professionals known as fund managers, who have the expertise in analyzing and managing investments. The funds collected from investors in mutual funds are invested by the fund managers in different financial assets such as stocks, bonds, and other assets, as defined by the fund's investment objective.

Role of Trustees

Mutual funds in India have a three-tiered structure – mutual fund, the trustees and the AMC.

Board of trustees or trustee company holds the property of the mutual fund in trust for the benefit of the unit holders. They appoint an AMC to float schemes for the mutual fund and manage the funds mobilised under various schemes.

They are also expected to exercise supervisory oversight over AMC and its activities so as to ensure that AMC acts in the interest of the unitholders.

Issues

According to SEBI, though mutual fund regulations provide for some restrictions to address few conflicts of interest, there are some areas where the Trustees need to pay attention.

Investment by mutual fund (MF) schemes in public issues of its sponsor, its associates and/or group companies;

Investment by MF schemes for fund raising activates by such companies where its sponsor, associates or group companies are appointed as merchant banker;

Sponsor influencing voting by MF schemes in companies in which it has interest and MF availing services of its sponsor, associates and group companies at terms which are not at arm's length.

SEBI's Proposal

SEBI has recommended that the trustees will be responsible for taking steps so that there are system-level checks in place to prevent fraudulent transactions.

SEBI has also recommended amending certain regulations for AMC and also include additional clauses to enhance the role, responsibility, and accountability of the board of AMC.

In order to strengthen governance and for financial independence, SEBI also suggested that all the existing trustees with board of trustees structure should convert into a trustee company in the next one year.

The markets regulator also proposed the constitution of a 'Unit Holder Protection Committee' (UHPC) by board of AMC.

This will help in an independent review mechanism for the decisions of AMC from the perspective of the unit holders' interest, across all products and services.

Benefits of Investors

SEBI said with increasing scale and reach of the mutual fund industry, trustees' role in respect of unitholders' protection assumes even greater significance. Once finalised, the trustees will ensure that the AMCs act in a manner which is not skewed in favour of AMC's stakeholders.

The key areas of their focus will be fairness of fees and expenses charged by the AMC and misconduct including market abuse / misuse of information by the AMC or AMC employees or distributors. The trustees will ensure that there is no mis-selling of mutual fund schemes to increase asset under management (AUM) and valuation of the AMC.

PM CARES FUND

Context

The Union Government has informed the High court of Delhi that the PM CARES Fund was not created under the Constitution or any law made by the Parliament or the state legislature, It was set up as a public charitable trust.

Recently a petition was made in the court to declare the PM-CARES fund a 'state' under Article 12 of the Constitution to ensure transparency in its functioning.

Eligibility criteria

PM-CARE covers all children who have lost: Both parents Surviving parents or legal guardians/adoptive parents/single adoptive parents due to the COVID-19 pandemic, starting from 11th March 2020 the date on which WHO declared and characterized COVID-19 as a pandemic till 28th February 2022.

To get benefits under this scheme, a child should not have completed 18 years of age on the date of death of their parents.

Arguments by petitioner

The Prime Minister of India and other Government Ministers have asked the general public for contributions to the PM-CARES fund.

Government symbols or a government website were utilized for the donation.

PMCARES "projects itself as the government of India" indicating that it operates on the domain name of the government of India and has the photograph of the Prime Minister as well as the Ashoka Pillar.

Public announcements made by the government functionaries, arguing that such persons making the statements are "people of responsibility"

Status of funds

The total donation received under the fund is nearly Rs 11,000 crore, while the expenditure made from the fund is about Rs 3,980 crore, according to the latest audited statement.

Rs 1,000 crore was granted for migrant welfare

The government has used a part of the fund to buy medical equipment, including ventilators, to support the fight against COVID-19 and has also provided relief to migrants.

About fund

PM CARES Fund has been registered as a Public Charitable Trust under the Registration Act, of 1908.

Prime Minister is the ex-officio Chairman of the PM CARES Fund and the Minister of Defence, Minister of Home Affairs and Minister of Finance, of the Government of India, are ex-officio Trustees of the Fund.

The fund consists entirely of voluntary contributions from individuals/organizations and does not get any budgetary support.

Donations to the Fund would qualify for 80G benefits for 100% exemption under the Income Tax Act, of 1961.

Donations to the Fund will also qualify to be counted as Corporate Social Responsibility (CSR) expenditure under the Companies Act, 2013.

It has also got an exemption under the Foreign Contribution Regulation Act (FCRA), which enables the PM CARES Fund to accept donations and contributions from individuals and organizations based in foreign countries.

PM-CARES Fund is not a public authority under the Right to Information Act (RTI), 2005.

The Comptroller and Auditor General's (CAG) clarified that it wouldn't audit the Fund as it is a charitable organization and is also based on donations from individuals and organizations.

It would be audited by an independent auditor outside of the government.

Controversy

Notices were issued by various government departments, "urging" employees to contribute their part of their salary.

Indian Railway, Army, Navy and Air force, Defence PSUs and employees of the defence ministry have donated to the Fund. While a major portion of these contributions has been voluntary, it appears that many government employees weren't given any choice.

Donations are made from Public departments, and therefore the public has the right to know details of the fund and expenditure made under it, but the government made it clear that the fund is outside the preview of the RTI act, and CAG will not audit the fund.

The PMO has also refused to make public any documents related to the PM CARES fund. Total lack of transparency about the use of the funds.

The PM CARES Fund is exempt from scrutiny and monitoring of all foreign donations.

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RETAIL INFLATION

Recent Trends

Inflation ran above the upper tolerance limit of 6% for the first 10 months of 2022 but fell below it in the last two months, largely because of a fall in food inflation.

January's 52% rise on an annual basis as against 5.72 percent in December last year -- much higher than expected -- has been partly fuelled by rising food prices, which account for nearly 40 percent of the Consumer Price Index (CPI) basket.

The prices of cereals and milk continued to rise. The previous high was 6.77% in October.Steps Taken

Steps Taken

The RBI is expected to keep inflation within a band of 2-6 per cent. It has been raising lending rates to control inflation.

Last week, the Monetary Policy Committee (MPC) of the Reserve Bank of India hiked the Key Policy Rate-the Repo rate or the rate at which the RBI lends funds to banks, by 25 basis points to 6.50 per cent in a bid to rein in retail inflation.

Way Forward

In the recent monetary policy announcement, Reserve Bank of India (RBI) Governor Shaktikanta Das said that in FY23, the inflation is expected to grow at 6.5%. In FY24, it is expected to fall to 5.3%.

CPI inflation for January is a negative surprise and will make the job of RBI's MPC (Monetary Policy Committee) more challenging. However, higher food prices will act as the tailwind for farmers and augurs well for rural demand, which has been languishing for many months.

Context

Higher food prices nudged up India's annual retail inflation.

India's retail inflation surged dramatically in January to 6.52 percent, according to the data released by the Ministry of Statistics and Programme Implementation.

About

Retail inflation tracked by the Consumer Price Index (CPI) measures the changes in prices from a retail buyer's perspective.

Wholesale inflation on the other hand is tracked by the Wholesale Price Index (WPI), measures inflation at the level of producers.

Inflation Targets

Targeted consumer price index (CPI) inflation rate is= 4%

Upper tolerance limit of inflation is= Target inflation rate + 2% = (4% + 2%) =6%

Lower tolerance limit of inflation is= Target inflation rate – 2% = (4% – 2%) =2%

Targeted consumer price index (CPI) inflation rate period from = April 1, 2021

Targeted consumer price index (CPI) inflation rate period up to = March 31, 2026