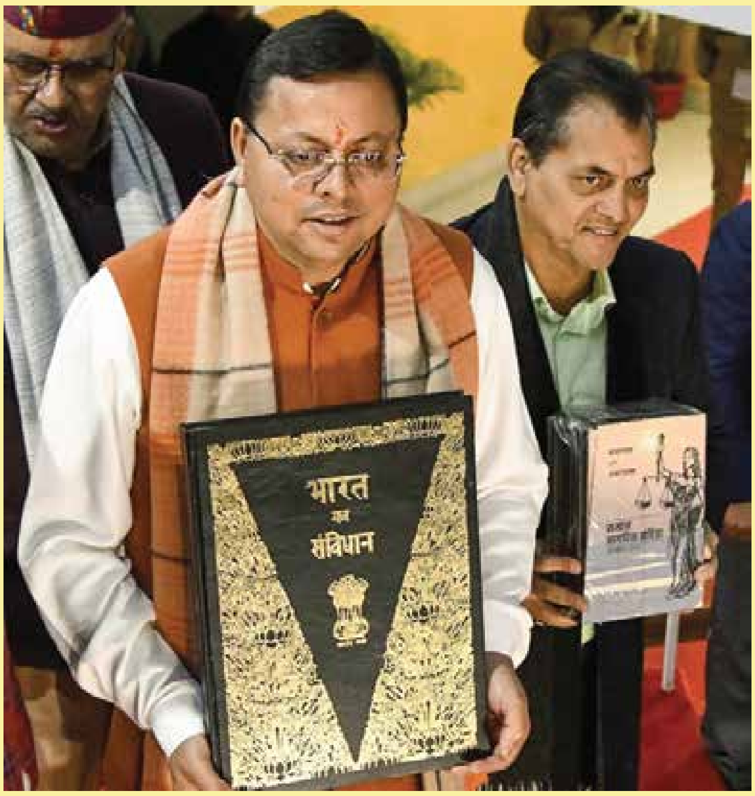
POLITY AND GOVERNANCE

UTTARAKHAND TABLES UCC BILL IN ASSEMBLY

CONTEXT: Uttarakhand Chief Minister Pushkar Singh Dhami tabled the State's Uniform Civil Code (UCC) Bill in the Assembly on Tuesday.



Uttarakhand is set to become the first State Assembly in independent India to enact a uniform law for all communities except the Scheduled Tribes with regard to marriage, divorce, succession, and live-in relationships. In fact, Goa also has a uniform civil code for people from all religions; after its 1961 liberation, it retained the Portuguese Civil Code of 1867.

'Historic moment'

Under the UCC, marriages will only take place only between one man and one woman. The age of marriage has been set at 21 years for boys and 18 years for girls. In matters related to divorce, men and women would have the same rights, ending "evil practices" such as 'Halala' and 'Iddat'. The UCC Bill provides for a three-year imprisonment or a fine of ₹1 lakh, or both, for a person found committing 'Halala'.

'Poll gimmick'

If one person in a married couple changes his religion without the consent of the other, then the other person will have the full right to file for a divorce and maintenance allowance. It will also prohibit a second marriage if one of the spouses is alive. The Bill will make it mandatory to register marriages and divorces, failing which the couple concerned will be deprived of government facilities. In case of a divorce or domestic dispute the custody of any child up to five years of age will remain with the mother.

If a couple does not register their live-in status within a month, they can face a maximum punishment of up to three months imprisonment. Also, if live-in partners share any false information during the registration, they will face imprisonment for up to three months or a fine not exceeding ₹ 25,000, or both.

All children equal

The children born out of such live-in relationships will be considered the legitimate children of the couple under the UCC.

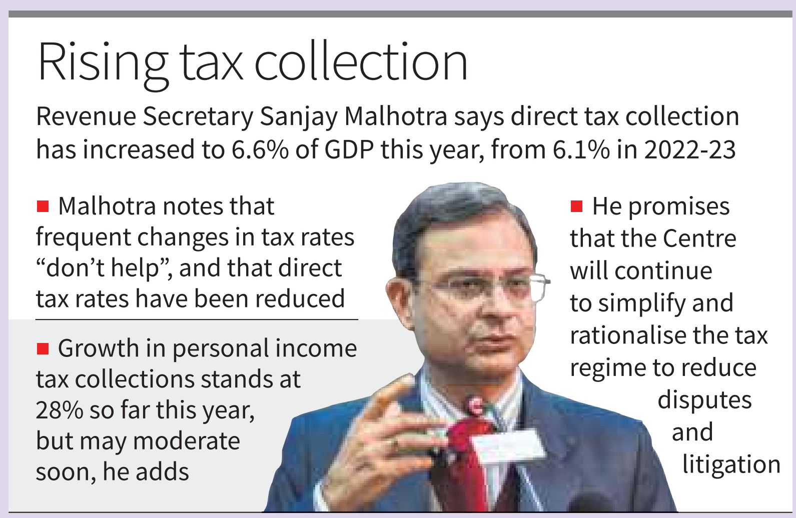
The Bill also proposes to give equal rights in property inheritance to sons and daughters for all classes, with no distinctions between legitimate or illegitimate children, biological or adopted children, or children born through surrogacy.

