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**POLITY AND GOVERNANCE**

## SC UPHOLDS SEBI PROBE, TURNS THE SPOTLIGHT ON HINDENBURG'S 'CONDUCT'

**CONTEXT:** The Supreme Court on Wednesday trained the spotlight on the "conduct" of Hindenburg Research, directing the Securities and Exchange Board of India (SEBI) and investigating agencies of the Centre to probe and, if necessary, take "suitable action" if the losses suffered by Indian investors due to the short position taken by the U.S.-based firm in the Adani Group through U.S.-traded bonds and non-Indian traded derivative instruments involved any infraction of law.

### Relief for regulator

Key takeaways from the SC judgment in Adani-Hindenburg case:

- SEBI directed to investigate if the short position taken by Hindenburg amounted to any infraction of law
- Judiciary's review of regulatory framework/policies of SEBI is limited to check if there is any manifest arbitrariness or violation of fundamental rights
- SEBI probe is comprehensive; it has completed 22 out of 24 investigations against Adani Group
- The threshold to transfer investigation from SEBI to another agency is not present
- Petitioners did not verify the OCCRP findings; it cannot be used as conclusive proof or credible evidence against a statutory regulator
- Allegations of conflict of interest against members of the Justice A.M. Sapre Committee are dismissed



**KEY POINTS:**

- Supreme Court directs SEBI and investigative agencies to probe Hindenburg Research: The court ordered an investigation into the "conduct" of Hindenburg Research related to its short position in Adani Group and potential violations of Indian law.
- Court clarifies limited impact of Hindenburg report: While acknowledging the report's impact on Adani Group stock prices, the court stated that it did not cause significant market volatility.
- SEBI investigation found "prima facie comprehensive": The court expressed confidence in the SEBI's ongoing investigation into Adani Group and emphasized its near completion.

- No reason to transfer investigation or form SIT: The court dismissed petitioners' suggestions of transferring the investigation from SEBI or forming a Special Investigation Team (SIT).
- SEBI urged to expedite investigation: The court directed SEBI to conclude the remaining investigations into Adani Group within three months.
- Court rejects unsubstantiated claims: The court dismissed petitioners' reliance on unverified media reports and investigative findings, highlighting the need for proper evidence.
- Allegations against Justice Sapre Committee dismissed: The court considered accusations of conflict of interest against the committee members to be baseless.
- Overall, the Supreme Court's judgment:
- Acknowledges the need for investigating Hindenburg Research's actions.
- Re affirms confidence in SEBI's ongoing investigation into Adani Group.
- Emphasizes the importance of time-bound completion of the investigation.
- Discourages reliance on unsubstantiated claims and accusations.

**INTERNATIONAL RELATIONS**

## 103 KILLED IN TWIN BLASTS AT MEMORIAL EVENT IN IRAN

**CONTEXT:** At least 103 people were killed in Iran on Wednesday as two bombs in quick succession struck a crowd commemorating slain General Qassem Soleimani on the anniversary of his killing, state media reported.



Iran's supreme leader Ayatollah Ali Khamenei blamed "evil and criminal enemies" of the country for the attack and vowed a "harsh response".

The blasts, which state television called a “terrorist attack”, came with tensions running high in the West Asia a day after Hamas number two Saleh al-Aruri — an Iran ally — was killed in a drone attack on a Beirut suburb, which Lebanese officials blamed on Israel. The blasts struck near the Saheb al-Zaman Mosque in Kerman, Soleimani’s southern hometown where he is buried, as supporters gathered to mark the fourth anniversary of his killing in a U.S. drone strike just outside Baghdad airport. Soleimani, whom Mr. Khamenei years ago declared a “living martyr”, was widely regarded as a hero in Iran for his role in defeating the Islamic State in both Iraq and Syria.

### 211 injured

State television reported 211 wounded in the attack. Iran’s Tasnim news agency, quoting informed sources, said “two bags carrying bombs went off” at the site. The ISNA news agency quoted Kerman Mayor Saeed Tabrizi as saying the bombs exploded 10 minutes apart. “We were walking towards the cemetery when a car suddenly stopped behind us and a waste bin containing a bomb exploded,” an eyewitness was quoted by ISNA as saying. “We only heard the sound of the explosion and saw people falling. There was a bomb in the trash can,” the witness added. President Ebrahim Raisi condemned the “heinous” crime as the Islamic Republic of Iran declared Thursday a National Day of Mourning. Kerman’s deputy governor, Rahman Jalali, said the explosions were a “terrorist attack”. There was no immediate claim of responsibility for the attack.

