RAJIV GANDHI
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Special Issue
(Covering all Themes)

In this issue




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Editorial

The Rajiv Gandhi Institute for Contemporary Studies (RGICS) works on five themes:

1. Constitutional Values and Democratic Institutions
2. Governance and Development
3. Growth with Employment
4. Environment, Natural Resources and Sustainability
5. India's Place in the World.

We bring out the monthly Policy Watch on each of these themes sequentially and every sixth issue is a Special Issue, where we carry articles from each theme. This is a special issue in which we carry one article on each theme.

Under the theme, Constitutional Values and Democratic Institutions, we carry an article by Dr Shashidharan. To better appreciate the need and importance of decentralized governance as an idea and more specifically the vision behind 73rd Amendment, RGICS launched a study in late 2020 to identify the key characteristics of well performing Gram Panchayats and help understand the correlation between good local governance principles and provision of useful services to the villagers. For this, we decided to study 30 award winning panchayats – three each in ten states. A case study was written and also a video documentary of 10-15 minutes duration was made on each panchayat. The article carries one of these has a case study which describes the award winning panchayat in Kukma Gram Panchayat. Block: Bhuj, District: Kutch

Under the theme, Governance and Development, we carry a review of the finances of Chhattisgarh state by RGICS Director, Mr Vijay Mahajan. He is also a member of the Chhattisgarh State Planning Commission.

The next article under the theme – Growth with Employment we carry an article on the MSME sector in Punjab along with a study of the hand tools cluster in Jalandhar, carried out by RGICS Fellow Yuvraj Kalia who is based in Punjab. The article includes several case studies of SMEs.

Under the theme Environment, Natural Resources and Sustainability, we carry an article on the implementation process of the Forest Rights Act, 2006, which was extend to Jammu and Kashmir in 2019. It carries a case study of how the FRA is getting implemented on the ground in J&K and gives three live case studies, contributed by Raja Muzaffar Bhatt and Dr Rouf of Koshish NGO in the state. We also carry an article in Hindi on the Van Panchayats in Uttrakhand - पंचायती वनों का प्रबंधन एवं आर्थिक तथा पर्यावरणीय चुनौतिया

Under the theme, India's Place in the World, we reproduce a previously published review of a book by the same name, written by Prof Krishna Chikukuri. Though the book came out a decade ago, its key arguments are valid even today. To bring it to contemporary times, we carry the PM's speech at the opening of the Glasgow COP26 and a counterpoint article by the BBC on what the world thought of India's stance at the COP26.

We hope the readers find the articles interesting and hope that Policy Makers will use some of the lessons to design better policies and programs with people's participation.

Vijay Mahajan
Director,
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Study of Award Winning Gram Panchayats -- Key Findings

Dr Shashidharan Enarth, Sr Visiting Fellow, RGICS

To better appreciate the need and importance of decentralized governance as an idea and more specifically the vision behind 73rd Amendment, the Rajiv Gandhi Institute for Contemporary Studies (RGICS) launched a study in late 2020 to identify the key characteristics of well performing Gram Panchayats and help understand the correlation between good local governance principles and provision of useful services to the villagers.

Though the literature on this topic is extensive, much of it laments the lack of progress in achieving the vision of effective local self-government in rural India. The standard reasons given are the triple deficit of funds, functions and functionaries. To break away from this rut, we decided to look at some of the better performing panchayats and see what makes them so. For this, we decided to study 30 award winning panchayats – three each in ten states. A list of the panchayats, blocks, districts and states is given at the end of this note.

Some of the aspects attempted we studied were:

1. Leadership: The attributes of the Sarpanch/Dy Sarpanch and ward members as public-spirited, forward thinking leaders. This was done by

   i. Asking them how persistent problems were identified and resolved through the initiatives of the Panchayat. (Drainage, access road, drinking water provisioning etc.). Contrasting it against sticking to low-hanging fruits and predetermined "safe" projects.

   ii. How did the Sarpanch/Dy Sarpanch anticipate problems of the near future and act upon it. (tree planting, waste management /garbage disposal)

   iii. Were the Sarpanch/Dy Sarpanch self-starters - they were not merely following instructions/precedents but also initiating a new idea/solution. Were they able to predict problems or discover hidden problems and look for answers. This can include out of the box thinking.

   iv. Sense of justice/equity: Were the Sarpanch/Dy Sarpanch aware of groups who are traditionally/historically excluded and takes proactive steps to include them in GP's activities. Any specific initiative for gender equity.

   v. Do the Sarpanch/Dy Sarpanch encourage participation/delegates responsibilities particularly to ward members for representing their specific problems and delivering specific services and share credit. Contrast it against tendencies to deify themselves as the saviour.

vi. Ability and readiness of the Sarpanch/Dy Sarpanch to institutionalise good leadership and governance practices. This included building leadership in youngsters, creating formal or informal systems for accountability and transparency, particularly of financial matters.

2. Resource Mobilization Capacity: Besides securing established sources of funds (Finance commissions, other automatic state grants) did the Sarpanch/Dy Sarpanch identify discretionary sources and securing funds (MP/MLA LAD, CSR, Livelihood missions, new local revenue streams such as rentals, lease charges etc). In the process, do the Sarpanch/ Dy Sarpanch demonstrate lobbying/advocacy and networking capabilities.

3. Strengthening democratic behaviour and practices: Efforts put in by the Sarpanch/Dy Sarpanch to ensure conduct of free and fair elections. The frequency and quality of meetings – both statutory (two Gram Sabhas etc) and purposive (to plan specific programs or regular review) as against a perfunctory ritualistic approach that is widespread. Attendance and people's participation. Are the task-specific committees (education, water and sanitation, justice etc.) functional?

4. Locational factors: Were there location specific advantages or challenges that stand out? Some of the possible ones are: proximity to cities

Field Visit Methodology:

Before going to the award winning GP, the team met the district level or block level officials and asked them to describe the unique features of the award winning GP and their understanding of why that GP was high-performing.

The team, then visited the GP. After initial introductions, started by visiting or asking about with some visually impressive assets created by the GP. The team then continued with asking about other significant achievements of the GP, some of which are not tangible, such as improving education or health.

Where possible, the narration by the Sarpanch or other leaders/functionaries about the asset creation or scheme benefits was corroborated by speaking to general members of the village community, men and women.

The team then interviewed members of the marginalized/excluded communities – to explore the inequities that traditionally exist and explore how this GP made efforts to include them pro-actively. What has it meant to them economically and socially?

Then the team encouraged the Sarpanch talk about persistent problems. How did he/she discover the problem? Why did it bother him/her? What did he/she do to fix it? How much did it cost? Where did the funds come from?

This then led into their complaints about policies inadequacies/inconsistencies and/or a wish-list: What changes/reforms would they like from various tiers of government, from NGOs, CSRs and the villagers.

Where possible, the team asked questions on their future plans and why and how they expect it to be funded.

List of Gram Panchayats Included in the Study

State/District	Block	Gram Panchayat
Gujarat		
Kutch	Bhuj	Kukma
Vadodara	Bodeli	Morakhala
Rajkot	Jamkandorna	Sajdiyali
Rajasthan		
Udaipir	Girwa	Thoor
Jhunjhunu	Jhunjhunu	Udawas
Jhunjhunu		Bhadunda Khurd
Chhatisgarh		
Raipur	Arang	Banchraoda
Surajpur	Surajpur	Tilsiva
Korea	Khadgawana	Pondidih
Madhya Pradesh		
Sidhi	Sidhi	Panwar Chauhantola
Indore	Sanwer	Potlod
Bhopal	Berasia	Bhaisonda
Odisha		
Ganjam	Hinjilicut	Syasan Ambagam
Ganjam	Sheragada	Alarigada
Uttarakhand		
Haridwar	Bahadrabad	Tehri Dobh Nagar
Haridwar	Bahadrabad	Kheldi
Dehradun	Doiwala	Markham Grant
Kerala		
Thiruvananthapuram	Athiyannoor	Venganoor
Ernakulam	Mulanthuruthy	Chottanikara
Tamilnadu		
Coimbatore	Karamadai	Kemmarampalayam
Coimbatore	Annur	Kunnathur
Tiruchirappalli	Vaiyampatti	
Uttar Pradesh		
Jhansi	Mauranipur	Kotra
Jhansi	Mauranipur	Merki
Lalitpur	Madawada	Arjun Khiriya
Maharashtra		
Amravati	Amravati	Pusda
Ratnagiri	Rajapur	Dhaulvali
Nagpur	Mauda	Chirwha
Ahmednagar	Rahuri	Khadambe Khurd

Case Study - Kukma Gram Panchayat. Block: Bhuj, District: Kutch

Kukma Gram Panchayat was one of 4 Gram Panchayats in Gujarat that was awarded Deen Dayal Upadhyay Gram Sashaktikaran Puraskar for the year 2019-20. This case study is a result of data gathered through a short visit to the village in February 2021. Budgetary information was obtained from their filing of reports to the Ministry of Panchayati Raj, Government of India. Video documentation was done through interviews of key functionaries and visuals of physical assets created by the GP. Interactions with a larger village community was severely limited due to the prevailing COVID-19 restrictions.

Brief description of the Panchayat

The Kukma Gram Panchayat covers four villages: Kukma, Moti Reldi Nani Reldi and Ler. This cluster of villages is located 14 kilometres from the taluk headquarters of Bhuj. These villages are among the dozen villages along the Anjar-Bhuj Highway where the community of Gurjar Khsatriyas and Mistris settled about a 100 years ago. These villages were known for their unique architectural patterns popular with this community. Much of the buildings were destroyed in the earthquake that devastated the region in 2001. The reconstruction has been swift and today the village come across as very affluent and organized.

The village of Kukma is geographically the largest and most populous of the four and relatively more prosperous too. The other three villages are sparsely populated even though the geographic area of the three villages exceed 4200 hectares. The combined area of the four villages is 6103 hectares. The combined population is over 9000 (1950 households). Kukma population alone contributes 7400 (87% of the total). There are 1600 (320 households) persons from SC category and about 140 (30 households) belonging to ST.

There are an unknown number of households living in dwellings constructed on public land that was encroached.

These villages come under the program area of two well-known NGOs in Kutch – Kutch Mahila Vikas Sangh (KMVS) and SETU Abhiyan. Between these two NGOs, they have supported many institution building initiatives of the GP. While KVMS helped in the process of strengthening of various women's collective in the village SETU Abhiyan helped the GP understand the provision of the Panchayati Raj Act and prepare to take on the governance responsibilities and assert the rights under the spirit of 73rd Amendment.

The economy

The main village of Kukma has many features of an urban area: modern buildings, holiday resorts, large number of commercial establishments including industries and restaurants. It is estimated that many hundreds of residents of Kukma are employed in Bhuj but stay and commute from Kukma. Organized and unorganized non-farm income therefore contributes a significant share to the economy of Kukma and the three villages.

Observations on Governance of the GP

The sarpanch, Mrs Kankuben Amritlal Vanker was elected in January 2017. She was urged to run for the office by her fellow community members when the seat was declared as a reserved for SC. Prior to assuming this role, Kankuben was a ward member for in a previous term. She comes from the SC community who are engaged in weaving. She is an award winning artisan with one of her design called Toran Art winning the President's National Award for Handloom Design in 2011. Her trip to Delhi to receive the award and the subsequent opportunity to start a handloom shop formed the foundation for the leadership role she would assume years later. She is a fierce advocate for girls' education, having forced herself to drop out after seven years of schooling. Despite excelling in her academic performance, economic and social compulsions meant that she had abandon studies after 7th standard and join her parents in the traditional occupation of weavers. Not surprisingly she has ensured that GP allocated adequate funds and attention towards improving the opportunities for girls in the village.

There are 12 wards represented by 5 female and 7 male ward members. The ward members play a crucial role in ensuring transparency and accountability of the GP. The Panchayat meetings schedules are very strictly adhered to and registers very high attendance and participation levels.

The most significant evidence of participation is the evolution of the GPDP – Gram Panchayat Development Plan. It starts with ward level consultation and after it is aggregated at the GP level, it is thoroughly discussed in the gram sabha before getting approval. There are anecdotal instances that indicates that the contents of the GPDP are contested and resolved before it approved and sent to the district.

When asked about the reasons for winning the DDUGSP award the instantaneous response from the sarpanch and ward members were that the GP functioned in a democratic way and successful in achieving high levels of public participation in the governance of the GP. Of special significance was the concerted efforts put in by the panchayat members to identify the vulnerable, traditionally excluded and less visible segments of the population and organize purposive forums where these communities and interest groups could engage with the panchayat members and participate in the planning of development activities of the GP. This included the women, children, the marginalized among the scheduled caste and tribes and seniors. The sarpanch was specially focussed on ensuring that there is transparency in the functioning. "The more participatory we are the more problems we will come to know and therefore more issues can be resolved" said Kankuben.

To ensure that there are forums available to villagers and various interest groups to engage the GP has active committees for child welfare, domestic water management and social justice (for conflict resolution). These committees have regular meeting schedules and proceedings of each meeting is minutes recorded. They are also made available during the general body meetings for anyone scrutinize. The sarpanch believes that ever since these activities have been institutionalised, the villagers especially women, have confidence and that translates into better participation.

Another notable feature of the GP governance is the approach taken by the panchayat to liaise with various government departments to ensure that they are cooperative and responsive to the proposals for projects and application to avail services.

Financial resources *(some more financial statements are awaited from Kukma)*

The GP has been receiving grants-in-aid only from the Central finance commission and not the state Finance Commission. The total receipts for the year 2019-20 totalled Rs ______ lakhs. The approved GPDP showed a total planned investment of Rs _____ Lakhs. This includes Rs _____ from MNREGA. Besides these government grants and allocation Kukma GP has two other notable source of income: revenue collection from commercial/industrial units located in the GP jurisdiction and funds contributed by industries through their CSR program. These projects are implemented through NGOs and therefore not reflected in the book of accounts of the GP. To supplement their income, the GP has rented out shops in a market place.

Significant achievements during the year 2019-20:

1. To ensure that anyone in distress situation (widows, seniors, disabled, people with chronic health issues etc) are able to avail welfare schemes from the government such as Ganga Swaroop Yojana, old age pension etc, the GP has formed a separate committee for overseeing the implementation. This approach to social welfare services has resulted in a very high degree of inclusion in delivering services in the villages. The GP has evolved a method for achieving this outcome. Instead of serving villagers as a response to a petition, the GP organizes regular camps with adequate publicity for specific interest group. During these camps not only are the panchayat members seeking out potential beneficiaries, but also making sure that representative of the relevant government t agencies are also present so that all pre-requisites and documentations process is enabled quickly.

2. The focus on women and girl-child has yielded very tangible outcomes. Economic and social empowerment of women, a quantum increase in opportunities for young girls to study and pursue extra-curricular activities, the increase in the sense of safety and confidence level are all notable since this Sarpanch and ward members came into the office. As an example, in acknowledging that single-mother families, have many economic and social challenges to deal with in rural areas, the GP has started paying for the education expenses of all girls from a widow-headed families. Girls from very low income families are also given full subsidy for their schooling expenses. For girls from other BPL families, the subsidy is 50%.

3. The GP provides a very impactful oversight of the schools in the 4 villages. The outcome has been very measurable. The inhospitable conditions in the class rooms that existed prior to this panchayat have ended. Fans, drinking water and toilet facilities that were unusable were fixed. Teachers are now better supervised and feel more accountable to the parents.

4. To motivate girls to achieve academic excellence the GP has started a practice of naming internal roads to honour high performing girls from the village.