After the death of a person, his wife and children will be given equal rights in his property along with the parents. Previously, only the mother had rights in the deceased's property.

ECONOMICS AND DEVELOPMENT

'TAX-TO-GDP RATIO TO HIT ALL-TIME HIGH OF 11.7 % OF GDP IN FY25'

CONTEXT: India's tax-to-GDP ratio is expected to hit a record high of 11.7 % of GDP in 2024-25, led by an uptick in the more 'equitable' direct taxes. The Government will continue to simplify and rationalise the tax regime to reduce disputes, litigation and intrusive means of enforcement.



The corporate and personal income taxes have been reduced, hopeful of a high proportion of income tax payers will opt for the new tax regime that doesn't allow deductions but offers a higher tax-free income threshold. The growth in Personal Income

Tax collections stands at 28 % so far this year, and may moderate to 20 % - 22 % by the end of March.

A Group of Ministers (GoM) was tasked by the GST Council to review for rationalising the Goods and Services Tax (GST) rates, but small changes to rationalise rates on different items are a continuing exercise in the Council. The GST Council is expected to meet every quarter and should meet soon, but no date has been fixed yet.

Divergent trend

The Indian state is relatively small on the other metrics, such as the tax-GDP ratio and public expenditure-GDP ratio. Be it public goods provisions, welfare payments, or the justice system, it is a story of scarcity rather than surplus.

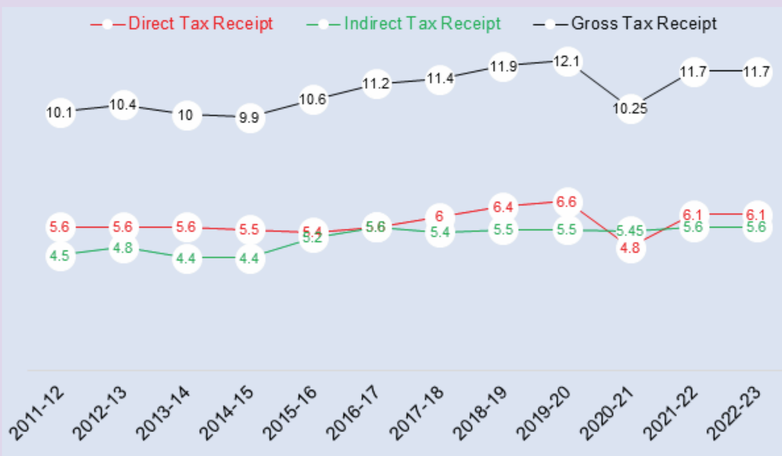


FIGURE: Column chart representation of Goods & Services Tax (GST) receipts (Cr.) (on Y-o-Y basis).

The tax-to-GDP ratio should be at an all-time high next year at 11.7 % from 11.6 % this year and 11.2 % in 2022-23. This is primarily because of direct taxes increasing from 6.1 % of GDP in 2022-23 to 6.6 % this year and 6.7 % next year, which is more equitable, noting that indirect taxes are also increasing but remain at around 5 % of GDP.

As the economy grows and per capita income increases, as per other countries' experience, one can say that the tax-to-GDP also increases and more so when you are developing, with the pace of increase in taxes more than the GDP.

On the modest revenue growth projections for 2024-25, One can't expect the same revenue buoyancy every year. From a 1.4 buoyancy this year, we are projecting a 1.1 buoyancy. As nominal GDP growth is expected to rise 10.5 %, tax revenues are expected to grow at 11.5 %.

ECONOMICS AND DEVELOPMENT

INDIA TO SEE $ 67 BN IN ENERGY INVESTMENTS IN NEXT 5-6 YEARS: PM

CONTEXT: Prime Minister Narendra Modi announced India aimed to raise the percentage of domestic gas in the primary energy mix from 6 % to 15 % as part of efforts to develop environmentally friendly energy sources and enhance the energy mix.