UN Secretary-General Antonio Guterres, the European Union and Russian President Vladimir Putin denounced the blasts. A spokesperson for Mr. Guterres said the UN chief ‘strongly condemns’ the blasts.

## INTERNATIONAL RELATIONS

# SHEIKH HASINA POISED FOR A FIFTH TERM AS OPPOSITION WATCHES FROM SIDELINES

**CONTEXT:** Bangladesh’s Prime Minister Sheikh Hasina is facing a general election on Sunday, a vote she is all but certain to win. Critics say it could further tighten her grip on power after a 15-year-rule that turned a politician who once fought for democratic freedoms into an increasingly autocratic leader.



Ms. Hasina’s main rival, the Bangladesh Nationalist Party (BNP), is boycotting the polls, claiming her government cannot ensure a fair vote, and making it increasingly likely the 76-year-old Prime Minister will secure her fourth consecutive and fifth overall term in office.

Her supporters say Ms. Hasina — the longest-serving leader in Bangladesh’s history — and her Awami League (AL) have given them a country with a growing industry and humming development projects. The stability has staved off military coups that have shaken the young, predominantly Muslim nation strategically located between India and Myanmar.

But Ms. Hasina’s political life, like her country, began with violence. On August 15, 1975, a group of military officers behind a coup assassinated her father, Sheikh Mujib Rahman, the first leader of independent Bangladesh. Some say the brutal act, which also killed nearly her entire family, pushed her to consolidate unprecedented power and motivated her throughout her career in politics.

### ‘Weaponising trauma’

After the assassination, Ms. Hasina lived for years in exile in India, then made her way back to Bangladesh and took over the AL. But the country’s military rulers had her in and out of house detention throughout the 1980s until, after general elections in 1996, she became Prime Minister for the first time. What followed was a decades-long power struggle between Ms. Hasina and former Prime Minister Khaleda Zia, the chief of the BNP, now ailing and under house arrest. The two women alternated running the country for years in a bitter rivalry that polarised Bangladesh. Ms. Hasina has often accused the BNP of courting hard-line extremists that her party, which calls itself moderate and secular, had worked to stamp out. Ms. Zia’s BNP claims the AL is using oppressive tactics to stay in power. Analysts say that while they project different ideologies, both parties are tainted by a history of electoral violence and politics of retribution.

When Ms. Hasina was reelected in 2008, she fixed her sights on the economy and built infrastructure previously unseen in Bangladesh — power lines that reached remote villages, highways, rail lines and ports, and a garment industry that became one of the world’s most competitive.

Ahead of the vote, Ms. Hasina has flaunted some of her signature achievements, such as Dhaka’s metro and the country’s longest bridge, which she inaugurated in 2021. She has cast herself as the leader of an impoverished nation aspiring to become an upper-middle-income country by 2031. “Bangladesh will never look back again,” Ms. Hasina said in 2023. “It will continue marching to be a smart, developed and prosperous country.” But the recent global economic slowdown has not spared Bangladesh, exposing cracks in its economy that have triggered labor unrest and dissatisfaction.

### Muzzling dissent

Ms. Hasina’s critics say her government has used harsh tools to muzzle dissent, shrink press freedoms and curtail civil society. Rights groups cite forced disappearances of critics. The government rejects the accusations.

In the 2018 election, an AL-led alliance won 96% of Parliament seats amid widespread allegations of vote-rigging, which authorities denied. In 2014, all major

opposition parties boycotted the vote. The BNP says about 20,000 of its members have been arrested in recent months on trumped-up charges ahead of Sunday's vote.

"There's a history of an autocratic slide in Hasina's decision-making," said Mr. Paliwal. "The current elections may be a final stamp on a full-blown one-party state." The U.S. — the biggest export market for Bangladeshi garments — announced visa restrictions in May on anyone disrupting Bangladesh's electoral process. The announcement came after Washington expressed concerns over human rights violations and press freedoms in the country. Some of the pressure she has been under became evident during a recent news conference.

On the international scene, Ms. Hasina has cultivated ties with powerful countries and successfully balanced between rivals. She staunchly supports both India and China, even as the two Asian giants are locked in a standoff over a disputed border region.

In turn, Beijing and New Delhi have bankrolled a slew of Bangladesh's infrastructure projects.

She has nurtured historic ties with Russia, even as it presses on fighting in Ukraine while also increasingly courting Western leaders. "Say what you will about Hasina, but she has managed the great power competition very effectively," said Michael Kugelman, director of the Wilson Center's South Asia Institute.