5. The cleaning up of the village pond is an example collective action fostered by the GP. The pond was used as a dumping ground for household waste. Besides, the tank was

also the dumping ground for flowers and other props used during festivals like Ganapati visarjan or navratri puja. The tank that provided the only drinking water source not so long ago, was turning into a health hazard. Driven by Kankuben's perseverance, the GP experimented with various incentive systems, reward and punishments, appeals and even vigilantism. When none of them worked, the GP decided to dig a separate pit with water in it that was exclusively meant for receiving residual material from religious events. The GP then instituted a monthly Tank-clean-up day where villagers would volunteer their time to remove the accumulated dirt and dispose them safely.

6. Illicit liquor, alcoholism, gambling and sexual harassment of women emerged as a serious issue during the early rounds consultation of the villagers in 2017. To resolve these inter-related problems and to improve safety of women and children the GP installed CCTV cameras and monitoring stations. The villagers were given helpline/toll free numbers to report any of these incidences. The CCTV monitoring and the reporting system combined well to deter the bootleggers gamblers and delinquent youths from indulging in any misdemeanours. This was one of the earliest women-led development outcomes that served as a morale booster for many more safety and livelihood related imitative by women.

7. After having experienced severe water shortages during the drought like conditions in 2016-17 the GP invited an NGO called ACT to help prepare a water resource development and management plan for Kukma GP. The process included identifying 4 volunteers from the village who would be trained by ACT to do mapping of all water sources. To the surprise of ACT, 2 of the 4 volunteers were young women. The exercise resulted in a comprehensive action plan that they now refer to every time the GPDP process takes place. Over the next few years the GP undertook water harvesting and groundwater recharging structures. With additional help from another NGO called VRTI more such structures were constructed.

8. With the help of CSR funds from Agrocil Pvt Ltd and technical support from VRTI the GP has constructed a water reclamation plant that recycles wastewater and reuses it for irrigating many community gardens that the GP developed on wastelands and commons. The recycle water is currently raising more than 7000 timber and fruit trees.

Challenges/work to be done:

There are many infrastructure projects that require urgent attention. This includes major road repairs, school buildings and health centres. The proposal for these works are held up at the respective government department offices. The GP would like to play a more direct role in implementation. When an active GP is able to put together a truly bottom-up plan it becomes imperative that the plan is executed efficiently. However since some of the works are implemented outside of the GP they have very little means to hold the departments accountable. When important activities are either delayed or not done at all, it undermines the peoples' participation. In Kukma's case various MNREGA works and a WASMO drinking water project was given high priority in their GPDP, but protracted delays and hurdles from the respective departments have upset the villagers and the GP.

Another administrative constraint that the GP faces regularly is the frequent transfer of the village secretary (Talati). Given the critical role they play frequent and sudden changes is very disruptive and has consistently been a cause for grief.

Conclusion:

Kukma GP is one of the most commended local government cases not only in Kutch and Gujarat but perhaps in the country. There are many contributing factors that made this possible. A big one if not the decisive one is the role played by two NGOs – KMVS and SETU Abhiyan. The focus of these two NGOs' intervention in this village was to build the capacity of the GP to function as a vibrant inclusive and democratic local government. Since KMVS also had an added thrust on empowering women's role in governance and economic activities, these opportunities converged very well when Kankuben was elected the Sarpanch. Besides these two NGOs another two NGOs provided technical support to the GP in implementing some of the infrastructure projects and also accessing funds from multiple CSR sources.

While these NGOs have certainly influenced the way the GP has functioned and in strengthening the skills and awareness of the panchayat leadership, this will not take anything away from the role played by Kankuben as a transformative leader of the GP. Her leadership style could be described as a mix of transformational, coaching and democratic. This has perhaps played, in no small way, an important part in enhancing the participatory ethos that prevails in the GP today. She engages with ward members, government officers and visitors alike – with humility.

The explicit and vocal emphasis on inclusive development approach is certainly tied to the fact that the sarpanch comes from a less-privileged segment of the community and yet is assertive as a strong champion for the underprivileged and the vulnerable. It is also markedly influenced by the support she received from the two NGOs. However, there is a much higher than average probability that these progressive governing systems will endure beyond the current tenure of the Panchayat because much the progressive elements of governance has been institutionalized in a manner that its efficacy is delinked from the sarpanch's personal involvement. The continued presence of the two NGOs playing a watchdog role may also improve the chances that the good governance practices will endure.

The case-study team has not heard any sarpanchs or other panchayat functionaries articulate the dissonance between the spirit of 73rd Amendment and the reality as well as Kankuben could. She illustrated the point by explaining how the amount and conditions attached to the grants-in-aid given to the GP is inadequate and constraining. Despite having demonstrated their ability to plan and execute work in a transparent and time-bound manner, any activity that requires larger budget provisions are designed and implemented by government departments with minimal engagement of the GP.

Chhattisgarh Fiscal Health Status

Vijay Mahajan

The GSDP of the Chhattisgarh state for 2021-22 (at current prices) is projected to be Rs 3,83,098 crore. This is an annual increase of 5% over the actual GSDP of 2019-20, and 9.4% higher than the revised estimate of GSDP for 2020-21 (Rs 3,50,270 crore).

1.1 Trends in Revenues

Total revenue receipts[1] for 2021-22 are estimated to be Rs 79,325 crore, an annualised increase of 11 per cent over 2019-20. Of this, Rs 35,000 crore (44 per cent) will be raised by the state through its own resources, and Rs 44,325 crore (56 per cent) will come from the centre. Resources from the centre will be in the form of state's share in central taxes (29 per cent of revenue receipts) and grants (27 per cent of revenue receipts). In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 15,488 crore (decrease of 18 per cent). Revenue receipts decreased mainly due to decrease in receipts of share of Union taxes and duties by Rs 3253 crore.

In 2021-22, receipts from the state's share in central taxes are estimated to register an annual increase of 6 per cent over 2019-20. However, as per the revised estimates of 2020-21, receipts from the state's share in central taxes were estimated to have decreased by 30 per cent as compared to the budget stage. This was due to a 30 per cent cut in the Union Budget for devolution to states, from Rs 7,84,181 crore at the budgeted stage to Rs 5,49,959 crore at the revised stage.

State's own tax revenue of Chhattisgarh is estimated to be Rs 25,750 crore in 2021-22, an annual increase of 8 per cent over the actual tax revenue in 2019-20. In 2020-21, as per the revised estimates, state's own tax revenue is estimated to be 14 per cent lower than the budget estimates.

Analysis of finances of the State of Chhattisgarh reveals that own revenues of the state as percentage of GSDP has been declining during the period 2015-16 to 2020-21 RE. Own revenues as percentage of GSDP declined from 9.90 percent in 2015-16 to 8.86 percent in 2020-21 RE – a trend observed in many other states. Own revenues are budgeted to increase to 9.14 percent in 2021-22 BE. The main reason for the decline in own revenues is the decline in own tax revenues of the state which fell from 7.58 percent of GSDP in 2015-16 to 6.44 percent in 2020-21 RE. In 2021-22 BE, the tax revenue as percent of GSDP is budgeted to increase to around 6.72 percent. The tax buoyancy assumed for 2021-22 is around 1.51 as compared to the achieved buoyancy of own tax revenues of 0.55 during 2017-18 and 2020-21RE.

1 We have cited extensively from the Chhattisgarh Budget Analysis 2021-22 by PRS India.

Although the fall in own taxes is cushioned by GST compensation, but this is a short term arrangement as GST compensation is for a 5-year period and will stop after June 2022. Own non-tax revenues which account for about 25-26 percent of own revenue receipts of Chhattisgarh more or less remained stable fluctuating within a narrow range of 2.2 to 2.4 percent during this period. Most of the revenues from non-tax sources (around 78-80 percent) is from non-ferrous mining and metallurgical industries.

Trends in Revenues (% of GSDP)

		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21RE	2021-22BE
A	Total Revenue Receipt (B+C)	20.46	20.43	21.13	20.46	18.52	19.51	20.71
B	Own Revenue Receipt (a+b)	9.90	9.37	9.29	9.16	8.71	8.86	9.14
	a) Own Tax Revenue	7.58	7.21	7.05	6.74	6.41	6.44	6.72
	b) Own Non-Tax Revenue	2.32	2.16	2.25	2.42	2.30	2.43	2.41
C	Central Transfers (a+b)	10.56	11.06	11.84	11.31	9.80	10.65	11.57
	a) Tax Devolution	6.98	7.16	7.35	7.37	5.86	5.37	5.92
	b) Grants-in-aid	3.58	3.90	4.48	3.93	3.95	5.28	5.65
D	GST Compensation			0.53	1.42	0.89	0.43	1.70

Source: Finance Accounts and 2021-22 Budget Documents of Chhattisgarh.

Central transfers comprising devolution and grants-in-aid from the Union government account for about 55 percent of the total revenues of that state in recent years. Between 2017-18 and 2019-20 central transfers to Chhattisgarh as percent of GSDP fell from 11.84 percent to 9.80 percent, a fall of more than 2 percent of GSDP on account of fall in both devolution and grants (which includes GST compensation from 2017-18 onwards) from the Union government. This corresponds to the period when the national GDP growth contracted from 11.03 percent to 7.75 percent (in nominal terms).

Thus on the revenue side we find that own tax revenues (as % of GSDP) have been falling cushioned by GST compensation. With the subsuming of nine state taxes into GST, state governments are left with limited own tax handles. The benefits of migration to GST are yet to be seen. GST revenues are yet to stabilize and there are issues of settlement of Integrated GST and delays in the release of GST compensation to states. Furthermore, with the 5-yesr GST compensation period ending in June 2022, this stream of revenues will cease.

The State has to raise revenues from current sources and also explore other sources to meet its expenditure commitments going forward. We examine the scope for that below.

Revenue receipts /GSDP and revenue receipts (RR) per capita are better values as compared to RR in absolute terms. For instance, per capita RR of Chhattisgarh was around Rs. 22000/- in FY 2020, higher than neighbouring MP but lower than Maharashtra, Telangana, etc. However, w.r.t. RR/GSDP, Chhattisgarh is much higher than states like AP, Maharashtra, Telangana and Tamil Nadu. However, what is of concern is that RR/GSDP has been declining over the years.

We may emphasise this, as it means that the revenue is not keeping pace with GSDP growth, or that the Government is using debt increasingly to balance the Budget. The growth rate of Revenue Receipts, Own Tax Revenue (OTR) and the growth rate of Non-Tax Revenue (NTR) has been declining steadily. In 2019-20, the Revenue Receipts actually fell by 1.88 per cent compared to the previous year.

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Total Expenditure	90,795	1,00,491	96,323	-4%	1,02,483	6%
A. Receipts (except borrowings)	64,130	84,131	68,644	-18%	79,645	11%
B. Borrowings	19,588	15,701	22,069	41%	18,776	-2%
Total Receipts (A+B)	83,718	99,833	90,713	-9%	98,422	8%
Revenue Balance	- 9,609	2,431	-12,304	-606%	-3,702	-38%
As % of GSDP	-2.79%	0.67%	-3.51%		-0.97%	
Fiscal Balance	-17,970	-11,518	-22,838	98%	-17,461	-1%
As % of GSDP	-5.21%	-3.18%	-6.52%		-4.56%	
Primary Balance	-12,999	-5,678	-16,597	192%	-10,990	-8%
As % of GSDP	-3.77%	-1.57%	-4.74%		-2.87%	6%

Note: BE is Budget Estimates; RE is Revised Estimates. For revenue balance, fiscal balance, and primary balance, positive values indicate surplus and negative values indicate deficit.

Sources: Chhattisgarh Budget Documents 2021-22; PRS.

1.2 Trends in Expenditures

On the expenditure front we find that revenue expenditure as percent of GSDP increased from 18.33 percent in 2016-17 to 21.30 percent in 2019-20 and further to 23.02 percent in 2020-21RE. The capital expenditure however, declined from 3.60 percent to 2.48 percent of GSDP between 2016-17 and 2019-20, a fall of about 1.12 percent of GSDP. In 2020-21 RE, it is expected to increase to 3.05 percent of GSDP and is budgeted to further increase to 3.60 percent of GSDP in 2021-22BE. Total expenditure as percentage of GSDP increased from 21.93 percent in 2016-17 to 26.07 percent in 2021-21RE and is budgeted to be around 25.29 percent in 2021-22BE.

Trends in Expenditures (% of GSDP)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 RE	2021-22 BE
Revenue Expenditure	19.41	18.33	19.92	20.25	21.30	23.02	21.67
Capital Expenditure	3.53	3.60	3.54	2.80	2.48	3.05	3.61
Total Expenditure, *of which*	22.94	21.93	23.46	23.05	23.78	26.07	25.29
a) General Services	4.78	4.45	4.67	4.88	5.59	6.13	5.93
b) Economic Services	9.69	7.99	8.74	9.95	9.59	9.58	9.70
c) Social Services	8.06	9.06	9.57	7.93	8.28	10.12	9.38

Source: Finance Accounts and 2021-22 Budget Documents of Chhattisgarh.

Services-wise disaggregation of total expenditure show that while expenditure on general services as percentage of GSDP has been increasing since 2016-17, expenditures of social services which includes expenditures on education, health, family welfare, etc. declined from 9.57 percent of GSDP in 2017-18 to 8.28 percent in 2019-20. However, there was an increase in expenditures on social services in 2020-21RE. Social services expenditure increased by about 24 percent between 2019-20 and 2020-21RE. In other words the government of Chhattisgarh has been spending more on medical and public health, education and various programmes of social welfare at the time of the pandemic. Expenditure on Medical and Public health show as jump of around 40.5 percent in 2020-21RE vis-a-vis 2019-20.

Total expenditure for 2021-22 is estimated to be Rs 1,02,483 crore, a 6 per cent annualised increase over the actual expenditure in 2019-20. Revenue expenditure for 2021-22 is proposed to be Rs 83,028 crore, which is an annualised increase of 6 per cent over 2019-20. This expenditure includes the payment of salaries, pensions, and interest. Revenue expenditure in 2019-20 increased primarily due to increase in interest payment on Market loans (Rs 138 crore), Pension and other retirement benefits (Rs 1,209 crore), General Education (Rs 3,470 crore) and Food, storage and warehousing (Rs 1,629 crore). The sectors of Rural Development (17 per cent), Police (9 per cent), and Transport (4 per cent) saw the highest increase in allocations.

- Committed Expenditure (CE) which is salaries, pensions and interest payments, has grown from Rs 33,373 crore (45.42 percent of revenue expenditure) in 2019-20 to Rs 39,192 crore to 47.2 per cent of BE FY21-22, which means nearly half of the revenue is going towards CE rather than newer development activities.
- The state's revenue expenditure is budgeted to increased by a mere 2.95 per cent in FY21-22 compared to the previous financial year and an annualised increase of only 6 per cent over 2019-20.
- Chhattisgarh's capital outlay for FY21-22 is estimated to be Rs 13,839 crore, which is an annualised increase of 27 per cent over 2019-20.

1.2.1 Expenditure on Subsidies during 2015-20

Subsidies as a percentage of Revenue Receipts increased from 4.40 per cent in 2018-19 to 5.19 per cent in 2019-20 and constituted 17.98 per cent of the revenue receipts and 15.63 per cent of the revenue expenditure

The expenditure on subsidies sharply increased by Rs 3,160 crore (37.96 per cent) from Rs 8,323 crore in 2018-19 to Rs 11,483 crore in 2019-20. The main components of this during the year were

- Finance (Rs 2,729. crore) for Agricultural Loan Waiver Scheme.
- Food and Civil Supplies (Rs 4,938 crore) for Chief Minister Food Assistance Scheme and for meeting losses on Food Procurement,
- Energy (Rs 3,074 crore) for free supply of electricity to Agricultural Pumps, Single Bulb Connection relief in Electricity Fees and

Capital expenditure of the State showed a significant decline during the years 2018-19 and 2019-20, with a decrease of Rs 1,098 crore in 2018-19 and Rs 337 crore in 2019-20. CE decreased by 3.79 per cent in 2019-20 compared to the previous financial year. In a reversal of this trend, capital expenditure for 2021-22 is proposed to be Rs 19,455 crore, which is an annual increase of 6 per cent over the actual expenditure in 2019-20.