India is estimated to see an investment of about $ 67 billion in energy sector the next five to six years in his inaugural address at the second edition of India Energy Week (IEW). The energy sector would play a crucial role in India's growth story with India poised to become the third-largest economy. India's energy demand would double by 2045.

The interim budget had earmarked ₹ 11 lakh crore for the infrastructure sector. This amount will create assets in railways, roadways, waterways, airways, and housing which will need energy leading to India's efforts to expand its energy capacity.

'Big part for energy'

On the Global BioFuel Alliance, unveiled during the G20 Summit held in India, 22 nations and 12 international organisations had come on board to encourage the use of biofuels, and this would create economic opportunities worth $ 500 billion.

Ethanol blending push

The ethanol blending in per litre of petrol had witnessed a significant rise from 1.5 % in 2014 to 12 % in 2023 leading to a reduction in carbon emissions by about 42 million metric tons. Government has set a target of 20 % ethanol blending in petrol by 2025.

Recalling the initiation of 20% ethanol blending in more than 80 retail outlets during India Energy Week last year, the number of outlets had now increased to 9,000. The government was working towards the installation of 5,000 compressed biogas plants.

POLITY AND GOVERNANCE

PANEL PITCHES FOR LOWERING OF GST ON HEALTH POLICIES

CONTEXT: The Parliamentary Standing Committee on Finance has recommended that GST on health insurance, particularly for senior citizens, should be lowered. It has simultaneously pitched for a level-playing field between public and private sector insurance firms in terms of TDS on GST and participation in government-run insurance schemes.

High premium burden

Financial services, including premium for health insurance, term insurance plans and unit-linked insurance plans, attract GST at 18%. On endowment plans, GST is applied differently. While it is 4.5% for premium paid during the first year, 2.25% would be the rate from the second year.

For life insurance in the form of single-premium annuity policies, rate of GST is 1.8%. Rates are the same for

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all age groups. These can be reviewed on the recommendation of the GST Council.

The Standing Committee, chaired by BJP MP Jayant Sinha, underscored the need for rationalising the GST rate on insurance products, especially health and term insurance, which is 18 % at present. The high rate of GST results in a high premium burden which acts as a deterrent to getting insurance policies, the Committee said.

With a view to making make insurance more affordable, the Committee said: “GST rates applicable to health insurance products, particularly retail policies for senior citizens and micro-insurance policies (up to limits prescribed under PMJAY or Pradhan Mantri Jan Aarogya Yojana, presently ₹5 lakh) and term polices may be reduced.”

TDS on GST

The Committee also took note of TDS (Tax Deducted at Sources) on GST that applies only to public sector insurance companies. According to CGST ACT, TDS at the rate of 2 % is required to be deducted from the payment made or credited to the supplier of taxable goods or services or both, where the total value of such supply is more than ₹ 2.50 lakh.

This is applicable to entities mentioned in Section 51 of CGST Act and includes public sector undertaking (PSU) insurers.

The said requirement for TDS is not applicable on private insurer as the same is not notified under the said section, Financial Services Department told the Committee, adding that it has requested Revenue Department to examine the matter and take necessary action.

Apart from this, the Committee also noted that the public sector insurance companies have to mandatorily participate in government-run insurance schemes that which impact profitability.

“The Committee, with a view to ensuring ensure a level-playing field, recommends that such provisions be uniformly applied to all players,” it said.

Unsecured vehicles

The Committee observed that almost 56% of vehicles (mainly commercial) plying on the roads are unsecured. Such a trend poses a risk to the owners and third parties in case of accidents or damages. Accordingly, the Committee recommended implementation of E-Challan enforcement across States by leveraging data integration by IIN, mParivahan and National Information Centre data. It also suggested that financial institutions consider providing loans when they have proof of insurance coverage.

INTERNATIONAL RELATIONS

WITH SOLAR INDUSTRY IN CRISIS, EUROPE IN A BIND OVER IMPORTS FROM CHINA

CONTEXT: A flood of cheap Chinese solar panel imports is driving record solar energy installations. But those same imports are crushing Europe’s few local solar manufacturers. Governments and industry are split over how to respond.

Record solar capacity

The European Union countries installed record levels of solar capacity, 40 % more than in 2022. Approximately, 95 % solar panels installed in the European Union has been sourced from China.

The green energy boom hasn’t helped Europe’s few local solar panel manufacturers, which have hit a crisis point, crushed by cheaper imports and oversupply. Announcements of production closures are piling up, and the sector has warned half of its capacity could shut within weeks unless governments step in.

German Economy Minister Robert Habeck wrote to the European Commission in November, expressing concern that the EU executive was about to impose safeguard measures against imports of photovoltaic (PV) modules from China. Mr. Habeck warned restricting Chinese imports could kill off Europe’s rapid expansion of green energy and make 90 % of the PV market more expensive. It risked bankruptcies among EU companies that assemble and install solar panels using imported parts.