Ms. Hasina also won international praise when she gave shelter to Rohingya Muslims fleeing prosecution in neighbouring Myanmar in 2017. But with around 1.1 million Rohingya live in overcrowded refugee camps in Bangladesh today, many are now embarking on deadly sea voyages for a chance of a better life elsewhere.

## ECONOMICS AND DEVELOPMENT

# DEC. MANUFACTURING SLOWS TO 18-MONTH LOW, PMI SURVEY SHOWS

**CONTEXT:** India's manufacturing activity slid to an 18-month low in December 2023, as per the HSBC India Manufacturing Purchasing Managers' Index, whose reading for the month stood at 54.9, compared with 56 in November. A reading of over 50 indicates expansion.

## Manufacturing weakens

The HSBC India Manufacturing Purchasing Managers' Index for December slid to 54.9, from 56 in November 2023

- Factories' output grew at the slowest pace since October 2022, with demand for certain types of products fading
- International orders continued to grow, but at the joint-slowest rate in eight months



- Input costs rose at second slowest rate in 3½ years, inflation in output charges softened to a 9-month low

Factories' output grew at the slowest pace since October 2022, with demand for certain types of products fading, and new orders expanded at a pace that was the weakest in a year-and-a-half. International orders continued to grow in December, but at the joint-slowest rate in eight months. Input costs rose at the second-slowest rate in almost three-and-a-half years, while inflation in output charges paid by buyers softened to a nine-month low, as per 400-odd participants in the survey.

The reading was above the long-run trend, but contributed to the lowest quarterly average of 55.5 since the first quarter of fiscal 2022-23, HSBC and S&P Global said in a statement.

Outstanding business volumes rose only marginally, giving little room for new jobs to be created. The PMI data showed a general lack of pressure on manufacturing capacity at the end of the fiscal third quarter. Employment was largely stable, with the seasonally adjusted index only fractionally above 50.

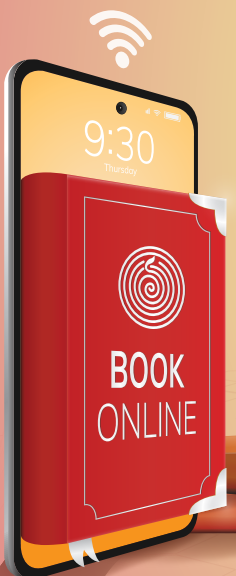
Companies continued to raise inventories of inputs, albeit at the slowest rate since November 2022. However, their 'year-ahead outlook' was the most upbeat in three months.



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## POLITY AND GOVERNANCE

## STRIKING FEAR

**CONTEXT:** The provision in the Bharatiya Nyaya Sanhita (BNS) that treats hit-and-run accident cases as an aggravated form of the offence of causing death by rashness or negligence will be the first in the new, yet-to-be implemented code to be scrutinised for its severity.

With truck drivers worried about the implications of Section 106 of BNS abstaining from work, the government has promised to bring it into play only after consultations with the All India Motor Transport Congress. However, with the transporters' body taking the stand that the strike was primarily resorted to by the drivers who feared additional criminal liability, the issue will require tactful handling. It has now become an issue that concerns transport workers than those running the business of transportation. It may appear that a strike against a law that makes penal provisions concerning hit-and-run accidents more stringent is unjustified, especially in the context of road accidents becoming a leading source of fatalities in the country. However, it has also drawn attention to the question whether there was a case for increasing the jail term for accidents from two to five years in all cases, and to 10, in the case of failure to report them to the authorities.

Section 106 of the BNS will replace Section 304A of the IPC, which punished the causing of death by rash and negligent act that does not amount to culpable homicide. The existing section provides for a two-year jail term. There are three components to Section 106: first, it prescribes a prison term of up to five years, besides a fine, for causing death due to rash or negligent acts; second, it provides for reduced criminal liability for registered medical doctors of two years in jail, if death occurred in the course of a medical procedure. The second clause concerns road accidents in which, if the person involved in rash and negligent driving "escapes without reporting it to a police officer or a Magistrate soon after the incident", the imprisonment may extend to 10 years and a fine. Drivers flee an accident scene out of fear of lynching. In such cases, the authorities seem to believe that such drivers can move away from the scene of crime and then report to the police. The term 'hit-and-run' is one in which the offending vehicle is not identified. It must be emphasised that once the person causing a fatal accident is identified, the onus on the police to prove culpability for rashness or negligence remains the same. Given that many accidents are caused due to poor road conditions too, a relevant question is whether the law should focus on raising prison terms or on a comprehensive accident prevention policy package covering imprisonment, compensation and safety.