1.3 Debt-Deficit Indicators

Revenue deficit for 2021-22 is estimated to be Rs 3,702 crore, which is 0.97 per cent of the GSDP. In 2020-21, as per the revised figures, revenue deficit was estimated at Rs 12,304 crore (3.51 per cent of GSDP).

Fiscal Deficit increased during 2019-20 to Rs 17,970 crore from Rs 8,292 crore in 2018-19, since the State had turned from a revenue surplus of Rs 684 crore in 2018-19 to a revenue deficit of Rs 9,609 crore in 2019-20. During 2019-20, Fiscal Deficit at 5.46 per cent of the GSDP exceeded the target prescribed (3.50 percent of GSDP) in the FRBM Act. In 2020-21, the revised estimate for fiscal deficit was expected to be 6.52 per cent of GSDP, higher than the budget estimate of 3.18 per cent of GSDP. Fiscal deficit for 2021-22 is targeted at Rs 17,461 crore, which is 4.56 per cent of GSDP.

From the examination of key deficit indicators of the state we see that Chhattisgarh had surplus on the revenue account during the period from 2015-16 to 2018-29. However, in 2019-20 the state had a revenue deficit of 2.79 percent of GSDP which increased to 3.51 percent in 2020-21RE.The state had budget for a revenue deficit of about 1 percent of GSDP in 2021-22BE. There is a high possibility of slippage in meeting the budgeted revenue deficit numbers as the improvement is largely due to the increase in transfers from the central government as also increase in own tax revenues of the state. Such increase in transfers from the central government and own revenues that has been assumed for 2021-22BE may not materialize given the ongoing pandemic situation and past performance of own tax revenues.

The fiscal deficit percentage of GSDP was well below the 3 percent level during the period from 2015-16 to 2018-19. However, in 2019-20, the fiscal deficit increased to 5.21 percent of GSDP breaching the FRBM target of 3.50 percent of GSDP. In 2020-21, the revised estimate for fiscal deficit was 6.52 per cent of GSDP as compared to the 2020-21 budget estimate of 3.18 per cent of GSDP.This increase can be partly attributed to the additional borrowing of 2 percent of GSDP allowed by the Union government to states as part of the Atmanirbhar Bharat package over and above the mandated borrowing limit of 3 percent of GSDP. Fiscal deficit is budgeted to be around 4.56 percent of GSDP in 2021-22BE.

The 15th Finance Commission had allowed a borrowing limit of 4 percent of GSDP to states for the fiscal year 2021-22. Chhattisgarh can avail additional borrowing space of 0.50 percent of GSDP every year during 2021-26 if it undertakes power sector reforms recommended by the 15th Finance Commission. The power sector reforms proposed by the 15th Finance Commission can create additional fiscal space for higher capital spending which will have positive effect on growth.

Debt and Deficits (% of GSDP)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 RE	2021-22 BE
Revenue Deficit	1.05	2.10	1.21	0.21	-2.79	-3.51	-0.97
Fiscal Deficit	-2.42	-1.54	-2.41	-2.61	-5.21	-6.52	-4.56
Outstanding Liabilities	13.85	14.39	18.45	20.71	22.57	27.33	28.66
Interest Payment	0.95	1.02	1.10	1.15	1.44	1.78	1.69

Source: Finance Accounts and 2021-22 Budget Documents of Chhattisgarh.

The total outstanding liabilities of government of Chhattisgarh as percentage of GSDP has been rising from 13.85 percent in 2015-16 to 27.33 percent in 2020-21RE and is budgeted to further increase to 28.66 percent in 2021-22BE. As a result the interest payments as a percent of GSDP show an increasing trend, increasing from 0.95 percent in 2015-16 to 1.78 percent in 2020-21RE. It is budgeted to be around 1.68 percent in 2021-22BE.

Items	2019-20 Actuals	2020-21 Budget	2020-2 1 Revise d	% change from BE 2020-21 to RE 2020-21	2021-22 Budget	Annualised Change (2019-20 to 2021-22 BE)
Capital Expenditure	17,318	19,091	15,676	-18%	19,455	6%
of which Capital Outlay	8,566	13,814	10,681	-23%	13,839	27%
Revenue Expenditure	73,477	81,400	80,647	-1%	83,028	6%
Total Expenditure	90,795	1,00,491	96,323	-4%	1,02,483	6%
A. Debt Repayment	8,695	4,841	4,841	0%	5,376	-21%
B. Interest Payments	4,970	5,841	6,241	7%	6,471	14%
Debt Servicing (A+B)	13,665	10,682	11,082	3.70%	11,847	-7%

Note: BE is Budget Estimates; RE is Revised Estimates. Capital outlay denotes expenditure which leads to the creation of assets. Sources: Chhattisgarh Budget Documents 2021-22; PRS.

1.4 State Government Borrowings

The outstanding debt of the Government of Chhattisgarh (henceforth, GoCG) was Rs 78,712 crore at the end of 2019-20. This was 23.6 per cent of the GSDP in that year. As per the FRBM Act 2003-04, the States are advised to keep the total Outstanding Debt below 20 per cent of GSDP. The period since 2012-13 has seen a continuous increase in the debt level of the GoCG and that has now reached almost 25 per cent of GSDP which was the limit prescribed by the 14th Finance Commission.

In 2021-22, expenditure on debt servicing is estimated to be Rs 11,847 crore, an annual reduction of 7 per cent over 2019-20. In 2020-21, revised estimate for debt servicing is 3.7 per cent higher than the budget estimate.

The 15th Finance Commission recommended the following fiscal deficit targets for states for the 2021-26 period (as a per cent of GSDP):

(i) 4 per cent for 2021-22,

(ii) 3.5 per cent for 2022-23, and

(iii) 3 per cent for 2023-26.

The Commission estimated that this path will allow Chhattisgarh to increase its total liabilities from 28.1 per cent of GSDP in 2020-21 to 31.6 per cent of GSDP in 2025-26. If the state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years, it can avail the unutilised borrowing amount in the 2021-26 period.

Additional borrowing worth 0.5 per cent of GSDP will be allowed each year for the first four years (2021-25) upon undertaking certain power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue.

1.4.1 Government Borrowing Under RIDF

The Rural Infrastructure Development Fund (RIDF) is one of the most economical borrowing instrument @2.75 per cent. Loan to be repaid in equal annual instalments within seven years from the date of withdrawal, including a grace period of two years. However, the GoCG is yet to leverage this facility optimally.

As per the NABARD website as on 31 Aug 2021, a total of 8318 projects were financed through the RIDF borrowings, with a sanctioned loan amount of Rs 4969.74 crore, and the amount drawn was Rs 4254.43 crore. The largest categories of projects were for water resources, for which a total of Rs 257. 4 crore was drawn and solar powered pumps for which a total of Rs 430.74 crore was drawn. It is recommended that the GoCG should enhance its borrowings under the RIDF.

As per latest RIDF Policy, the normative allocation is decided on certain factors which are favourable to Chhattisgarh. The corpus announced for each tranche is allocated among different States as per "Normative Allocation" based on certain parameters.

1.4.2 Guarantees issued by Chhattisgarh State Government

In addition to direct borrowing by the GoCG, it has also provided guarantees to various state government bodies and corporations to borrow from other financial institutions. If any of the primary borrowers are not able to service their loans, the guarantee will devolve to the GoCG and cause additional demands on its fiscal resources.

Sl.No	Department	Particulars	Maximum Guarantee Allocated (INR Crore)	Guarantee allocated as on 31.12.2020 (INR Crore)
1	Cooperative	Sardar Vallabh Bhai Patel Shakkar Karkhana Maryadit	91.00	67.02
2	Urban Admin	Nagar Nigam, Municipalities and Development Authorities	3531.24	813.65
3	Scheduled Caste Develop-ment	Chhattisgarh State Scheduled Castes Finance and Development Corporation	0.71	0.28
		Chhattisgarh State Entrepreneur Co-operative Finance and Dev Corporation	243.78	80.41

4	Energy Department	Chhattisgarh Electricity Companies	3805.00	1894.92
5	Food Department	Chhattisgarh State Cooperative Marketing Federation Limited	14700	11060.00
6	Social Welfare	Chhattisgarh Handicapped Finance and Dev Corporation	69.25	47.31
7	Housing and Environment	Chhattisgarh Housing Board	1095.00	987.41
8	Home Department	Chhattisgarh Police Housing Corporation Limited	800.00	526.00
9	Health and Education	D.K.S Post Graduate Institute and Research Centre	64.00	49.10
10	Panchayat & Rural Dev	Chhattisgarh Rural Housing Corporation Limited	3427.28	1792.44
11	Public Works Department	Chhattisgarh Road and Infrastructure Dev Corpn	5225.00	0.00
Total			33052.26	17318.54

(Source: State Budget, Chhattisgarh)

1.5 Suggestions for Improving the Fiscal Health of the State

Revenue receipts have gone down as a percentage of the GSDP and this trend needs to be reversed. The state needs to adopt various measures to mobilise additional resources to improve its fiscal parameters in line with the targets specified by the Finance Commission and Fiscal Responsibility and Budget Management (FRBM) Act projections.

Farm loan waivers and paddy procurement at a bonus price above the MSP were the two major reasons for the fiscal deficit. However, given the income and welfare enhancing effect on farmers of paddy procurement at a remunerative price, the measures may have to be continued. However, the GoCG should get an impact assessment study done of this measure to see if the benefits are commensurate with or higher than the fiscal cost.

Further, the procured paddy may be disposed on a national e-marketing platform, so that buyers from all over India, including exporters, can bid for the paddy and the State Government agencies then get a remunerative price. Further, the unsold paddy can be used to establish a paddy value chain all the way up to ethanol, so that more employment is generated along with GSDP growth.

The next important reason was free or concessional electricity supply. As the 15th Finance Commission has already stated, if the state does away with this, the state will have an opportunity borrow 0.5 per cent more of its GSDP.

The State government should review and analyse the reasons for delays in capital projects and take efforts to complete them quickly. Last milestone projects should be taken care of to reap the benefits of the investments already made in those projects. An institutional mechanism should be established, on the lines of the Union government's PRAGATI, to monitor the progress on these capital projects. Such a forum should be chaired by Hon'ble Chief Minster and the Chief Secretary and all the key departmental Secretaries should attend this meeting on a quarterly basis.

Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans was not sustainable in the long run. Borrowed funds should be utilised to create assets to stimulate growth. Interest payment has drastically increased as compared to the previous year due to addition of the market loans of Rs 10,980 crore during the year 2019-20. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable in the long run and would impact creation of assets. If indeed the state needs to borrow, it should first tap funds from concessional sources such as the RIDF of NABARD.

There are a number of funds available from the Government of India, over and above the normal grants in aid.These include funds like the allocation of mining royalties to the District Mining Foundations (DMF), funds from the Compensatory Afforestation Fund Management and Planning Authority (CAMPA), the Universal Services Obligation Fund (USOF) for providing telecom services to underserved areas. The amounts under these are significant and the GoCG should establish a cell in the Finance Department to draw the maximum amount that the state is eligible to get under these funds.

2 Measures for Mobilization of Investment for GSDP Growth

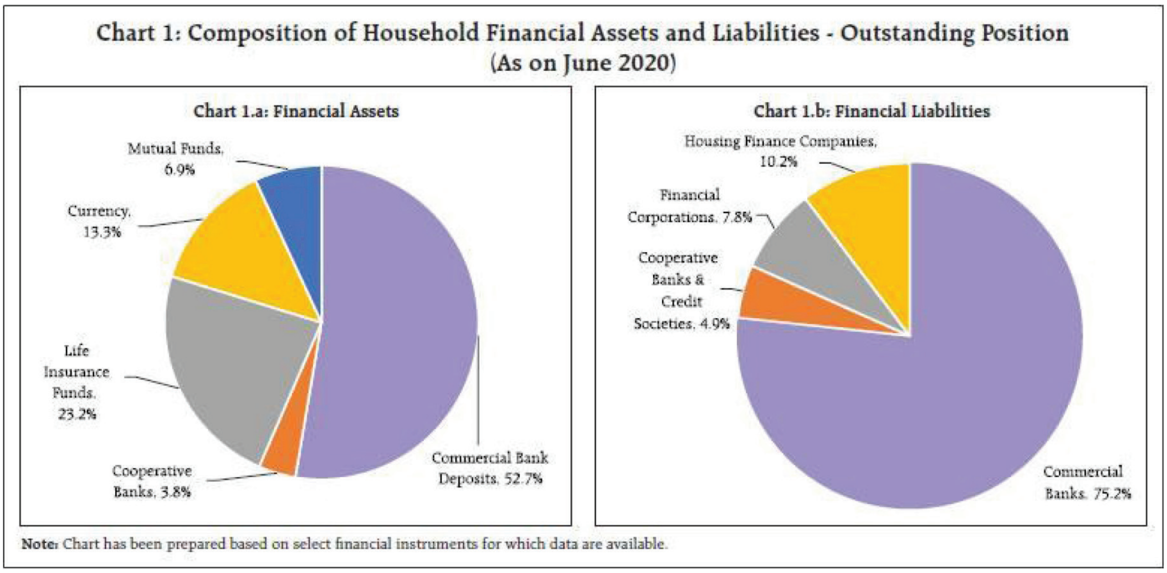
While the Government's financial resources are seen as a major policy and developmental instrumentality, the fact is that the Government's share of the GSDP (Rs 1,02,483 crore) is just about one quarter (26.7 per cent) of the GSDP (Rs 3,83,098 crore).Thus the rest of the GSDP comprises of the cumulative expenditure of the household and the corporate sector, and savings, which are almost entirely by the household sector. The ability of the government to spend or invest more is constrained by the fiscal deficit. Thus we have to look at financial resources from the household sector and the corporate sector.

A vast majority of the savings come from the household sector and are used for individual investments in consumer durables, livestock, land, house property, equipment and vehicles. Thus these "savings" do not appear in the numbers of the banking or financial sector, since it is done mostly by households on their own account. Instead some of this appears as consumption expenditure (except land and house property).

The second source of investment is corporate investment, mobilised by the corporate in the form of equity or debt from the capital market, almost always from outside the State. For this the source is financial savings instruments like insurance and pension linked savings, shares, mutual funds, etc. which are funded by household financial savings.

2.1 Enhancing Household Savings

As per the RBI, household financial savings in India are significantly affected by their deposits with and borrowing from the banking sector[2]. Bank deposits and bank loans constitute dominant shares of around 56 per cent and 80 per cent of household financial assets and liabilities, respectively.. See Chart below:



Domestic savings rate, particularly that of households, is critical as it determines the quantum of funds available for governments and corporates to borrow from. Indian households account for about 60 per cent of the country's savings, but this is falling gradually. Lower domestic savings exposes borrowers to overseas markets, weakening India's external position and raising external debt.

India's savings rate had touched a 15-year-low as gross domestic savings stood at 30.9 per cent of GDP in FY20, down from a peak of 34.6 per cent in FY12. Household savings fell from 23 per cent of GDP in 2012 to 18 per cent in 2019. In Q2 of FY21, increased household consumption, particularly its discretionary component, could be attributed to a resumption in economic activity following the easing of the lockdowns. The reversal in household financial savings is corroborated by the lower surplus in the current account balance. Household debt to GDP ratio rose sharply to 37.1 per cent in Q2, from 35.4 per cent in Q1.[3]

To the extent household savings are deposited in banks, bank credit becomes a source for investment, both for individuals as well as for corporates. But this is a small fraction of the overall household savings. This is because the financialization of household savings is still quite modest in the state, with households preferring to save in the form of jewelers, land, livestock, house property, durables, vehicles, etc.