Germany’s own planned support for the sector has been thrown into turmoil by a government budget crisis. Elsewhere, Spain has not ruled out tariffs on imports of solar panel materials. The Netherlands wants to cover solar PV imports with the EU’s carbon border tax, a government official told Reuters. And Italy last week announced a €90 million ($97 million) investment in a PV panel factory in Sicily.

Price war

In a speech on Monday on the solar sector’s problems, EU Financial Services Commissioner Mairead McGuinness offered no new support. She pointed to EU measures already underway, including a law due to be finalised on Tuesday, which aims at fast-tracking permits for local manufacturing and giving products made in the EU, such as panels, an advantage in future clean tech tenders. On trade restrictions, Ms. McGuinness struck a cautious tone.

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The industry itself is divided over the solution. Solar manufacturers have urged governments to step in to buy up excess inventories of solar modules to ease the oversupply — and, if this cannot be done fast, consider trade barriers. But the broader green energy industry is opposed to import curbs.

ECONOMICS AND DEVELOPMENT

INDIA TO STAY ALERT FOR 'HOT MONEY' AFTER BOND INDEX INCLUSION: OFFICIAL

CONTEXT: India will monitor flows of foreign funds after its inclusion into JPMorgan's emerging market debt index and take steps to avoid 'hot money' that can trigger volatility in currency and bond markets.

The aim will be to "prevent volatility or volatile inflows" but "never" to restrict outflows, adding all possibilities are open to keep volatility in check. Last year, JPMorgan announced it will include some Indian bonds in the Government Bond Index-Emerging Markets and its index suite from June, which could lead to incremental inflows of around $ 23 billion.

Foreign investment in Indian government bonds jumped in the last three months, when investors bought securities worth ₹446 billion ($5.37 billion). The government's main concern with index investors was that some of these longer-term investors "come in passively and leave passively" and the exit does not always reflect economic conditions on the ground.

On government's borrowing, India was likely to raise nearly ₹200 billion through sovereign green bonds in 2024/25 fiscal. Within that total borrowing programme, some component is likely to be green bonds. Likely to be around the same level as last year but a final decision has not been taken.

SCIENCE AND TECHNOLOGY

IN ZODIACAL DUST MYSTERY, PRL AHMEDABAD STUDY POINTS TO A FAMILIAR SOURCE

CONTEXT: In a paper published in the Monthly Notices of the Royal Astronomical Society, Jayesh P. Pabari used the data in the 2021 paper to calculate the number of dust particles Juno might have encountered between 1 and 5 AU. 'AU' stands for 'astronomical unit', which is the distance between the earth and the Sun. Mars is at a distance of 1.52 AU and Jupiter at 5.2 AU from the Sun.

The 2021 paper reported a peak in the number of dust particles impacting Juno at 1.5 AU., almost 10-times higher than at other distances. Dr. Pabari used this data to calculate the flux of dust between 1 and 5 AU. The flux is the number of dust particles flowing through a given area per second.

Scientists have known that this dust is the source of zodiacal light. Zodiacal light is sunlight scattered by interplanetary dust. From the earth, it is visible as a faint, diffuse glow on completely dark nights. Zodiacal light is present across the entire path of the ecliptic, which is the path along which the Sun moves in the sky over the course of a year.

Dr. Pabari compared the flux of dust in the vicinity of Mars, and the number of particles escaping the two moons of Mars and concluded that these moons could be the dust source. He also found no other phenomenon in the neighbourhood of this area that could release as much dust.

Gods of dread and panic

Mars's two moons are called Deimos and Phobos. Phobos is the bigger of Mars's two moons. It is drifting closer to Mars at a rate of six feet per century. Eventually, astronomers expect it will either crash into the planet or break up into a ring around it.

On its day-side, the temperature on Phobos is around -40 C, while just a few kilometres away on the night side, the temperature often drops to an even-lower -1120 C. This large temperature difference (around 1080 C) arises because the surface of Phobos is covered with fine dust that lacks the ability to hold heat. Phobos also has no atmosphere that can trap heat.

Deimos is quite different: astronomers believe its actual surface is buried under almost 100 metres of dust.

Dusty welcome

Micrometeorites are fast moving very small dust particles, weighing no more than one-ten-thousandth of a gram. Dr. Pabari found that such micrometeorites fly into Mars's moons just as they do into the earth. Micrometeorites slam into surfaces of Deimos and Phobos devoid of atmospheres to kick up small clouds of dust. These dust particles can easily escape Phobos and Deimos because of the moons' low gravity. The more gravity a planetary body has, the more spherical its shape. Deimos and Phobos are not at all spherical. In this way, Phobos has lost more dust.