## INTERNATIONAL RELATIONS

## BLOW TO NETANYAHU

**CONTEXT:** The Israeli Supreme Court's decision to strike down a law passed by the Knesset last year that sought to limit the judiciary's powers is a clear setback to the government of Prime Minister Benjamin Netanyahu, which is fighting a brutal war in Gaza.

The law, passed with 64-0 votes in the 120-member Parliament after an opposition boycott in July 2023, had scrapped the reasonability doctrine, a legal standard used by the country's judges to assess government decisions and ministerial appointments. The legislation, which amended Israel's Basic Laws, was part of a reform package by the right-religious government to strengthen the hands of the government over the judiciary. Despite street protests, the coalition government passed its first part in the Knesset. Government supporters claimed that the court had no powers to rule on a Basic Law, which it had not done in the past. But on Monday, the court, sitting with a full panel of 15 judges for the first time in its history, stated, 12 to 3, that it had the powers to rule over the Basic Laws; eight judges, against seven dissenters, ruled in favour of striking down the law that scrapped the reasonability standard.

The reasonability doctrine is not a unique standard employed by Israel's courts. Judges in other liberal democracies such as Australia, Canada and the U.K. assess the reasonableness of government decisions. In Israel, a country with a single House of Parliament, a ceremonial President and with no written Constitution, the independence of the judiciary is critical to ensure that there are checks and balances in the system. Israel's far-right government was trying to tip this balance in favour of the Knesset, which is dominated by right-wing, pro-settler and ultra-Orthodox parties. The Supreme Court has put the brakes on this overhaul plan, for now. Its decision comes at a precarious time for Mr. Netanyahu, who has seen his popularity plummeting after his government failed to detect and stop the October 7 Hamas attack that killed 1,200 Israelis. The war of almost three months in Gaza, claiming at least 22,000 lives, has triggered a humanitarian tragedy, but Israel is far from meeting its declared objectives. On the day of the court ruling, the Israeli military announced the drawing down of thousands of reservists from Gaza and sending them back to work to strengthen a shrinking economy. In a recent poll, 69% of Israelis want elections immediately after the war is over. Mr. Netanyahu had claimed unity when he declared war on Hamas, but as the war drags on, divisions have started resurfacing. Any attempt to press ahead with the judicial overhaul plan would only weaken his government further. Instead, the Prime Minister should focus on bringing the war to an end.

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## POLITY AND GOVERNANCE

## I-T SEARCHES, A FORM OF EXTRA-CONSTITUTIONAL POWER

**CONTEXT:** In August 2017, a nine-judge Bench of the Supreme Court of India, in Justice K.S. Puttaswamy vs Union of India, declared to rousing acclaim that the Constitution of India guaranteed to persons, a fundamental right to privacy. It was widely believed that the verdict would help usher our civil rights jurisprudence into a new era, where our most cherished liberties are preserved and protected against arbitrary and whimsical governmental excesses.

The six separate judgments rendered in the case spoke through a common voice. The individual, the verdict affirmed, would be placed at the heart of our constitutional discourse and any state action impinging on our privacy, or indeed on any allied right, would be subject to the most piercing of scrutiny.

### Judicial deference to executive authority

But much as the ruling infused life into the Constitution's text, when it has come to interpreting our statutes, the meaning ascribed to our rights has remained unchanged. The promised culture of justification — grounded in principles such as proportionality — is rarely on show. In its place, permeating the conversation is a culture of judicial deference, where our laws continue to be construed on lines that vest absolute authority in the executive.

A notable example of this feature is the use of Section 132 of the Income Tax Act, 1961, which grants to the taxman, untrammelled police power to forcibly search persons and their properties, and seize goods found during such a search, including money, bullion, and jewellery. While this measure can be undertaken only where the authorities have, among other things, a "reason to believe" that a person has failed to disclose his income properly, the purported foundation underlying a search is subject to little safeguards under the statute.

Last month, the Gujarat High Court questioned income-tax authorities on a raid conducted on a lawyer, where he and his family members, according to his counsel, were kept in virtual detention for days together, with the search continuing between the morning of November 3 to the morning of November 7. We do not yet know the full facts here, and we perhaps would not until the culmination of the hearings before the court, but it is scarcely uncommon for actions undertaken through the Income-Tax Act to involve detention of individuals for days on end. When these moves are eventually challenged before the courts — there is no prior judicial warrant that the statute prescribes — the invariable result is an imprimatur to the search, with the judiciary yielding to executive wisdom.