Deposits grew by about Rs 12,216 crore to Rs 1,76,878 crore, from Mar 2020 to Mar 2021. What is interesting is that even out of this meagre financial savings of Rs 12,216 crore in the year, only about Rs 8725 crore or about 71 per cent of the savings were deployed as incremental credit in that year, the rest going out of the state economy. So there is a vast gap between what is needed and what is available for deployment through the banking sector.

2 https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=19895
3 https://www.newindianexpress.com/business/2021/may/29/post-lockdown-boost-in-spending-pushes-q3-household-financial-savings-to-81-per-centof-gdp-2309287.html

Deposits in Scheduled Commercial Banks in Chhattisgarh

Population Group	Mar-21		Mar-20		Mar-19	
	Deposit	Credit	Deposit	Credit	Deposit	Credit
Metropolitan	47216	49540	40793	48802	35590	42996
Rural	31450	11433	31736	9445	25398	8641
Semi-urban	40053	18117	36815	14913	31507	13575
Urban	58160	29765	55317	26971	50056	24612
Total	176878	108855	164662	100131	142551	89824

Source: Reserve Bank of India

2.2 Increasing Bank Credit and Institutional Finance

The State Focus Paper produced by NABARD[4] puts the credit potential of the state at a modest Rs 36,260 crore, which though higher than the State Credit plan target by about 10 per cent, is nowhere near what it should be.

As per the state credit plan for 2020-21, the total credit deployment target was Rs 34,421 crore.As per the SLBC[5], the target for 2021-22 is Rs 41,914 crore. However, credit deployment figures can be misleading, since they do not talk about the amount recovered during the year and thus do not represent the net increase in credit outstanding. As per the RBI data above, the incremental credit outstanding for the year was only Rs 8725 crore. On the whole, the bank credit outstanding of Rs 108,855 crore represents only 30 per cent of the GSDP and is a low Credit/GSDP ratio.

If the credit/GSDP ratio were to be taken even to the all India average of about 50 per cent from the current 30 per cent in five years, it would mean an additional deployment of 20 per cent of the GSDP in 2020-21, or Rs 72,000 crore and the GSDP will go up in the meanwhile. Assuming it goes up by about 50 per cent in five years, the additional credit deployment would be about Rs 108,000 crore, doubling credit outstanding in five years.

The Credit Deposit (CD) Ratio of banks in 2019 was 63.3 per cent, a good 15 per cent below the national average of 78.3 per cent. The flow of investment credit to agriculture and other sectors is particularly inadequate. The recent changes in PSL Norms incentivizing SCBs/ RRBs to lend in credit starved districts by assigning 125 per cent weightage in such districts (Chhattisgarh has 15 such districts) needs to be highlighted

The below table indicates the below average growth of credit for both agriculture as well as industry in the State. The CAGR is almost half that of the national average.

4 https://www.nabard.org/plp-guide.aspx?id=699&cid=698
5 http://slbcchhattisgarh.com/pages/views/leadbankscheme_acp_targets

Yearwise Credit by SCBs , Total an Agricultural, (Rs Crore)

Industry	2015-16	2016-17	2017-18	2018-19	2019-20	CAGR
Chhattisgarh	23100	25000	25800	29100	25492	2.49 %
Central Region	171100	167300	158200	165200	173876	0.40 %
All India	2636100	2760600	2982500	3038700	3195058	4.93 %
Agriculture	2015-16	2016-17	2017-18	2018-19	2019-20	CAGR
Chhattisgarh	10700	10800	11700	10400	13047	5.08 %
Central Region	157000	176300	198800	208600	233033	10.38 %
All India	904300	951000	1078300	1199500	1349626	10.53 %

Source: RBI, Handbook of Statistics On Indian States

State Credit Plan 2020-21

Sector	Rs in Cr	per cent
Crop Loan	13227.37	38.43
Agri Term Loan	3383.35	9.83
Agri-Infra	1458.14	4.24
Ancillary	1510.27	4.39
MSME	10811.45	31.41
Export	369.85	1.07
Education	746.33	2.17
Housing	1891.41	5.49
Renewable	119.78	0.35
Others	628.16	1.82
Social Infra-Private	275.28	0.80
Total	34421.38	100.00

2.2.1 Financing Growth at the Base of the Pyramid – SHGs and MFIs

There is ample scope for financing of Women SHG Groups in Chhattisgarh in the Micro Enterprises sector. There is a felt need for bankers and the GoCG should work with them to enhance the SHG culture among tribal women of Chhattisgarh and extend liberal finance to enable them to take a foothold in income generating activities. The GoCG should take up an SHG-Bank linkage program on a war footing through the SRLM and other agencies which work with SHGs, such as PRADAN, MYRADA & APMAS.

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From the point of view of the lower income groups, microfinance institutions (MFIs) are an important source of funds. As per MFIN data[6], as on 30th Sep 2020, there were 14 MFIs active in the state, with loan outstanding of Rs 1811 crore. This was rather low compared to Rs 6005 crore in neighbouring Odisha and Rs 4774 in Madhya Pradesh. Thus it calls for a concerted strategy for the state government to attract more MFIs to come and work in the state. The GoCG should approach the MFI industry associations, namely MFIN and Sa-Dhan for this purpose.

The GoCG should encourage households to invest in those activities which help them diversify their income sources and generate a good rate of return. There are a number of sub-sectors such as diversified crop cultivation, animal husbandry, micro food-processing, handloom and apparel making and other household industries, repairs, local transport, hotels and restaurants, business and personal services, including homestay tourism, in which households could invest their savings and get a good income as well as a return on their investments. This will also enable them to protect their savings from getting eroded by inflation, which discourages people from making bank deposits.

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2.3 Increasing Corporate investments

Chhattisgarh as an investment destination has many plus points. A cursory glance at them suggest the following

- Pro-active administration with efficient law and order situation; no Labour unrests
- Attractive Industrial and Sector specific policies
- Excellent Infrastructure- Uninterrupted power supply with zero power cut situation
- Highly skilled industrious human resources with presence of premier institutes
- Enabling ecosystem- (Hospitals, Schools, Shopping Malls, Hotels and Real Estate)
- Cost Advantages: Cost of Living and Rent index low as compared to other States

As per the IBEF, Chhattisgarh is making significant investment in industrial infrastructure. Chhattisgarh State Industrial Development Corporation (CSIDC) has set up industrial growth centres, seven industrial parks and three integrated infrastructure development

6 http://slbcchhattisgarh.com/pages/views/leadbankscheme_acp_targets
7 http://slbcchhattisgarh.com/pages/views/leadbankscheme_acp_targets

centres (IIDC). The state has a notified special economic zone (SEZ) in Rajnandgaon District. As of February 2020, the state had two formally approved SEZs. Total merchandise exports from Chhattisgarh were US$ 2,320.29 million in FY21. Combined export of aluminium and products, iron ore, and iron and steel products reached US$ 1,037.19 million in FY21. Non-basmati rice, iron & steel and aluminium products are the main exports, contributing 20.46%, 14.92% and 13.93%, respectively, to the state's merchandise exports.

The Chief Minister has made trips to USA and north East India to talk to investors and explore possibilities of bringing investments to the state, in sectors spanning - information technology, agro and food processing, biofuels, textile, pharmaceutical, Ayurveda and service industries. On a multi-city visit to US in early 2020, the chief minister talked of the new industrial policy 2019-24 of the state during a business meet with US India Strategic Partnership Forum at New York. He also met select investors at San Francisco apprising them the state's strong focus on technology-based enterprises.

Thanks to such efforts, in 2020-21, Chhattisgarh managed to be in the top 10 list of states with more private investment in the manufacturing sector in the third quarter of 2020-21. Chhattisgarh received Rs 10,228 crore investment projects between October and December 2020 as per a report by Projects Today. In the last two and a half years, the Chhattisgarh government has signed a total of 104 MoUs for setting up industries in the state with a proposed capital investment of more than Rs 42,000 crore. These industries will generate 64,000 new employment opportunities for the youths.

According to Projecx Survey data, across the states during July-September 2020 period (Q2FY21) among major states, Chhattisgarh and Tamil Nadu have topped the table when it comes to attracting new investments overtaking Maharashtra, Gujarat, Karnataka and others. Chhattisgarh topped the table by attracting fresh investment of Rs 35,771.3 crore in the form of 114 projects. The Rs 22,653 crore Bodhghat Irrigation project and a couple of mining projects worth Rs 8,197 crore by South Eastern Coalfields helped Chhattisgarh top the investment table in Q2 of 2021. This trend needs to be continued with good footwork.

2.4 Recommendations for Enhancing Investment in Chhattisgarh

The budget for 2021-22 indicates a capital outlay, that is, expenditure which is to be made by the government to create assets such as roads, bridges, airports, etc., of Rs 13,839 crore, which is a welcome 27 per cent rise over the amount of Rs 10,681 crore of capital outlay in the previous year.

However, as the state government has an overall budget constraint, GoCG should try to access other sources for capital outlay including the World Bank and the Asian Development Bank, bilateral lenders like JICA and specialized Indian term lending institutions such as NABARD, SIDBI, REC, IREDA and the India Infrastructure Finance Company Limited.

- The state government needs to work with the banking system to massively increase credit deployment in the state. The credit deposit ratio of the state needs to be steadily increased, from the current 70 per cent to 90 per cent or even higher than 100 per cent,

8 https://m.rbi.org.in/scripts/PublicationsView.aspx?id=18230

like many of the states in southern and western India, as per RBI data. [8]The GoCG should work with banks to take the State CD (credit deposit) ratio on a year by year basis.

- The GoCG should ask banks to draw upon refinance from NABARD, which is available at 3 per cent for the PACS as MSC Scheme, Watershed and Wadi Schemes, and at 6 per cent for the Micro Food Processing schemes.
- The GoCG should build up the SHG-Bank linkage program through coordination with among the SRLM and the banks and MFIs in the state.
- For enhancing credit flow to micro-entrepreneurs who are shunned by banks, the GoCG should approach the MFI industry associations, namely MFIN and Sa-Dhan for this purpose.
- As not all households with financial surplus can invest in income-generating activities of the above kind, the GoCG as well as private players should encourage households to invest their savings in financial investments such equity mutual funds, which tends to fetch them higher returns and enables them to protect their savings from getting eroded by inflation, as happens to bank deposits.

In any case, as we know, the growth in the economy comes from investment, and a relatively small portion of that comes from the government. Thus for growth in the GSDP, we need to look at investments from the household sector directly and indirectly through their savings in banks which are leant to the private corporate sector, to supplement its own equity resources.

The role of the corporate sector in bringing in large investments is critical. Corporate investments require friendly policies and incentives. The GoCG should examine its policies and incentives from time to time to remain an attractive destination for corporate investors.

The Small and Medium Enterprise Sector in Punjab – Case Study of Hand Tools Cluster, Jalandhar

Yuvraj Kalia, Fellow, RGICS

1 Context – The SME sector in Punjab

1.1 Significance of the SME Sector

As per a study on prospects of small scale industry in Punjab, (Gupta and Aggarwal, 2016)[1], "In Punjab, small-scale industries was occupying important place, because of their employment potential and contribution to total industrial output. They also helped in the resource utilization and further help to promote changes in a gradual and phased manner. The progressive trend in the industry was badly affected after the state suffered law and order problem due to militancy / terrorism in post 1980-90 period. Due to the disturbances the industry suffered a setback and most of the industrial units either shifted their activity to other states or close down their units. The revival of the industry was not possible till the law and order improved in the state.

Thereafter Government has taken a few steps to promote Small scale industrial production in Punjab by encouraging new units. However, the response to the industrial development was not encouraging since the state was unable to clear the backlog of incentives due to the industrial unit. As per the 1992 policy The Punjab Government introduced a new policy to promote small scale entrepreneurship, Punjab government's policy for settlement of dues to help SMEs to recover from high cost debt.."

1.2 Challenges facing SMEs in Punjab

As per the Economic Census 2013, Punjab was home to 444,659 establishments with at least one hired worker that account for 2.92 % share in country total. Between 2005 and 2013, while both number of establishments and employment increased in the state, urban jobs saw third lowest rate of growth (31%) in the country after Madhya Pradesh (25%) and Odisha

1 Gupta, Monica and Kavita Aggarwal (2016). Prospects of Small Scale Industry in Punjab. International Journal of Management (IJM) Volume 7, Issue 7, November–December 2016, pp.226–231, accessible at https://iaeme.com/MasterAdmin/Journal_uploads/IJM/VOLUME_7_ISSUE_7/IJM_07_07_023.pdf

(30%). Growth in rural employment was double at 62% in the same period. (5th Economic Census 2005, 6thEconomic Census 2013).

As per a recent study (Bedi, Sampla, Kumari, 2021),[2]

"During the year 2017-18, there were 1,60,000 small scale industrial units with an investment of Rs 14,460 crore which generated employment to 11,48,100 persons, with a production value of Rs. 86,240 crore. (Statistical Abstract of Punjab, 2018-19). The Jalandhar district has prominent share in Punjab regarding number of small scale units registered, fixed investment and employment generated. Jalandhar contributes 12 percent of total number of small scale units registered in Punjab, comprises 13.5 percent share of employment generated and accounts for 10.4 percent share of total fixed investment by SSIs in Punjab (District Industrial Centre, 2018-19)…

Image Courtesy: https://static.toiimg.com/photo/msid-63022578/63022578.jpg

Though the number of working units has come down from 200,603 in 2003-04 to 160,000 in 2017-18, a compounded annual growth rate (CAGR) of -1.5%, "there is a continuous increase in the other figures over the years. Exports have the highest CAGR of 15.5% followed by Production (10.9%), Fixed Investment (8.8%) and Employment (1.7%)."

"A number of studies found that SSIs are frequently faced with constraints and challenges. Sharma(2012), Kumar(2010), Kaliselvan(2009), Velsamy(2012) identified the multifarious problems faced by SSIs which include quality of products, lack of effective executives, technology upgradation, lack of finance, protection of domestic trade from foreign countries, terms of payment, export import procedure and regulation in India, high cost of production and regulation of export market. The above literature revealed the industrial finance to be the most important problem of small scale producers which is further identified as shortage of working capital, inadequate assistance from banks and hostile attitude of government agencies.

2 Bedi, Ubique, Rupinder Sampla, Lalita Kumari (2021). Constraints and Prospects of Small Scale Industries in Punjab Journal of Science, Technology and Development Volume X Issue II February 2021 ISSN : 0950-0707 http://journalstd.com/gallery/76-feb2021.pdf

3 Bedi et al 2021 p. 5

Ahluwalia, et al.(2008) proposed industrial strategy that help in creating conditions for growth in the technologically advanced sectors like information technology, biotechnology, pharmaceuticals and health care which could become catalyst of change in the industrial sector of Punjab. The projected industrial strategy for Punjab addresses the numerous challenges of industrial development in the context of the overall economic development in the state. Studies by Ramanaiha (2011), Suresh and Shashidhar (2007), Chakrabarty (2006), Pandey and Shivesh (2007), Dende and Joshua(2012) attempted to analyze the conditions of SSIs, challenges and opportunities in India in the era of liberalisation, privatization and globalization.

This study is based on Action Research conducted in the Jalandhar Handtools SME cluster in Punjab over the last six months of 2021.[3]

2 Sector and Cluster Overview[4]

2.1 Hand Tools Sector in India

As per Mr Ajay Khashu, Business Development Manager & Advisor, Hazet "In recent years, as economic globalization accelerates, the hand tool industry became the main source in hardware tool manufacturers throughout the world.The wide application and larger demands in hand tools are beyond imagination and as a result of this, there is an increase of more than 10% every year. Hand tools are products with good profits and competition of hand tool products is mainly decided by the quality of raw material which in this case is steel quality, used for manufacturing and steel products are faced with the problems of surface quality and internal cracks which are problems of steel technology that cannot be ignored.

"Hand tools in the world market can be distinctly divided into two types: (a) Developed markets and (b) Developing areas. The point of distinction is that the former are produced not by order, are subscribing to advanced methods of production. The latter are different in these parameters, and so enjoy a little monopoly in the international market.