The smaller of these dust particles escape into space whereas Mars's gravity pulls in the larger ones. The latter collect in the form of a dust ring around Mars. Over time, they drift closer towards or away from the planet but stay in orbit.

ECONOMICS AND DEVELOPMENT

UNION GOVERNMENT'S REINS ON FINANCIAL TRANSFERS TO STATES

CONTEXT: Ever since the start of the Fourteenth Finance Commission award period (2015-16), the Union government has been reducing financial transfers to States. This is particularly strange given that the Fourteenth Finance Commission recommended devolving 42 % of Union tax revenues to States, which is a clean 10 percentage points increase over the 13th Finance Commission's recommendation.

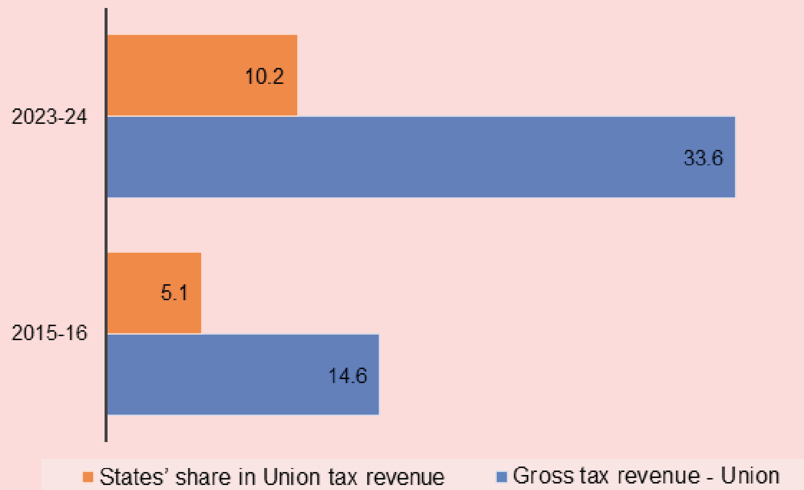
The Fifteenth Finance Commission retained this recommendation of 41%, excluding the devolution to Jammu and Kashmir (J&K) and Ladakh, which were recategorized as Union Territories. If we include the shares of J&K and Ladakh, it should be 42%. The Union government not only reduced the financial transfers to States but also increased its own total revenue to increase its discretionary expenditure. The discretionary expenditures of the Union government are not being routed through the States' Budgets, and, therefore, can impact different States in different ways.

Some basic math on tax revenue

The Finance Commissions recommend the States' share in the net tax revenue of the Union government. The difference between the gross and the net tax revenue includes collection costs, tax revenue to be assigned to Union territories, and cess and surcharges. The share of the gross tax revenue was just 35% in 2015-16 and 30% in 2023-24 (Budget Estimate).

The Fourteenth and Fifteenth Finance Commissions recommended 42 % and 41 %, respectively of the net tax revenue to be the shares of States. The net tax revenue is arrived at after deducting the revenue collections under cess and surcharge, revenue collections from Union Territories, and tax administration expenditure. The Union government is increasing tax collection under cess and surcharge categories mainly to implement its own schemes in specific sectors, and at the same time, the revenues so raised need not be shared with the States.

The revenue collection through cess and surcharge is the highest and increasing. The cess and surcharge collection in 2015-16 was 5.9% (₹85,638 crore) of the gross tax revenue of the Union government, and this ratio increased to 10.8% (₹3.63 lakh crore) in 2023-24. This calculation is excluding the Goods and Services Tax (GST) cess that is collected to compensate for the revenue loss of the States due to implementation of GST till June 2022.



Grants-in-aid to States is another statutory grant recommended by the Finance Commission.

The combined share of the statutory financial transfers in the gross tax revenue of the Union government declined from 48.2 % to 35.32 %.

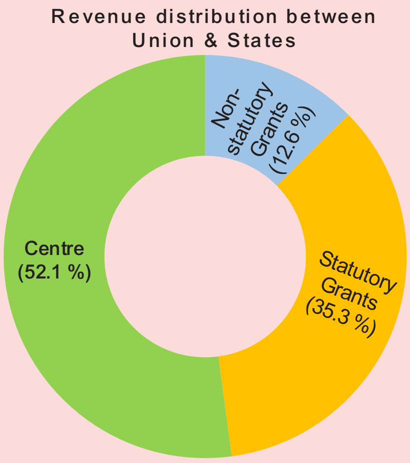
More centralisation of public expenditure

The Union government use Centrally Sponsored Schemes (CSS) and Central Sector Schemes (CSec Schemes) as tools to make direct financial transfers to States. The financial transfers through CSS and CSec Schemes are non-statutory transfers as they are based on neither any legal provisions nor any formula determined by the Finance Commission.