In its original colonial form, India's income-tax law, as framed under a 1922 legislation, did not provide the revenue with a power to search and seize. What was available was only authority that was otherwise granted to civil courts — powers involving discovery, inspection, examination of witnesses and so forth. In 1947, the Union government sought to rectify this through the enactment of the Taxation on Income

(Investigation Commission) Act. But this law was struck down by the Supreme Court in *Suraj Mall Mohta vs A.V. Visvanatha Sastri* (1954) on the ground that it treated a certain class of assesses differently from others, thereby violating the guarantee of equal treatment contained in Article 14 of the Constitution.

### Search and seizure and proportionality

When the income-tax law was altogether refashioned through the enactment of new legislation in 1961, express powers of search and seizure were vested through Section 132. The provision was assailed before a Constitution Bench of the Supreme Court in *Pooran Mal vs Director of Inspection* (1973). In upholding the law, the Court placed strong reliance on its own judgment in *M.P. Sharma vs Satish Chandra*, particularly on the following passage: "A power of search and seizure is in any system of jurisprudence an overriding power of the State for the protection of social security and that power is necessarily regulated by law. When the Constitution makers have thought fit not to subject such regulation to constitutional limitations by recognition of a fundamental right to privacy, analogous to the American Fourth Amendment, we have no justification to import it, into a totally different fundamental right by some process of strained construction. Nor is it legitimate to assume that the constitutional protection under Article 20(3) would be defeated by the statutory provisions for searches."

On a reading of this, two things stand out. First, immediately following this passage, the judgment in *M.P. Sharma* also records the fact that the Court was concerned there with searches under the Code of Criminal Procedure, where actions were customarily made under the authority of a magistrate. Searches under the Income-Tax Act, on the other hand, require no judicial licence.

Second, and this is no fault of the judges in *Pooran Mal*, the Court's own reading of the law has since changed. Indeed, *M.P. Sharma* has been formally overruled. As Puttaswamy points out, the judges in *M.P. Sharma* did not have the benefit of the various interpretive devices that have since become, in Justice S.A. Bobde's words, "indispensable tools in the Court's approach to adjudicating constitutional cases". The different rights guaranteed in the Constitution are no longer meant to be seen as occupying separate silos. Thus, the right to privacy is intrinsic to the right to personal liberty that Article 21 guarantees.

Today, should the judgment in Puttaswamy be read properly, the state's power to search and seize cannot be viewed as a simple tool of social security. It would represent instead a rule that is subject to the doctrine of proportionality.

That is, for it to remain lawful, its use must be intended for a legitimate aim; the measure as adopted must be rationally connected to its objective; no alternative and less intrusive means must be available to attain the same purpose; and a balance must be struck between the means chosen and the right that is violated.

A bare reading of Section 132 of the Income-Tax Act suggests a breach of this principle. Although the provision has since not been formally challenged, when the manner of its application came up for discussion in 2022, in *Principal Director of Income Tax (Investigation) & Ors. vs Laljibhai*

Kanjibhai Mandalia, the Court paid no heed to its ruling in Puttaswamy. A two-judge Bench found there that the formation of an opinion necessitating a search was not a judicial or quasi-judicial function but was only administrative in character.

Therefore, it held that the Court ought to look not at the sufficiency or inadequacy of the reasons recorded for a search, but merely at whether the formation of the belief was honest and bona fide. In other words, judges should adopt the “Wednesbury” principle, derived from the U.K. Court of Appeals’ 1948 judgment in Associated Provincial Picture Houses Ltd. vs Wednesbury Corporation.

This requires the court to review whether a measure is so “outrageous in its defiance of logic or of accepted moral standards that no sensible person who had applied his mind to the question to be decided could have arrived at it,” and ask nothing more.

Post-Puttaswamy, there ought to be no place for the Wednesbury rule, especially when fundamental rights are at stake. Our constitutional canon demands more. It requires any executive action to conform to statutory law in the strictest sense possible. To that end, a warrant for an income-tax search must be founded on proper application of mind and must be amenable to the most penetrating rigours of judicial review. Any other interpretation would only bestow on the executive a form of extra-constitutional power, risking enormous public mischief.