Hand tools comprise of general-purpose tools (spanners, wrenches, pipe cutters, woodworking tools, pliers) watchmaking tools, goldsmith tools, automotive tools, agriculture tools, industrial tools, garden tools, non-sparking tools and so on. The Indian hand tool market is estimated to cross US$ 200 million which is growing at a rate of 12% annually. India's advantage is low labor, low cost, and availability of raw materials.

There are more than 8500 SME hand tool manufacturers in India, out of which 3400 are in Punjab and of these, 1200 are in Jalandhar, 800 in Ludhiana, 400 in Patiala and the rest spread over the state[5]. They are catering to the demand for local markets and export. As the demand is increasing and customers getting more quality conscious, the technological improvement for manufacturing in India requires sophisticated tools and equipment. Industries like defense, railways, agriculture, automobiles, and aerospace are expecting good quality products for ease of operation due to which small manufacturers have upgraded themselves and are now competing with established organized players but the market is still open for high-quality application hand tools.

4 https://www.maiervidorno.com/hand-tools-in-india-a-synopsis/
5 http://dcmsme.gov.in/40_Hand%20Tools%20Mech%20by%20Vinay%20Adlakha.pdf

Good quality hand tools manufacturers are now entering the Indian market because of the growing demand for brands, better quality, zero error, global reputation and recommendations from other industrial sectors from different countries. Some organizations have started e-selling but the proportion of sales is still small."

2.2 Demand Conditions

2.2.1 Domestic demand

The hand tools market in India is projected to reach a revenue share of Rs 12,000 crore by 2025 due to a steady demand from various industrial sectors. The demand in the domestic market is from construction, automobile, aerospace and DIY sectors for drilling, hammering, sawing, and other tools. Despite the slow replacement of hand tools by power tools in the country due to the rising demand for more precision, efficiency, performance, and to improve the overall ergonomics, hand tools are the more demanded in India. As a result, Indian hand tools market is anticipated to grow at a CAGR of 3.8% during the period of 2020-2026. As per the data received from Ministry of Commerce Export Import Data bank, imports of hand tool products (HSN Code 8205) in 2017-18 were Rs 321 Crore and rose to Rs 388 Crore in 2018-19. [6] Yet, as per a study by Bedi et al (2021), lack of access beyond local markets accounted for 15.8% of the issues of SMEs in Jalandhar.

2.2.2 Export demand

Data available for exports of this product for 2017-18 showed exports worth Rs 747 crore and Rs 835 crore for 2018-19. Top four export HSN codes at 8-digit level having more than 10% share of the total hand tool exports are: Clamps and the like; Hammers and Sledge hammers, Grease Guns and Other Hand Tool Incl. Glaziers Diamonds Vices. Top export destinations of hand tool from India are the United States of America, United Kingdom, France, Germany and the. United Arab Emirates. Sector is also witnessing surge in exports with buyers' preference shifting from China to India due to currently ongoing pandemic scenario and hence India can capture greater market share in hand tool exports market.[7]

2.3 Firm Strategy, Structure and Rivalry

2.3.1 Paucity of Resources

Indian SMEs remain small due to financial and HR constraints and do not grow in terms of employees or turnover. There seems to be poverty in resources available with most SMEs interacted with, be it financial or human capital, knowledge or even time. Apparently, poorly managed business creates structural inefficiencies causing most time of owner managers in troubleshooting routine operations. There seems to virtually no conduit of useful knowledge for the owners. Interestingly, all SME owners highlighted availability lack of good human resources as one of the most serious challenge they faced. Even among those willing to pay the price often not find suitable candidates as "no one is willing to move to the small town".

2.3.2 Informality and Lack of Corporate Governance

To begin with there seems to be no formal governance among SMEs in Punjab. The promoters/ owners play a dominant role in all aspects of the business, and usually their word is the final.

6 http://dcmsme.gov.in/40_Hand%20Tools%20Mech%20by%20Vinay%20Adlakha.pdf
7 http://dcmsme.gov.in/40_Hand%20Tools%20Mech%20by%20Vinay%20Adlakha.pdf

It is observed that this often leads to poor planning management, perhaps because of absence of functional expertise. One of the apparent reasons for this lack of trust in "outsiders" in making decisions, hence the business remains owner-managed with family members in key decision-making positions. There is a clear person dependency in the firms coupled with an apparent inability to create managerial capital within firms.

2.3.3 Firm competitiveness

Units use the following production process to manufacture hand tools. Productivity is very low.

- Raw material cutting using power presses
- Heating in oil fired forging furnace
- Forging using drop hammer and/or Blanking using power press
- Hardening – heating to 835C (oil fired furnace) followed by quenching
- Tempering (electrical operated furnace), Shot blasting and Electroplating (if applicable)
- Packing, inspection & dispatch."[8]

A medium scale unit produces around 50-70 tonnes of material per month. The production of the unit depends upon the number of hammers installed in the unit. The production of the clusters is presently affected because of frequent power cuts, ranging from 4-6 hours in a day.

Image Courtesy: https://www.hritools.com/infrastructure.html

2.4 Jalandhar Hand Tools Cluster

Jalandhar, in Punjab is one of the prominent hand tools clusters in the country. The cluster came into existence around the time of Indian independence in 1947, when skilled labourers from Pakistan came and settled there and started manufacturing hand tools. Subsequently, the government of Punjab through Punjab State Industrial Development Corporation (PSIDC) set up an industrial estate on the outskirts of city which is today a hub of hand tools.

8 http://sameeeksha.org/pdf/clusterprofile/JalandharHandToolsClusterBrief.pdf
9 http://sameeeksha.org/pdf/clusterprofile/JalandharHandToolsClusterBrief.pdf

A substantial quantity of the hand tools production is exported to countries like USA, UK, Germany, Italy, Australia and Russia. The estimated turnover of the cluster is approximately Rs 1,000 crore (Rs 10 billion) per annum. The cluster employs about 60,000 direct employees." [9]

There are around 1200 units manufacturing hand tools in the cluster. Out of this about 1100 are small scale units and 100 units are in the medium scale. As per industry estimates, the cluster produces about 50,000 ton of hand tools per annum. Most of the units manufacture an array of hand tools like spanners, screw driver, pliers, bench vices, tyre levers, hammers and so on.

2.5 Factor Conditions in Jalandhar

2.5.1 Infrastructure

As per a study by Bedi et al (2021), lack of basic facilities accounted for 14% of the issues of SMEs in Jalandhar. This included problems of infrastructure like sheds, transport, water, power and other civic amenities.

2.5.2 Power Quality and Tariffs

As per a study by Bedi et al (2021), power constraints accounted for 21% of the issues of SMEs in Jalandhar. Many labour hours are wasted and unutilised during power cut. Moreover, as power supply is not properly regulated, the fluctuation in voltage affecting production. Many SMEs cannot go for installing alternatives like generators. Punjab has had one of the highest power tariffs in the country for industrial uses.

2.5.3 Capital

Own financing has been major source of equity but how that has tapered off as agricultural surpluses have dwindled and immigration expenses have sucked out surpluses. Loans/credit availability has been inadequate. Kotty (2008) remarked that "the problem of sickness in small scale indusrties is due to under utilisation of capacity [due to] shortage of working capital… Non availability of timely credit is the major cause of small firm's sickness. Grants /Subsidy – have dwindled over the years.

As per a study by Bedi et al (2021), financial constraints accounted for 12.8% of the issues of SMEs in Jalandhar. They said that documentation is too much while dealing with banks and after that the amount granted by bank relative to the amount requested is less. Non availability of loan from bank leads SSIs to take loan from other sources and private moneylenders demand high rate of interest.

Case Study -1: Oaykay Tools

We met Mr Sharad Aggarwal, Promoter, Oaykay tools is among the top 5 hand tools manufacturers in Jalandhar. He shared the history of handtools in Punjab.

- Drop forging tech introduced in Delhi region by German support in 1970s. Post WW2 to 1960s - Germany, Japan major hubs. 70's – Taiwan, China, India

- Central hand tools institute established in Jalandhar by GoI in 1980s to train workers and provide assistance to manufacturers.
- Drop forging tech arrives in Jalandhar in early 1990s.Throughout 1980s and 90s,Taiwan invests in China handtools manufacturing – knowledge/ tech transfer
- 2000s Hand tools majors in Delhi NCR close shop and business moved to Jalandhar and Ludhiana – cheap labour and govt policies helped
- Late 2000s serious challenges for hand tools manufacturers in Punjab due to stiff competition from China
- 2010s – low growth/ survival period for handtools in India – no innovation, no value addition. Meanwhile China uses special purpose machines or SPMs based autonomation to produce better quality at lower costs.
- Last 15 years – 50% of Jalandhar cluster has shut business

2. Challenges faced by him are:
   - Low capital infusion, small scale and no new knowledge/ technology
   - Labour intensive – natural size ceiling, low entry barrier
   - Raw material availability, price and quality in India
   - Transportation to ports from Punjab – very high – impacts margins
   - Credit repayment terms not favourable
3. Way forward
   - Identify cluster with at least 500 players
   - Perform gap analysis to identify products, markets
   - Identify first movers – incentivise production
   - Invest on SPMs to achieve competitive scale
4. Engagement – He was willing to engage at a cluster level intervention but cites failed previous attempts by GoI and UNIDO and 'small town mentality' as a great challenge.

Case Study 2 - Surindra Tools & Forgings

We met Mr Pritpal Singh Setia, Promoter, Surindra Tools and Forgings. It is a tools manufacturing small business (<20cr turnover), which largely manufactures hand tools for domestic brands like Taparia. They use old and pre-owned machinery, low number of manual workers and work double shifts. Surindra tools is managed by Mr Setia and there is no other manager between him and manual workers, other than his spouse who helps manage accounts. Mr Setia has very little long term/ strategic or ecosystem level orientation. He is open to any program or new approach designed to help businesses like his. Challenges faced by him were:

- Increase in price of raw material is impacting their already squeezed bottom line, given the nature of industry that is volume based.
- Delayed payments are one of the biggest challenges that impact their working capital and forces them to utilise their limit completely.

- Access to credit for long term investments is difficult to obtain in the given market circumstances
- Bureaucratic harassment for various departments/ rent seeking
- Absence of mentors/ guidance in the environment. Often expect government to ease above challenges

3 Ecosystem of Support Institutions

3.1 Policy Making and Regulatory Institutions

At the national level, the Ministry of Micro, Small and Medium Enterprises (MSME), performs the function of policy advocacy on behalf of the MSEs with other Ministries/Departments of the Central Government and the States and Union Territories. The Ministry also designs policies, programmes, projects and schemes in consultation with its organisations and various stakeholders and monitors their implementation with a view to assisting the promotion and growth of micro and small enterprises (MSEs). Implementation of the policies and programmes is undertaken through the Office of the Development Commissioner (MSME), the Small Industries Development Organisation (SIDO) and the National Small Industries Corporation (NSIC) Ltd., a public sector undertaking of the Ministry.

At the state level, in Punjab the State Government's Department of Industries and Commerce is the policy making and regulatory body, also doubling up as a promotional vehicle. The previous government issued the Industrial and Business Development Policy 2017 which stated that "In order to streamline all the activities pertaining to Industrial Infrastructure development, maintenance and management, Punjab Small Industries and Export Corporation (PSIEC) needs to be strengthened and the State would set up Punjab Industrial and Business Development Authority (PIBDA), a statutory body to spearhead industrial development including industrial infrastructure in the State. All Industrial estates, industrial parks, industrial focal points, industrial growth centres etc. (to be referred as Industrial Parks hereafter) developed by the Directorate of Industries (Punjab), Punjab Small Industries & Export Corporation (PSIEC), Punjab Infotech (PICTC) and Punjab Agro Industries Corporation and other such agencies shall be transferred to the Authority for development, management and maintenance. "

The government asserted that "The Policy marks a decisive shift from department centric approach to a business centric approach. The State will realign and restructure various Government institutions in line with the framework of the policy. Building on the success of Invest Punjab, a unified regulator providing services of 21 departments and agencies under one office, the policy envisages to cover all the services throughout the business lifecycle to the existing as well as new investors through one stop digital platform namely Invest Punjab – BusinessFirst….The State would set up District Bureau of Enterprise to provide a wide range of services to the industry. The State would reengineer the processes of seven core departments connected with Industrial development to make them extremely simple and easy to follow."[10]

10 https://pbindustries.gov.in/static/assets/docs/Industrial_Policy_2017.pdf

The SME entrepreneurs we met, however, did not show much enthusiasm for the policy or programmes of the government as announced above.

3.2 Promotional Institutions

There are various types of promotional agencies that SMEs need – technical, marketing and so on. We found a number of such institutions in existence in the Jalandhar Hand Tools cluster.

3.2.1 Promotional Institutions - Technical

Case Study -3: Central Institute of Hand Tools (CIHT) in Jalandhar established 1983

The Central Institute of Hand Tools (CIHT) was set up by Government of India with assistance of UNDP and Government of Punjab in Jalandhar in 1983, with a view to provide trained manpower and technology support services to engineering industry in general & the hand tools industries in particular. The institute offers wide variety of services to the industry in the area of design and manufacture of various tools and improvement of the manufacturing processes.

The institute is equipped with CNC machines, heat treatment shop and forging shop[11]. CIHT is ISO-9001:2008, ISO-14001:2004 certified and having NABL accredited Lab. CIHT is imparting Engineering Education in the field of Product Design & Development, CAD/CAM, CNC Programming & Machining, Mechatronics/ Automation with PLC, Welding, Electrician and Quality Control etc. It is providing services to the Engineering industries in various areas

11 http://sameeeksha.org/pdf/clusterprofile/JalandharHandToolsClusterBrief.pdf
12 http://www.ciht.in/profile.html
13 https://dst.gov.in/sophisticated-analytical-technical-help-institutes-sathi
14 http://sameeeksha.org/pdf/clusterprofile/JalandharHandToolsClusterBrief.pdf
15 https://beeindia.gov.in/sites/default/files/Jalandhar.pdf

such as Tool Room, Heat Treatment, Testing & Quality Control. CIHT is running two long term courses namely a four year diploma in Mechanical Engineering - Tool & Die and three year diploma in Computer Science & Engineering and Various NSQF compliant courses. It also organizes various short term tailor made skill enhancement courses, entrepreneurship programmes, etc. The management of the institute rests with the Governing Council appointed by the Govt. of India. The Principal Director is the Chief Executive Officer of the Institute. Other members include the Govt. officials and the industrialists from the industry."[12]

Though it was fine and foresighted for the GoI to establish the Central Institute of Hand Tools (CIHT) as a promotional technical support institution way back in 1983, what the cluster now needs is an industry association run technology upgradation institution. The prototype for this is the Department of Science and Technology (DST) facility, **S**ophisticated **A**nalytical & **T**echnical **H**elp **I**nstitute (**SATHI**)[13], which is accessible to start-ups, SMEs, R&D Labs, etc. These facilities are equipped with major analytical instruments and advanced manufacturing facility. The aim is to provide professionally managed services with efficiency, accessibility and transparency under one roof to service the demands of industry, start-ups and academia.

3.2.2 Promotional Institutions - Technical

Case Study 4 - Bureau of Energy Efficiency project in Hand Tools cluster in Jalandhar

An example of how to improve technology can be seen from the work done on energy efficiency in the hand tools cluster in Jalandhar. "Energy accounts for nearly 20% of the total cost of production. Electricity and oil (mainly furnace oil and light diesel oil or LDO) are the main forms of energy used in the cluster.