The Union government influences the priorities of the States through CSS wherein the Union government provides partial funding and another part is to be committed by States. In other words, the Union government proposes the schemes and States implement them, committing their financial resources as well.

The Union government compels the State to commit more or less an equivalent quantum of financial resources. An important aspect of CSS shared schemes is that the States that can afford to commit matching finances from the State budgets alone can avail of the matching grants. This creates two different effects in terms of inter-State equity in public finances. Wealthy States can afford to commit equivalent finances and leverage Union finances inwards through the implementation of CSS. Less wealthy States will have to commit their borrowed finances in these CSS, thus increasing their own liabilities. These differential trajectories of the public finances of States accentuate inter-State inequality in public finances, the major reason being CSS.

The CSec Schemes are fully funded by the Union government in sectors where the Union government has exclusive legislative or institutional controls. Thus, it is clear the Union government allocates a larger share of the finances to CSec Schemes. It is quite likely that the Union government can allocate financial resources with a motive to benefit specific States or constituencies through the CSec Schemes.



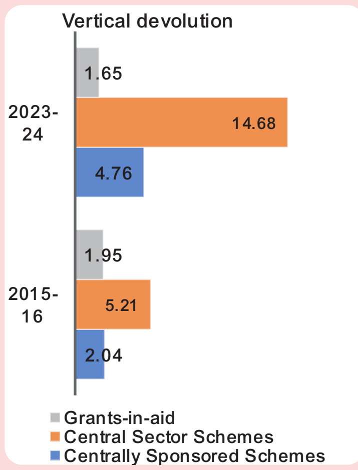


FIGURE: (L) Pie chart representation of revenue distribution between the Union and States as a share of Gross revenues during 2023-24. (R) Bar chart representation of Vertical devolution between 2015-16 and 2023-24

The actual financial transfers to States under CSS is only ₹3.64 lakh crore (2023-24), retaining nearly ₹1.12 lakh crore of CSS allocation for other expenses. Since the CSec Schemes are directly implemented by the Union government, only ₹60,942 crore is devolved to States under this scheme in 2023-24. The combined allocation for CSS and CSec Schemes in 2023-24 is ₹19.4 lakh crore and only ₹4.25 lakh crore is devolved to States.

Scope for anti-federal fiscal policies

When the financial transfers to States either as tax devolution or grants-in-aid decline on the one hand, or do not increase at least proportionately to increase in gross revenue of the Union government on the other, the resultant effect is the availability of larger discretionary funds for the Union government to spend. This could affect the equity in distribution of financial resources among States. Further, the non-statutory grants are tied grants, i.e., they have to be spent on specific schemes for which the grants are allocated. This reduces the freedom of States in conducting public expenditure.

ECONOMICS AND DEVELOPMENT

MINT STREET MUSINGS

CONTEXT: The latest bi-monthly meeting of the Reserve Bank of India's Monetary Policy Committee (MPC) is widely expected to result in a status quo on interest rates yet again.

At its last review in early December, five of the six MPC members voted to persist with the 'withdrawal of accommodation' stance. The panel had raised its GDP growth forecast for the year to 7 % from 6.5 %. It would be instructive to see if the growth estimate is revisited in light of the National Statistical Office projection of a 7.3% uptick in 2023-24.