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## ECONOMICS AND DEVELOPMENT

# THE DISPUTE ON INDIA'S DEBT BURDEN

**CONTEXT:** Two recent observations by the International Monetary Fund (IMF) sparked reactions from the Indian Government. First, the IMF has raised concerns about the long-term sustainability of India's debts. Second, it reclassified India's exchange rate regime, terming it a “stabilised arrangement” instead of “floating”. These emerged from the annual Article IV consultation report. While the remark on the exchange rate can be viewed as comments on ‘excessive management’, the concerns on debt sustainability can be construed as a call for more prudent management of debt in the medium term.

The IMF, in the report, states that India's government debt could be 100% of GDP under adverse circumstances by fiscal 2028. According to them, “Long-term risks are high because considerable investment is required to reach India's climate change mitigation targets and improve resilience to climate stresses and natural disasters. This suggests that new and preferably concessional sources of financing are needed, as well as greater private sector investment and carbon pricing or equivalent mechanism.” The Finance Ministry refutes IMF projections as “a worst-case scenario and is not fait accompli”.

There are no two arguments on the fact that government borrowings can play a vital role in accelerating development. However, the weight of debt can act as a drag on development due to limited access to financing, rising borrowing costs, currency devaluations and sluggish growth. As noted by the United Nations, “Countries are facing the impossible choice of servicing their debt or serving their people.” According to the UN in 2022, 3.3 billion people live in countries that spend more on interest payments than on education or health.

Global public debt has increased more than fourfold since 2000, while global GDP only tripled. In 2022, global public debt reached a record USD 92 trillion. Developing countries accounted for almost 30% of the total, of which roughly 70% is attributable to China, India and Brazil. Public debt has increased faster in developing countries compared to developed countries over the last decade. The rise of debt in developing countries is due to growing development financing needs, the cost-of-living crisis, and climate change. As a result, the number of countries facing high levels of debt increased from 22 in 2011 to 59 in 2022.

Further, the burden of debt is asymmetric between developed and developing countries as the latter have to pay higher interest rates. This undermines debt sustainability of developing countries, as the number of countries where interest spending represents 10% or more of public revenues increased from 29 in 2010 to 55 in 2020. IMF's worst-case scenario projections for India need to be viewed in this context of persistent debt conundrum in developing nations.

### The challenge for India

Apart from managing public debt deftly, India faces challenges in enhancing its credit ratings. Elevated debt

levels and substantial costs associated with servicing debt impact credit rating.

Even with the tag of being the fastest-growing major economy, sovereign investment ratings for India have remained the same for a long time. Both Fitch Ratings and S&P Global Ratings have kept India's credit rating unchanged at 'BBB- with stable outlook' since August 2006. It should be noted that BBB- is the lowest investment grade rating. Though one could raise methodological issues and biases on the rating process, rating agencies believe that India's stronger fundamentals are undermined by the government's weak fiscal performance and burdensome debt stock. Further, India's low per capita income is a major factor that pulls down score in the sovereign rating.

The Union government's debt was ₹155.6 trillion, or 57.1% of GDP, at the end of March 2023 and the debt of State governments was about 28% of GDP. As stated by the Finance Ministry, India's public debt-to-GDP ratio has barely increased from 81% in 2005-06 to 84% in 2021-22, and is back to 81% in 2022-23. This, however, is way higher than the levels specified by the Fiscal Responsibility and Budget Management Act (FRBMA). The 2018 amendment to the Union government's FRBMA specified debt-GDP targets for

the Centre, States and their combined accounts at 40%, 20% and 60%, respectively.

Adding to this are the emerging worrying signs on the fiscal front. Despite handsome growth in tax collections, there is the possibility of fiscal slippage in FY24, according to a report by India Ratings and Research (IR&R). IR&R attributes this to higher expenditure on employment guarantee schemes and subsidies. They state that budgeted fertilizer subsidy of ₹44,000 crore was almost over by end-October 2023 and the Union government has now increased it to ₹57,360 crore. Similarly, due to sustained demand for employment under MGNREGA, a sum of ₹79,770 crore has already been spent till December 19, 2023, as against the budgeted ₹60,000 crore and an additional sum of ₹14,520 crore has been allocated. Increased subsidies do not come as a surprise as the country is heading for general elections next year, but the MNREGA outlay increase raises questions about employment growth and livelihoods in rural areas. Though the IMF's debt projections could be viewed as worst-case scenarios of the medium term, the short-term challenge of sticking to the fiscal correction path in an election year might go a long way towards avoiding worst-case scenarios.

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