Electric energy is used to operate electric motors, pumps, air compressors, blowers, hammers, broaching machine, shot blasting machine and in the tempering furnace. Oil is used in the forging furnaces and hardening furnaces. The annual energy consumption of the cluster is 19,829 toe per year."[14]

The Bureau of Energy Efficiency has established a project for promoting energy efficiency and renewable energy in the hand tools cluster in Jalandhar and It has developed a set of common monitorable parameters for energy efficiency.[15] It led to the following outcomes:

- Energy-savings in selected units: up to 25%;
- Some medium-sized units have installed new CNC technology for dye-making as demonstrated by the hand tool institute;
- Productivity / Quality Control: Most units have introduced improved house-keeping measures; o Market awareness created during trade fair visits, but little response with regard to sales deals (MoUs);
- Unacceptable lack of occupational health and safety measures in both CIHT and hand tool units were identified for action.
- Increase in competitiveness is reported.[16]

16 https://www.unido.org/sites/default/files/2007-11/66682_200705_CSF_India_final_report_no_cover_0.pdf

3.2.3 Promotional Institutions – Raw Material Sourcing

Various types of steels used for manufacturing of tools including Carbon Steel Chromium-vanadium steel (Cr-V): and Chrome molybdenum steel (Cr-Mo) steel are needed by the hand tool units. SMEs expressed the need for setting up a raw material bank where a government agency may purchase the raw material directly from the large manufacturers and store the material in storage yards/ raw material depots. Such an entity does not exist yet and there is no reason why it should be set up by the government – this can be an industry initiative.

3.2.4 Promotional Institutions - Marketing

Case Study -5: Engineering Exports Promotion Council (EEPC), Jalandhar Office

EEPC is a national organisation under Ministry of Commerce and Industry, GoI, setup in 1955 with a stated objective of promoting exports of engineering products from India. Met Mr Pranab Kumar Singh, Asst. Director. The role of the Jalandhar Office is guiding manufacturing businesses through export process – information, documentation, etc. They also organise awareness events for exporters or prospective exporters about potential markets, manufacturing practices and evolving foreign clients' requirements. They encourage participation of members in international trade shows/ expos, etc. by financing travel and participation costs.

3.3 Capital Providing Institutions

SMEs need access to three types of capital – equity or risk capital, debt or loans, and grants or subsidies. The situation with respect to each is given below.

Equity: Own funds remain sole source of equity for SMEs. Very little access to the equity markets.

Debt/Loans: After the decline of National Small Industries Corporation (NSIC) and the demise of Punjab State Finance Corporation, the role of Informal Capital has gone up. SMEs face difficulty in financing by Banks, despite CGTSME guarantees and though there over 30 banks with branches in Jalandhar which lend to SMEs and are listed on the portal of https://jalandhar.nic.in/public-utility-category/banks/ . In addition there are a number of national level non-bank finance companies (NBFCs) and many local small NBFCs in Jalandhar.

Case Study -6: Capital Small Finance Bank (CSFB), HQ Jalandhar

Jalandhar is also the headquarters of the Capital Small Finance Bank (CSFB), which has loans outstanding to SMEs of over Rs 900 crore. https://www.capitalbank.co.in/. It says

"SME constitutes an important sector of the economy and trader is a key component of supply/distribution system. CSFB extends credit to the traders, manufacturers and service enterprises on attractive terms to meet their requirements for financing of stocks / book debts and creation of assets required for smooth running / expansion of their business. Its specified margin (equity) requirement is 25% and it lends against a charge on stock. Debtors with adequate Collateral Security are eligible. It seeks third party guarantee of substantial means.

17 http://sameeeksha.org/pdf/clusterprofile/JalandharHandToolsClusterBrief.pdf

Grants/Subsidies: There are various schemes for subsidies. This included the GoI's Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation of Small Scale Industries (SSI), from 2006. This requires the SME getting a bank loan. At the local level, SMEs told us that Punjab Invest is more focused on attracting large industries and most of the subsidies are going there.

3.4 Representational Institutions

There are a number of industry associations in the cluster, listed below: [17]

- Hand Tools Manufacturers Association
- Jalandhar Hand Tools Manufacturers Association & Steel Fabricators Association
- Jalandhar Forgings & Engineering Association
- Federation of Jalandhar Engineering Association

These associations are mainly engaged in representing common grievances such as shortage of power, raw materials, and infrastructure deficiencies, and lobbying for more subsidies and seeking favourable treatment from banks. They also undertake common promotional activities such as participation in trade fairs, organising training programmes and so on.

Case Study -5: Jalandhar Generation Next (JGX) - Association of Young Entrepreneurs

A recently established association of entrepreneurs and second or third generation industrialists with average age under 30 years, mostly from Jalandhar. JGX has close to 20 members from diverse businesses – food, manufacturing, services incl. hospitals. We met Mr Abhinav Rastogi, Chairperson. He explained the objectives (i) supporting learning of members and peers through purposeful engagements and (ii) leadership development of members to enable better management of respective businesses. The modus operandi of the association was monthly events with focus on either Business, Personal or Social aspects. It also offers one on one discussions on specific professional/ personal needs. The association is new and is building an understanding of what they wish to achieve collectively. They offer good testing ground for initiatives as members open to new ideas and experimentation.

4 Conclusion

The hand tools cluster of Jalandhar needs to move out of its current low margin- low sustainability equilibrium. To make it a dynamic cluster capable of catering to sophisticated domestic demand (which is currently being met by imports) as well as to export, a holistic eco-system approach has to be taken. Such an approach must upgrade market intelligence, product design, process and manufacturing technology, enterprise management, finance, packaging and marketing. A lot of these will have to be availed of as shared services as individual SMEs will not be able to afford this range of services internally. Further, these services should be offered by fee-based private service providers and not salary-based government employees. It is critical that industry associations play this role and equally critical that government agencies step aside. The question of finance is not easy, but capital finds its way to dynamic sectors and clusters.

Has the J&K Administration Completely Misunderstood the Forest Rights Act?[1]

Raja Muzaffar Bhatt

While forest dwellers in states like Odisha reap the full benefits of the Act that ensures the security of their way of life, those in the union territory are steadily being denied their rights.

Kashmiri shephers near a kotha (hut). Photo: Raja Muzaffar Bhat

In all his 90 years, Mohammad Nengroo, also known as Mum Nengroo, had never imagined that he would one day be denied the right to bury members of his family in his own village.

But that was exactly what happened to him this year when the land around his hamlet of Nengroo Basti was fenced by the Jammu and Kashmir Forest Department, forcing him to bury his brother Ghulam Ahmad Nengroo and another relative, Mala Begum, on the premises of the village mosque instead.

1 https://thewire.in/rights/jammu-kashmir-forest-rights-act-implementation | The Wire, 17th Dec 2021

Ama and Mali's Graves. Photo: Raja Muzaffar Bhat

The Nengroo family are forest-dwellers. In Jammu and Kashmir, many communities such as Gujjars, Bakerwals and others are traditional forest-dwelling tribes. Their way of life had remained reasonably undisturbed for centuries. But since October 31, 2019, when the Union government extended to J&K the Forest Rights Act (FRA) of 2006, a progressive piece of legislation that ensures the land tenure, food security and livelihoods of traditional forest dwellers, the majority of communities like that of the Nengroos have actually been treated more harshly than they ever had been before.

"The forest officials have fenced off our entire habitation," said Mum Nengroo, distraught by this attack on his community's way of life. "We are not even allowed to bury our loved ones here. The 15 families who live in Nengroo Basti did not encroach on this land but had been shifted here by the state government 14 years ago after landslides destroyed our own village. Why have they not provided us with land for a graveyard? People like me have grown up in these forests and today we are called encroachers and jailed. This is unacceptable."

Anticipation and apprehension

Mum Nengroo and his ailing wife worry that when they pass away, they will not be given the kind of burial the forest-dwelling communities of J&K consider proper.

But in January 2021, when a public outcry to implement the FRA in J&K ensured that the legislation was finally put into effect, the residents of Nengroo Basti, located in the Charar Sharief tehsil of central Kashmir's Budgam district, had rejoiced, just like many other communities of forest-dwelling people.

“We were told on radio and TV programmes by government officers that the FRA would entitle us to several rights, including the right to have a graveyard in our village and the right to acquire land for a school and health centre. But this seems to be a distant dream for the people living in this remote place,” said Akram Nengroo, a resident of Nengroo Basti.

Mum Nengroo in tears. Photo: Raja Muzaffar Bhat

Not only has the rollout of the FRA not provided the nomadic communities with the Act’s promised benefits, but its extension to J&K has actually made life more difficult for them because the staff of the union territory’s Forest Department appear to feel that the legislation challenges their authority.

For the last couple of years, the forest department has rigorously fenced many forest areas in the union territory. People living in villages near forest areas allege that state-owned land and even grazing land (khahcharai) is being fenced by the forest department. Last year in Kanidajan village, six km from Nengroo Basti, forest officials axed 8,000 apple trees which they claimed had been grown on forest land. This was reported on several national and international media platforms, including the BBC.

“The forest department was not so harsh with forest dwellers before the rollout of the FRA,” said Rouf Malik, director of the Srinagar-based NGO Koshish, which works for the education of tribal children. In the last year, the NGO has also focused on building awareness about the FRA.

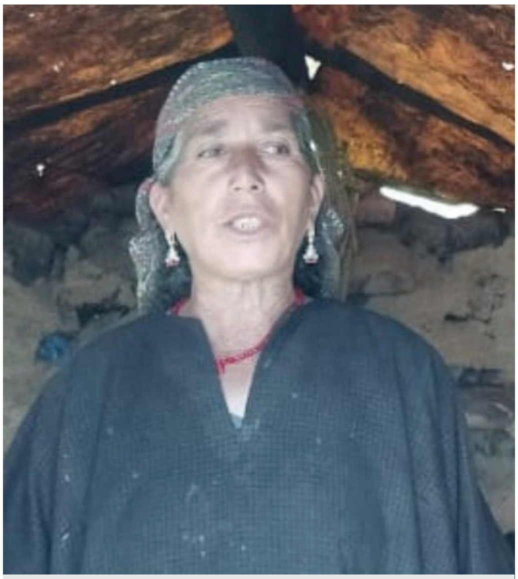
“They [the forest officials] are under the misconception that the FRA will let people take control of forest land. Thus the forest officers are directing their staff on the ground to ensure that there is no encroachment of land,” Malik explained.

He added, whatever the intentions of the officials, they are having a negative impact on the ground. "In some villages, members of tribes and other traditional forest dwellers are not even allowed to grow vegetables. Many are not allowed to collect timber from the forests to repair their damaged kothas (huts)," Malik said.

He said while the FRA can be used for forest conservation, the forest officials don't seem to know that. "Section 5 of the FRA 2006 empowers the gram sabha (village council) to protect the wildlife, forest, and biodiversity of the village and ensure that adjoining catchment areas, water sources, and other ecologically sensitive areas are adequately protected. But there is no awareness about this and we are trying our bit in this direction," he added.

Denied their homes

Kothas, the local name for the huts used by nomadic Gujjars and shepherds during the summer months, are made of logs, stones and mud. They are easily damaged by the snowfall of winter, meaning that every summer, they need to be repaired with fallen timber from the forest areas. But in dozens of cases that seem to make a mockery of the FRA, the migratory tribes are not allowed even to repair their kothas.


Azee Begum. Photo: Raja Muzaffar Bhat

This summer I met Azee Begum, a 65-year-old shepherd woman, in the Diskhal pastureland located at an altitude of about 3,600 meters in the Pir Panjal forest division of Budgam.

Azee, her son, daughter-in-law and grandchildren were living in a tarpaulin tent supported by raw wooden panels. Their kotha had been among the half a dozen structures that had been torched some years ago by timber smugglers who had believed that the shepherds of Diskhal had informed upon them to forest officials.

"We had hoped that we would be able to repair or reconstruct our damaged huts because the government had extended the FRA to Jammu and Kashmir. But things have become more complicated for us," said Rasheed Chopan, Arzee's son.

"The forest officials aren't allowing us to repair our kothas. We don't blame them because they have no orders from the top to permit these repairs. But for five months every year, we live in these tarpaulin tents in harsh weather conditions. Fast winds blow these sheets away almost every week, leaving us to fight the cold like animals. Meanwhile, the government continues to publicise the FRA. We Chopans (Kashmiri shepherds) are denied even Scheduled Tribe (ST) classification by the government," he said.

Although the J&K legislative assembly had passed a resolution recommending ST status for Chopans nearly 20 years ago, that file has been gathering dust in the offices of the Union Ministry of Tribal Affairs ever since.

Meanwhile, in Nengroo Basti, residents worry about the graveyard that the FRA ought to have given them but which the Forest Department has taken away.

The families who reside in Nengroo Basti actually hail from Sani Darwan village, two km away. After massive landslides hit Sani Darwan in 2007, completely destroying the homes and land of 15 families, the government settled these families on a patch of land between Sani Darwan and Chalyan villages. This place later came to be known as Nengroo Basti because most of the families have Nengroo as their surnames. The land in Nengroo Basti falls under the territorial jurisdiction of Darwan village, which itself is divided into two habitations, Sani Darwan and Wagen Darwan.

Each family in Nengroo Basti was allotted about seven marlas of land (roughly 1,905 square feet) by the government and the same amount of land was allotted for a mosque and a school. However, no land was allocated for a graveyard. When this was pointed out to them, government officials apparently told the families to use a patch of forest land as a graveyard, but there was no official order permitting the families to do so.

While the families did select and use a patch of forest land as a graveyard, burying several children there who had died in the village five to six years ago, the Forest Department came down on them harshly when the FRA was rolled out in J&K and has disallowed the use of that piece of land since then. Some people allege that the Forest Department, especially the J&K Social Forestry Department, has even fenced off the village common land.

Azee's Tarpaulin shelter. Photo: Raja Muzaffar Bhat

Rights under the FRA

Under the FRA – officially the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 – the STs and other traditional forest dwellers (OTFDs) have three important sets of rights: Individual Forest Rights, Community Forest Rights and Community Forest Resource Rights.

The FRA recognises the rights of the forest-dwelling tribal communities and OTFDs to forest resources on which these communities are dependent for a variety of needs, including livelihood, habitation, and other socio-cultural needs. This includes the right to land for graveyards, religious places, schools, community centres, panchayat (village self-governing bodies) buildings, health centres and so on.

Individual rights provided by the Act include the rights of self-cultivation, habitation, grazing, fishing, and access to water bodies in the forests. Community rights include the right to intellectual property, traditional knowledge and so on.

Thus the FRA empowers the forest dwellers to access and use forest resources in the manner that they have traditionally been accustomed to and also to protect, conserve and manage forests and protect themselves from unlawful evictions. The Act also provides for basic development facilities for communities of forest dwellers, such as education, health, nutrition, infrastructure facilities and so on.

Wrong agency in charge?

How does Odisha manage to use the FRA so effectively while the union territory of Jammu and Kashmir does what seems to be the very opposite?

The answer may lie in the agency that oversees the implementation of the legislation in J&K.

At the national level, the Ministry of Tribal Affairs oversees the implementation of the Act. Various states have made their Tribal Affairs Departments the nodal agencies for the implementation of the FRA. But in J&K, the administration helmed by the Union government has made the forest department the nodal agency to implement this law.

"How can a divisional forest officer or range officer tell forest dwellers that they have certain rights to forests and forest produce?" asked Giri Rao. "The law is clear. The Tribal Affairs Department has to be made the nodal agency for FRA implementation. The J&K administration has committed a huge blunder by assigning this task to the Forest Department. This needs to be rectified."

Since the FRA was extended to the UT, the J&K Forest Department's actions have been so contrary to the intentions of the legislation that it is almost a joke. While the FRA recognises the rights of the forest-dwelling tribal communities and other traditional forest dwellers to forest resources, J&K's Forest Department deprives them of these rights.

When J&K's Lt Governor Manoj Sinha gave a speech for a programme titled 'Agenda' organised by the India Today media group, he said that the FRA had given the people of J&K new hope. But the situation on the ground at this time tells a story of no hope.