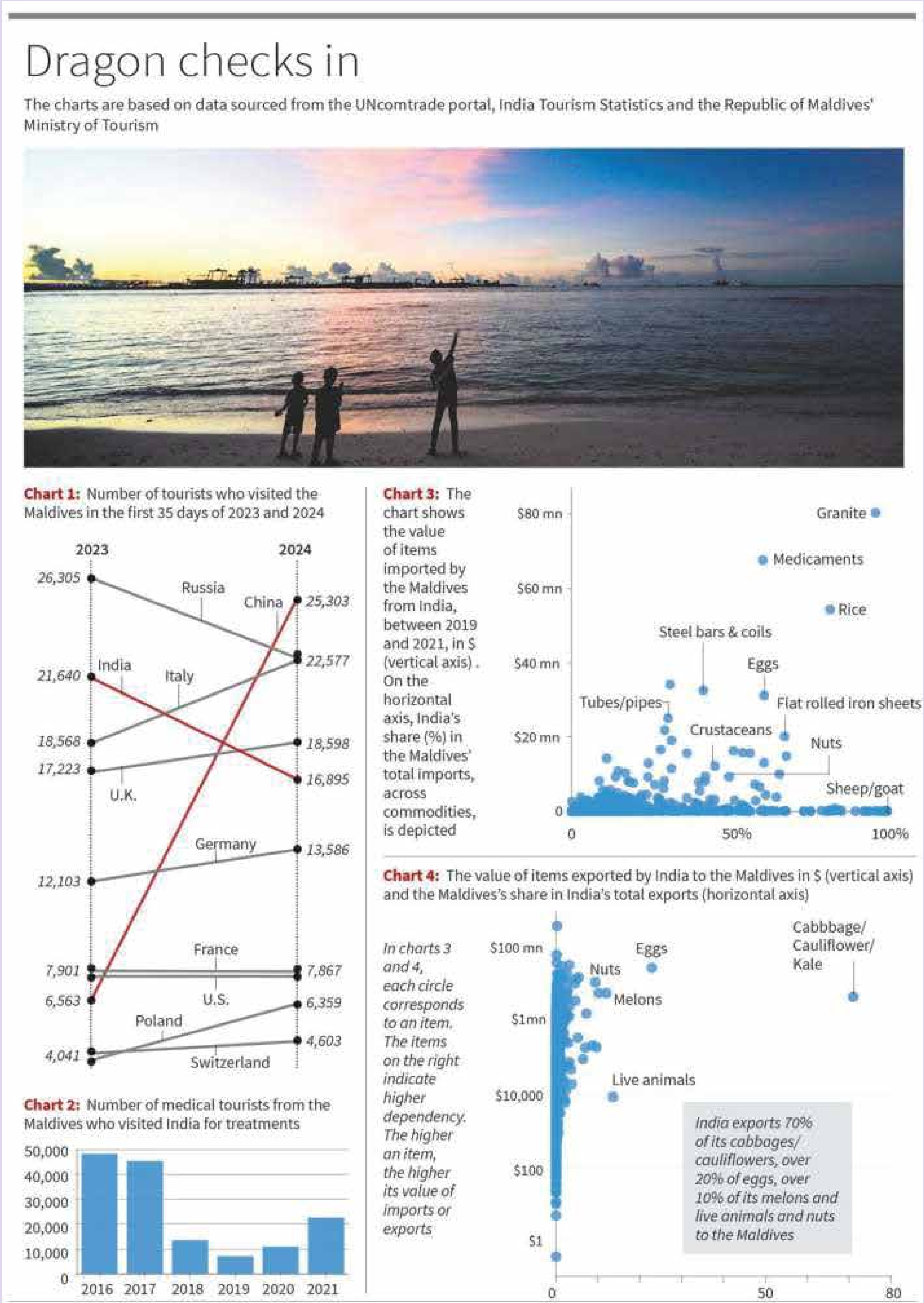
The US Federal Reserve held interest rates for the fourth straight review last week. India's policymakers may not take a direct cue from the US Fed, but the concerns are similar as Governor Das had articulated in December. The 4 % inflation target remains elusive for now — December's inflation rate hit a four-month high of 5.7 %. The RBI expects inflation to average 5.2 % in this quarter, which it only expects it to cool to 4% in the July-September phase, providing a window for a rate cut consideration if the monsoon is normal.

The Government in its interim Budget for 2024-25 did not provide a prop for weak consumption trends, it is also not adding to inflation pressures. A stronger than expected pursuit of fiscal consolidation in the upcoming year is expected to witness a decline in gross market borrowings from ₹ 15.4 lakh crore for the FY 2023-24 to ₹ 14 lakh crore in FY 2024-25. Gross market borrowings as a share of the fiscal deficit will also drop below 84 % from 89 % this year.

Banks, the major holders of Indian government bonds is expected to get more space to lend these securities with foreign capital inflows into Indian government bonds likely to spike following their inclusion in global bond indices. Economists expect this to help lower borrowing costs for the entire economy. Yields on government bonds have already dropped from 7.14 % ahead of the Budget to about 7.05 % and could drop further, even as systemic liquidity has improved.

INTERNATIONAL RELATIONS

MALDIVES ACCELERATES PLAN TO LOWER DEPENDENCE ON INDIA



POLITY AND GOVERNANCE

UNDERSTANDING THE DELIMITATION EXERCISE

CONTEXT: The delimitation of constituencies for the Lok Sabha and State Legislative Assemblies is to be carried out on the basis of the first Census after 2026. The 2021 Census was originally postponed due to the COVID-19 pandemic and subsequently due to delays on the part of the Central government.

What is delimitation?

Delimitation means the process of fixing the number of seats and boundaries of territorial constituencies in each State for the Lok Sabha and Legislative assemblies. It also includes determining the seats to be reserved for Scheduled Castes (SC) and Scheduled Tribes (ST) in these houses. Article 82 and 170 of the Constitution provide that the number of seats in the Lok Sabha and State Legislative assemblies as well as its division into territorial constituencies shall be readjusted after each Census. This 'delimitation process' is performed by the 'Delimitation Commission' that is set up under an act of Parliament. Such an exercise was carried out after the 1951, 1961 and 1971 Census.

What is the constitutional requirement?

'Democracy' means 'rule or government by the people'. It follows that the government is elected by a majority with the broad principle of 'one citizen-one vote-one value'. The number of seats in the Lok Sabha based on the 1951, 1961 and 1971 Census was fixed at 494, 522 and 543, when the population was 36.1, 43.9 and 54.8 crore respectively. This broadly translated to an average population of 7.3, 8.4 and 10.1 lakh per seat respectively.

However, it has been frozen as per the 1971 Census in order to encourage population control measures so that States with higher population growth do not end up having higher number of seats. This was done through the 42nd Amendment Act till the year 2000 and was extended by the 84th Amendment Act till 2026. Hence, the population based on which the number of seats is allocated refers to the population as per the 1971 Census. This number will be re-adjusted based on the first Census after 2026. The boundaries of territorial constituencies were readjusted (without changing the number of seats) and seats for SC and ST were determined as per the 2001 Census and will again be carried out after 2026.

In a normal course of events, the delimitation process for the number of seats, boundaries of territorial constituencies and determining the reserved seats for SC and ST would have happened based on the Census of 2031 as it would have been the first Census after 2026. However, with the 2021 Census now being postponed and the year 2026 nearing, there have been talks about the impending delimitation exercise.

What are the issues?

The number of seats were frozen based on the 1971 Census in order to encourage population control measures. The population explosion that happened in our country during the last five decades has been uneven with some States like Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan having a greater increase than States like Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. There are two options that are being discussed in the public domain with respect to the revised delimitation exercise based on the projected population of various States as of 2026.

The first is to continue with the existing 543 seats and their redistribution amongst various States (Table 1) and the second is to increase the number of seats to 848 with proportionate increase among various States (Table 2). It can be noticed in both these scenarios that the southern States, the smaller states in the north like Punjab, Himachal Pradesh and Uttarakhand, as well as the northeastern States are bound to be at a disadvantage when compared to the northern States of Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan. This may go against the federal principles of our country and may lead to a feeling of disenchantment in the population of the States that stand to lose in their representation. It also goes against the philosophy of freezing seats as per the 1971 Census with the States that have been better at controlling the population losing out on their political significance.

What are international practices?

In a federation like the U.S., the number of seats in the House of Representatives (the equivalent of our Lok Sabha) has been capped at 435 since 1913. The population of the country has increased almost four times from 9.4 crore in 1911 to an estimated 33.4 crore in 2023. The seats among the States are redistributed after every Census through the 'method of equal proportion'. This does not result in any significant gain or loss for any of the States. For example, based on the Census of 2020, the reapportionment has resulted in no change in the number of seats for 37 States. Texas gained two seats, five other States gained one seat each and seven States lost one seat each.

In the European Union (EU) Parliament which consists of 720 members, the number of seats is divided between 27 member countries based on the principle of 'degressive proportionality'. Under this principle, the ratio of population to the number of seats shall increase as the population increases. For example, Denmark with a population of around 60 lakh has 15 seats (average population of 4 lakh per member) as against Germany with a population of 8.3 crore having 96 seats (average population of 8.6 lakh per member).

What can be an ideal solution?

The issue arises because democratic and federal principles seem to be at loggerheads in the delimitation exercise as envisaged. However, they can be harmoniously reconciled by giving equal importance to both. The main work of a Member of Parliament is to legislate on 'Union List' matters like Defence, External Affairs, Railways, Telecommunication, Taxation etc. and hold the Central government accountable. Majority of the schemes of the Central government are implemented only by the State governments. Hence, the number of MPs in Lok Sabha may be capped at the present number of 543 which would ensure no disruption in the present representation from various States. This will maintain and uphold the federal principle. The number of MLAs in each State may be increased in line with current population (without changing the number of Rajya Sabha seats) to address the democratic representational requirement.

However, the most important reform for strengthening democracy is to empower the local bodies of panchayats and municipalities who engage with the citizens on a day-to-day basis. The devolution of powers and finances to these bodies must be significantly increased to strengthen democracy at grass root levels.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