Three Case Studies on FRA Implementation in J&K

Raja Muzaffar Bhatt and Dr Rouf of Koshish NGO

Case Study 1- Chopans

The pastoralist communities of Kashmir like the Chopans, Gujjars and Bakerwals, whose houses got damaged by winter snowfall and other reasons in the recent past, are awaiting clearance from the forest department to rebuild them.

Our team headed by Dr Raja Muzaffar met several affected families from July to September this year in the pasturelands of Pir Panjal forests which included Gujjars and Chopans. Many families whose Kothas have been damaged were living miserably in highland pastures like Corag , Diskhal , Ayad, Liddermud and Palmaidan.

In the absence of their kothas (houses made of log and mud), the affected nomadic groups sleep in tarpaulin tents in extreme weather conditions. They get damaged due to fast winds in the area. After the implementation of the Forest Rights Act, 2006 last year in Jammu & Kashmir, we were certain that government would issue a circular to the forest department to allow pastoralists to repair their damaged huts. But that is yet to happen.

The team visited Dikshal and Corag meadow in July this year after a three-hour hike from Doodhpathri. On our way to the basecamp at Corag, we met some shepherd women and their little children collecting wild, leafy vegetables at the meadow. We spoke to one of the elderly woman namely Azee Begum aged around 70 years. She asked our team to take a look at her tarpaulin shelter. The old lady seemed depressed and distressed.

We saw a white tarpaulin sheet spread over some rocks from a distance. Azee and her family of four persons use this as their shelter at this high altitude meadow. Dikshal and Corag meadows are located at an altitude of 3,500 metres and witnesses very fast winds almost every day from June and August especially during moonsoons. We couldn't believe Azee and her family dwell under just a tarpaulin sheet in the harsh weather conditions

In mid of June 2021, the fast winds destroyed hundreds of trees in the nearby forests of Doodhpathri and Doodh Ganga valley. Diskhal is a green pasture with no forest cover at all and the winds are faster and stronger in the area. The tarpaulin shelters of Chopans get damaged almost every day. The situation is horrible and every night is like a nightmare for these poor shepherds. The shepherd women have to trek two kilometres (km) downhill every time they have to gather firewood.

Until 10 years back, Azee and many other Chopan families owned kothas in the meadow. Around a dozen of these log huts were burnt down around autumn 2015 when the families were away. It is still unclear who was behind the arson.

The nomadic families had antagonised the local timber smugglers by alerting forest officials of the latter's illegal activities. They may have destroyed the kothas, sources told me. The Chopans never indulge in timber smuggling and work hard to earn their livelihoods. They have been targeted several times for conserving the forests. And yet, the forest department hasn't even recognised their contribution or allowed them to reconstruct their kothas in the last five years.

Malpractices and delays

Gul Jan, a resident of Gohi Dragan village in Kaich Khansahib and member of the Gujjar community, comes to Mechi Khanain Jabb every summer with a flock of cattle. Mechi Khanain Jabb is also a highland pasture located around Diskhal. Gul Jaan's husband, who would accompany her to the meadow, succumbed to an illness in 2017. But she didn't give up her livelihood. She continues to come to the pastureland with their cattle for three months, assisted by her four children. After August, the cattle are taken back to their village for another three months.

The condition of her kotha made of wooden logs, stones and mud is terrible. She has been requesting the forest department to allow her to collect some old wooden logs from the nearby forest area of Mechi Khanain Jabb for the repair. But the forest department hasn't allowed it.

Some months back, Gul Jan was told that under the Forest Rights Act (FRA) she would be able to get some old wooden logs from the forest to repair her hut. But her reality is quite different. I met some forest officials in the area who told me they have no direction from their officers to allow repair of the kothas.

Section 3 (1) (d) of FRA says that community rights of uses or entitlements such as grazing rights (both settled or transhumant) and traditional seasonal resource access of nomadic or pastoralist communities are recognised for individuals and communities. Why isn't the government notifying a concrete policy about the same, if these communities are entitled to get certain rights like repairing or construction of log kothas?

Chopans, Gujjars and Bakerwals are the backbone of our economy as they take care of our almost 4,000,000 sheep and goats and thousands of other varieties of cattle. Isn't it the duty of the government as a welfare state to ensure these nomads lead dignified lives, with better shelter facilities in the highland pastures?

Case Study 2: Zooni Begum, 103 year old, was issued eviction notice

It was a shock for Zooni Begum who is around 103 years of age when her family received eviction notice by J&K Forest Department last year in November. Zooni lives in Zilsidara hamlet of Branwar in District Budgam. She was born in the same village and was married in the village itself. Our team met her and she told us that she along with her father, grandfather and grandmother have been living in the Zilsidara village for last more than 200 years.

Her family is one of dozens in the village that received eviction notices in November last year under Sub section 1 Section 79-A of Indian Forest Act 1927. The eviction notice issued to Zooni's family reads as:

"Name xxxx s/o xxx R/o xxx Subject: Show cause notice under sub section 1 of section 70 A of Indian Forest Act 1927 (Penalty for unauthorizedly taking possession of land constituted as a reserved or protected forest. Whereas the undersigned is of the opinion on the grounds specified below that you are in unauthorized occupation of Reserved Forest land and you should be evicted from the said area (premises) "

The eviction notice was signed by DFO. The notice further reads:

> *"Range Officer of ...... forest range has reported that you are in illegal possession of about ...... kanals of forest land in a compartment .... Of ...... block (reserved forest) . After demarcation of the said land it is clear that you are in an unauthorized occupation of about .... Kanals of forest land in violation of the provisions of the Indian Forest Act 1927 section 79-A. Now therefore in pursuance of sub section (1) of section 79-A of Indian Forest Act 1927, I hereby call upon you in show cause notice on or before 10 days that why should not an order of eviction be made "*

Zooni was shocked and she couldn't believe that she would be asked to leave her ancestral village and called an encroacher. The villagers held protest along with neighbouring villagers. Local activists and media highlighted the issue and Govt finally decided to roll out the Forest Rights Act 2006 in J&K. The eviction was stopped.

Our team has now assisted Zooni to file claim forms under Forest Rights Act. We are in touch with her son Mohammad Sabir. Our team visited Zooni this summer along with Professor Deepankar. She feels relaxed now as eviction process was stopped by Govt.

Case Study 3: Forest Dwellers deprived of Subsidized Timber

Forest Department was responsible for sale and distribution of timber in rural areas of Jammu & Kashmir till 2016. In municipal limits, the erstwhile State Forest Corporation (SFC) used to do this job. In 2016, the PDP-BJP Govt in J&K decided to hand over both, the sale and the extraction of timber, to the SFC which is now known as Forest Development Corporation (FDC) after the abrogation of Article 370.

The SFC (now FDC) is a Government owned Public Sector Undertaking (PSU) that was established under the J&K State Forest Corporation Act, 1978. Many officials of the forest department (territorial wing) and even people in rural areas, especially those living near forests, are not happy with the decision taken to give timber distribution work to the Forest Corporation. This decision had been taken arbitrarily without any consultation with various stakeholders.

Forest officials from the territorial wing claim that they have adequate staff and manpower across J&K as compared to Forest Development Corporation (FDC). Some senior forest officers had claimed that sale of timber through Forest Corporation would lead to crises. That may be true to some extent but there is also a tussle involved in this process as the territorial wing of the forest department had more control over forest resources in the past than forest corporation and giving more powers to SFC is viewed by many lower rung forest officers as challenging their competence. Infact, the top management in Forest Development Corporation (FDC) belongs to Indian Forest Service (IFoS) or J&K Forest Service but at a lower level, there are indeed differences between the two organizations.

Subsidized timber to forest dwellers

The forest dwelling scheduled tribes or other forest dwellers, even before enactment of Forest Rights Act (FRA) at national level or after its extension to J&K post article 370, had been given certain rights by the J & K Government. They would get subsidized timber from the forest department under the Kashmir Forest Notice or Jammu Forest Notice programmes. However, for almost a decade, this programme has not worked properly in J&K. People living near forest areas are often denied subsidized timber by forest departments and have to buy the same from the market as Forest Development Corporation (FDC) also occasionally undertakes its sale in rural areas.

Our team during our field visits observed that in several forest villages local population was denied subsidized timber. We met several people in Bonen, Nagbal , Draggar , Basant Wodder and other surrounding villages where we have been involved in undertaking action research on Forest Rights Act. The villagers complained that they were being denied timber by forest department and had to buy the same from open market which was unaffordable for them.

It is the right of villagers living near forests to get the timber at subsidized rates. The non-availability of timber for these people, who mostly belong to economically weaker sections of society, is a matter of serious concern and FDC being a public sector undertaking must take these things into consideration especially at a time when Govt has rolled out Forest Rights Act 2006 in J&K.

Visit to Pal Maidan

People from Basant Wodder, Thaz Wodder and Draggar forest villages migrate to Pal Maidan in summer months and this has been their tradition for centuries. The local population consists of both scheduled tribe (ST) Gujjars and Other Traditional Forest Dwellers (OTFDs) who are all Kashmiri speaking forest dwellers which includes pastoralist Chopans. During last winter, several log huts (Kothas) belonging to these forest dwellers in Pal Maidan had been damaged in heavy snowfall but the villagers told me that forest officials didn't allow owners of these huts to undertake repairs.

Our team spoke to some forest officers in the area and they told me that they had no orders from their divisional office about giving permission for repairing the log huts. Pertinently, for the repair of these huts, people need wooden logs which is not made available to them. Infact hundreds of wooden logs rot in Pal Maidan but local forest dwellers are not allowed to collect the same.

Timber Logs Piled Up

In Pal Maidan, a huge quantity of timber is piled up by the Forest Development Corporation (FDC). This is the mandi where the Forest Development Corporation (FDC) stores timer for its further transportation to different areas of Kashmir valley. The local migratory population told me that timber had been lying there for the last several years. It was later on transported after the intervention of FDCs Divisional Manager in Budgam.

The timber extracted from forest areas is not sold in local districts but in many cases the same is transported as far as 100 kms away which involves huge transportation charges. It is suggested that timber extracted from districts be sold in the same area to save time, energy and financial resources.

It is ironic that timber from Yusmarg or Doodhpathri forests is sold in Ganderbal or Bandipora while both these districts have enough forest resources and the locals are deprived of it. We know many cases wherein people have applied for timber from Forest Development Corporation (FDC) long back but they are not able to cater to their demands. One can understand if people in towns or cities don't get timber from FDC but if the same is denied to people living near forest villages then the Govt needs to look into these lapses.

Gram sabha resolution

The villagers of Basant Wodder, Draggar, Thaz Wodder and Mujh Pathri face lots of difficulties on account of non availability of timber for the purpose of construction and minor repairs of residential houses. Those who afford (5 to 10 % of the population) get the same from the open market. Rest use inferior ply-boards which is so unfortunate and I relate this with an urdu proverb "chiragh talay andhera" (darkness under a lamp). There are fallen trees (timber logs) which get rotten inside our local forest area but Govt is not allowing its sale to people on subsidized rates. Because of poverty, some people get involved in illegal acts of axing forest trees.

Kashmir Notice

In the past, people would get subsidized timber under the Kashmir Notice programme of J&K Forest Department but that has stopped for a long time. Early this year, it was revived again but there are still challenges. In Doodh Ganga forest range, the local Range Officer is said to be providing this subsidized timber to poor and needy but that is a big challenge for honest and dedicated officers as there are a lot of political and other kinds of pressures on them. On one hand, the Govt claims to have rolled out the Forest Rights Act 2006 in J&K last year but on the ground, forest dwellers are deprived even of subsidized timber under the Kashmir Notice programme.

The Gram sabha of Draggar Panchayat in Khansahib block of Budgam passed a resolution in May this year urging Deputy Commissioner Budgam to intervene into this issue but that hasn't helped them till date. Under the Forest Rights Act (FRA), there are several rights of forest dwelling Scheduled Tribes and other traditional forest dwellers on all forest lands. They have Individual Forest Rights (IFR) & Community Forest Rights (CFR). In erstwhile times, the residents living near forest areas would get highly subsidized timber under Kashmir notice and Jammu notice. It was stopped for many years by the local elected Governments.

पंचायती वनों का प्रबंधन एवं आर्थिक तथा पर्यावरणीय चुनौतियां अध्ययन सार

जीत सिंह, फेलो, राजीव गाँधी इंस्टिट्यूट फॉर कंटेम्पोररी स्टडीज

प्रस्तुत एक्सन रिसर्च परियोजना के तहत चयनित पांच वन पंचायतों में तमाम प्रकार की गतिविधियां आयोजित की गई। जिसमें पौधरोपण से लेकर लोगों का वनों से संबंध तथा हाल के समय में हुए पर्यावरण एवं नीतिगत परिवर्तन का मानव-वन संबंध में हुए बदलावों पर अध्ययन किया गया। इस अध्ययन में मुख्य रूप से निम्नलिखित तथ्य देखने को मिले।

1- भूमि उपयोग- अध्ययन किये गये गांवों में कोटेश्वर गांव को छोड़कर बाकी सभी गांव में वन क्षेत्र की उपलब्धता काफी है। इन गांवों की 30 से लेकर 54 फीसदी भूमि वन भूमि है। कृषि भूमि का क्षेत्रफल पुणियाणी गांव को छोड़कर सभी गांवों में बहुत कम है। इन गांवों की कृषि भूमि कुल क्षेत्रफल का लगभग पांचवा हिस्सा है। इन गांवों के पास जो भी वन भूमि है वह मुख्यतः वन पंचायत की स्वामित्व वाली वन भूमि है। बणद्वारा में गांव के पास आरक्षित वन तथा पुणियाणी में गांव के पास सिविल वन का भी कुछ क्षेत्र है, जिससे गांव वाले लाभ लेते हैं। अध्ययन गांवों के भूमि उपयोग का विवरण निम्न प्रकार है।

वन पंचायत का नाम	कुल क्षेत्रफल **(है० में)**	कुल वन क्षेत्र **(है० में)**				कृषि भूमि कुल **(है० में)**	**बंजर भूमि (है० में)**	**अन्य भूमि**	**वन भूमि का प्रतिशत** (कुल क्षेत्रफल का)	कृषि भूमि **प्रतिशत** (कुल क्षेत्रफल का)
		वन पंचायत	रिज़र्व	सिविल	कुल					
बणद्वारा	205.3	65.2	41.7	0	106.9	38.1	6.0	54.3	52.1	18.6
कोटेश्वर	64.9	15.22	0	0	15.2	15.3	9.8	24.5	23.5	23.6
मण्डल	119.4	48.8	0	0	48.8	26.4	2.9	41.4	40.9	22.1
पुडयाणी	167.2	60	0	30	90	68.5	6.0	2.7	53.8	41.0
दियारकोट	64.7	20.6	0	0	20.6	10.7	1.7	31.7	31.8	16.6

2- पंचायती वनों की स्थिति- मण्डल, कोटेश्वर तथा बणद्वारा गांवों की वन भूमि मुख्यरूप से बांज के जंगलों से अच्छादित है। इसके अलावा इन जंगलों में
बुरांश, भीमल, खड़ीक, उतीस, काफल, हरीज, पांगर, कठवे, अखरोट, रागा आदि वृक्ष भी पाये जाते हैं। अधिक उंचाई वाले क्षेत्र में बांज की दूसरी प्रजातियां जैसे मौरू और खर्सू भी पाये जाते है। इसके अलावा चारा प्रजाति के पेड़-पौधे जैसे तिमला, भीमल, छाछरी, नैपियर, शहतूत, खड़वा घास, रिंगाल, ठेल्का, कचनार और बांस आदि प्रजातियां भी पायी जाती हैं। वहीं दूसरी ओर पुडियाणी और दियारकोट के जंगलों में मुख्यतः चीड़ के वृक्ष पाये जाते हैं। इसके आलवा इस क्षेत्र में भमोराद्व
पंया, मेलू, बांज, बुरांश, भीमल, खड़ीक, उतीस, काफल, हरीज, ऑवला आदि के वृक्ष भी पाये जाते हैं। चारा प्रजाति के पेड़-पौधे जैसे तिमला, भीमल, छाछरी, नैपियर, शहतूत, खड़वा घास, रिंगाल, ठेल्का, कचनार और बांस आदि प्रजातियां भी पायी जाती हैं। वनों के प्रकार में अंतर होने से दोनों क्षेत्रों के गांवों में पानी की उपलब्धता में भी अंतर है। बांज अच्छादित वन क्षेत्र के पास के गांवों में पानी की कमी नहीं रहती है, जबकि चीड़ के जंगलों के पास के गांवों में गर्मियों में अक्सर पानी की किल्लत होती है।

3- वन आधारित आजीविका- पांचों गांवों के लोग खेती और पशुपालन से अपनी आजीविका का निर्वहन करते आ रहे हैं। खेती की उपज वाणिज्यिक दृष्टि से बहुत फलदायी नहीं है। गाय तथा भैंस पालन हाल के कुछ

दशकों में आर्थिकी का एक मुख्य स्रोत बनकर उभरा है। पांचों गांवों में लोग दूध स्थानीय बाजार में बेचकर पैसा कमाते हैं। पहले इन सभी गांवांे में भेड़ पालन का भी कार्य किया जाता था लेकिन अब यह व्यवसाय काफी कम हो चुका है। पांचों गांव में कुल 89 भेड़/बकरी हैं जबकि इन गांवों में कुल 1096 गौवंशीय पशु हैं। औसतन प्रति परिवार तीन से अधिक गौवंशीय पशु हैं। खेती और पशुपालन के अलावा कई परिवार दस्तकारी से भी जीवन यापन करते हैं।

वन पंचायत का नाम	पशुओं का विवरण							
	गाय	बछड़ा बछिया	बैल जोडी	भैंस	भेड़ बकरी	घोडा खच्चर	अन्य	योग
बणद्वारा	56	65	71	39	10	-	0	241
कोटेश्वर	57	50	68	20	15	0	0	210
मण्डल	81	79	81	28	0	05	0	274
पुड़याणी	63	65	80	46	42	05	-	334
दियारकोट	61	52	21	36	22	-	-	192

4- चारागाह एवं चारे की उपलब्धता- अधिकतर गांव चारे और चारागाह के लिए वन पंचायत के जंगल पर ही निर्भर हैं। यद-कदा लोग पास के आरक्षित वन या सिविल वन से भी चारा प्राप्त करते हैं। इसके अलावा कुछ लोग चारा प्रजाति के कुछ पेड़ों को अपने खेतों के किनारे भी उगाते हैं। हालांकि स्थानीय वन विभाग से प्राप्त जानकारी के अनुसार इन पांचों गांवों में चारे की भारी किल्लत है। वन विभाग के अनुमान के हिसाब से इन पांचों गांवों के जंगलों से मात्र 236.67 मै0 टन चारा ही उपलब्ध हो पाता है, जबकि इन्हें सालाना 965.5 मै0टन चारे की आवश्यकता है।

वन पंचायत का नाम	चारे की वर्तमान में कुल वर्तमान में उपलब्ध	चारे की वर्तमान में कुल आवश्यकता मै0टन में	चारे की कमी मै0टन में
बणद्वारा	94.31	237.3	142.99
कोटेश्वर	28. 12	195.8	167. 68
मण्डल	76.15	260.2	186.05
पुड़ियाणी	94. 31	237. 3	142. 99
दियारकोट	66.21	272.2	168.05
कुल	**236.67**	**965.5**	**497.09**

5- ईंधन की उपलब्धता- वन विभाग के अनुमान के हिसाब से इन पांचों गांवों की वार्षिक ईंधन आवश्यकता 1266 मै0 टन है। इन गांवों के आधे से अधिक परिवारों के पास एल0पी0जी0 कनेक्सन है लेकिन यह उनके लिए एक मंहगा ईंधन का स्रोत है। इसी कारण जिन परिवारों के पास एल0पी0जी0 है, उनके घरों में भी लकड़ी का चूल्हा संचालित होता है।

गांव का नाम	कुल परिवारों की संख्या	कुल ईंधन की आवश्यकता (मै0टन	रसोई गैस प्रयोग करने वाले परिवारों की संख्या	लकड़ी चूल्हा संचालित करने वाले परिवारों की संख्या
बणद्वारा	67	241.2	49	65
कोटेश्वर	57	212.4	42	57
मण्डल	93	338.4	52	92
पुडयाणी	139	258.25	53	75
दियारकोट	78	216.00	45	72
कुल	**434**	**1266.25**	**241**	**361**

6- पंचायती वन नियमावली, **2005** की जानकारी- अध्ययन क्षेत्र के सभी लोगों को वन पंचायत की जानकारी है लेकिन उसको नियंत्रित करने वाली नियमावली जो 2005 में जारी की गई थी उसकी जानकारी नहीं है। यहां तक कि अधिकतर वन पंचायत सरपंचों और प्रबंध समिति के सदस्यों को भी नियमावली की उचित जानकारी नहीं है। आज भी कई सरपंच वर्ष 1976 से चली आ रही परंपराओं के आधार पर वन पंचायत की कल्पना करते हैं। इस कारण कुछ सरपंच तथा सदस्यों को परेशानियों का सामना भी करना पड़ा। अध्ययन क्षेत्र के एक सरपंच को जुर्माना भी भरना पड़ा क्योंकि उसने गांव हक्कधारियों को वर्ष 1976 की नियमावली के तहत् हक जारी किया था।

7- वन पंचायत का माइक्रोप्लान- वर्तमान वन पंचायत नियमावली में स्पष्ट है कि प्रत्येक वन पंचायत का एक पंचवर्षीय माइक्रो-प्लान बनेगा जिसके आधार पर उस गांव के वन संसाधन का संरक्षण, संवर्द्धन एवं उपयोग किया जा सकेगा। हालांकि अधिकतर वन पंचायतों में अभी तक कोई भी माईक्रा-प्लान नहीं बना है। हमारे अध्ययन क्षेत्र में मात्र एक गांव - पुडियाणी का ही माइक्रो-प्लान बना है।

8- वन पंचायत का वार्षिक -प्लान- पंचायती वन नियमावली, 2005 के तहत् प्रत्येक गांव का एक वार्षिक प्लान बनाया जाना है। यह प्लान पंचायत के माइक्रो-प्लान के आधार पर ही बनाया जाना चाहिए। चूंकि अधिकतम वन पंचायतों में माइक्रो-प्लान ही नहीं है तो वार्षिक-प्लान का तो कोई जिक्र ही नहीं है। पुडियाणी में माइक्रो-प्लान तो है लेकिन वार्षिक प्लान अभी तक नहीं बना हुआ है। दूसरी ओर ग्रामीणों, वन पंचायत सरपंच और सदस्यों को यह जानकारी भी नहीं है कि पंचायत का माइक्रो-प्लान तथा वार्षिक प्लान बनाया जाना चाहिए।

India's Place In The World

Krishna Chilukuri

"Book Review – India's Place in the World by Krishna Chilukuri, Leadstart Publishing Pvt Ltd, 2011" (Journal of Indian Psychology, Andhra University, Visakhapatnam, Vol. 29, No. 1&2, Jan and July 2015). ISSN: 0974-5431.

Krishna Chilukuri's India's Place in the World is a significant socio-political document for the Indian citizen and also a valuable piece of research in International Relations as far as scholars and academicians are concerned. Chilukuri's book reflects his rich international corporate experience as also a genuine and cosmopolitan patriotism. It revolves around the central argument that with the emergence of India, China and a number of other developing economies and with a considerable weakening of the post-Second World War structure dominated by the US and its allied organizations, the birth of a new world order is inevitable.

The author is anxious for India to fully realize and internalize this truth and to peacefully tilt the new world order in her favour. He suggests that she can do so either by using her state power i.e., economy, military and culture to dominate the world or by going in for the balance of power approach. He himself favours the second alternative whereby India would take the lead in establishing a world order based on peaceful equilibrium of power along with other powerful nations.

He advocates that for this to happen, India would have to involve fully and with great influence in all international forums and organizations and in the making of all international laws and trade agreements so that she can lead the world community in combating the common problems of terrorism, poverty and global warming. Quoting President Pranab Mukherjee, Krishna Chilukuri emphasizes that in order to become a true world leader, India would have to overcome four deficits: 1. The historic deficit of troubled relations with immediate neighbours, 2. Internal and External security deficit, 3. Economic deficit in the areas of agriculture, energy and technology and 4. Global decision making deficit.

After making his core theme explicit in the first chapter, in chapter 2 of the book, the author proceeds to give a detailed analysis of India's triumphs and failures with regard to the UNO and urges India to work very actively with the BRICS nations and display quick decision making and strong leadership qualities in order to buttress her claim for a permanent seat in the Security Council. Likewise chapter 3 and 4 offer an exhaustive and scholarly critique of India's place in the modern world economy and her relative victimization at the hands of pro-US bodies like the IMF, WTO and World Bank.

He also highlights India's small yet highly significant victories in these same bodies achieved by working in collaboration with BRICS and ASEAN countries. He is emphatic that India will have to change these bodies from within to suit her economic ambitions. The 5th and last chapter throws light on India's crucial role in the global environmental debate and Chilukuri reveals how India's real power and mission lies in challenging and dismantling a system that is biased in favour of rich nations while imposing unjust restrictions on developing economies with regard to CO_2 emissions. A sincere commitment to her own environmental laws can ensure that India leads the world in the campaign against global warming.

To sum up as Chilukuri makes it amply clear in his Afterword as also the Final Thoughts at the end of each chapter, India will have to work with focus in the four areas of security, finance, trade and environment in order to realize her true place in the world. It is the clarity of vision coupled with deep insight that sets this book apart from many others in the field. The well-structured arguments presented in a lucid format and in simple utilitarian prose make the book immensely readable despite the loads of technical data.

Chilukuri would have done well to cut down on some of the technical details and background information with regard to world organizations and focus more on innovative ideas for India to emerge as a world leader. The addition of anecdotes, illustrations and multidisciplinary references would have contributed to removing the thesis-like feel that the book sometimes gives.

On the whole, Krishna Chilukuri's book is not only a rich addition to the existing body of knowledge in the field, but also a stimulant to serious thought and action. Chilukuri's grasp of concrete reality, the gradual yet major steps he suggests and his mature vision for a peaceful and just world order embodies the real Indian spirit of Vasudhaiva Kutumbakam. Like Tagore, dreams of an India that benevolently leads the world instead of forcefully dominating it.

1 https://www.mea.gov.in/Speeches-Statements.htm?dtl/34466/National+Statement+by+Prime+Minister+Shri+Narendra+Modi+at+COP26+Summit+in+Glasgow

National Statement by Prime Minister at COP26 Summit in Glasgow, November 02, 20211

Friends, today I am representing amid you, the land which gave this mantra thousands of years ago-

सम्–गच्छ–ध्वम्,

सम्–व–दद्वम् ,

सम् वो मानसि जानताम्।

Today in the 21st century, this mantra has become more important and more relevant. **सम्–गच्छ–ध्वम्** - That is, let's move together **सम्–व–दद्वम्** - That is, let's all interact together and **सम् वो मानसि जानताम्।** - That is, everyone's minds should also be one.

Friends, when I first came to Paris for the Climate Summit, it was not my intention to add one promise to the many promises already being made in the world. I came with a concern for the humanity. I came as a representative of a culture that gave the message of 'Sarve Bhavantu Sukhinah', which means Happiness for All. And so, for me the event in Paris was not a summit, it was a sentiment and a commitment. And India was not making those promises to the world, but 125 crore Indians were making those promises to themselves.

And I am happy that a developing country like India, which is working to lift crores of people out of poverty, and which is working day and night on the Ease of Living for crores of people, today, despite being 17 % of the world's population, whose responsibility has been only 5 percent in emissions, it has left no stone unturned to show that it has fulfilled its obligation.

Today the whole world believes that India is the only big economy which has delivered in letter and spirit on the Paris Commitment. We are making every effort with determination; and we are working hard and showing results.

Friends, today, as I come among you, I have brought India's track record. My words are not just words; they are announcements of a bright future for our future generations. Today, India ranks 4th in the world in installed renewable energy capacity. India's non-fossil fuel energy has increased by more than 25% in the last 7 years and now it has reached 40% of our energy mix.

Friends, every year more passengers travel by Indian Railways than the population of the world. This huge railway system has set a target of making itself 'Net Zero' by 2030. This initiative alone will lead to a reduction of emissions by 60 million tonnes annually. Similarly, our massive LED bulb campaign is reducing emissions by 40 million tonnes annually. Today, India is working at a faster pace on many such initiatives with a strong will.

Along with this, India has also given institutional solutions to cooperate with the world at the international level. As a revolutionary step in solar power, we initiated the initiative of International Solar Alliance. We have created a coalition for disaster resilient infrastructure for climate adaptation. This is a sensitive and vital initiative to save millions of lives.

Friends, I would like to draw your attention to one more important topic. Today, the world admits that lifestyle has a big role in climate change. So, I propose before you a One-Word Movement.

This One-Word, in the context of climate, can become the basic foundation of One World. This word is- LIFE...L, I, F, E, which means Lifestyle For Environment. Today, there is a need for all of us to come together and take Lifestyle For Environment (LIFE) forward as a campaign.

This can become a mass movement of Environmental Conscious Life Style. What is needed today is Mindful and Deliberate Utilization, instead of Mindless and Destructive Consumption. These movements together can set goals that can revolutionize many sectors in diverse areas such as Fishing, Agriculture, Wellness, Dietary Choices, Packaging, Housing, Hospitality, Tourism, Clothing, Fashion, Water Management and Energy.

These are subjects where each of us has to make conscious choice every day. These choices exercised by billions of people daily around the world, will take the fight against climate change, billions of steps forward every day. And I consider it as a movement on all grounds like on economic grounds, on scientific grounds, on the basis of the experiences of the past century, it meets every criterion. This is the path of self-realization. This is the only way to benefit.

Friends, In the midst of this global brainstorming on climate change, on behalf of India, I would like to present five nectar elements, 'Panchamrit', to deal with this challenge.

First- India will take its non-fossil energy capacity to 500 GW by 2030.

Second- India will meet 50 percent of its energy requirements from renewable energy by 2030.

Third- India will reduce the total projected carbon emissions by one billion tonnes from now till 2030.

Fourth- By 2030, India will reduce the carbon intensity of its economy by more than 45 percent.

And fifth- by the year 2070, India will achieve the target of Net Zero.

These 'Panchamrits' will be an unprecedented contribution of India to climate action.

Friends, we all know this truth that the promises made till date regarding climate finance have proved to be hollow. While we all are raising our ambitions on climate action, the world's ambitions on climate finance cannot remain the same as they were at the time of the Paris Agreement.

Today, when India has resolved to move forward with a new commitment and a new energy, the transfer of climate finance and low cost climate technologies have become more important. India expects developed countries to provide climate finance of $1 trillion at the earliest. Today, it is necessary that as we track the progress made in climate mitigation, we should also track climate finance. The proper justice would be that the countries which do not live up to their promises made on climate finance, pressure should be put on them.

Friends, today India is moving forward on the subject of climate with great courage and great ambition. India also understands the suffering of all other developing countries, shares them, and will continue to express their expectations.

For many developing countries, climate change is looming large over their existence. We have to take big steps today to save the world. This is the need of the hour and this will also prove the relevance of this forum. I am confident that the decisions taken in Glasgow will save the future of our future generations, giving them the gift of a secure and prosperous life.

Speaker Sir, I took extra time, I apologize to you for that. But I consider it as my duty to raise the voice of developing countries. That's why I have emphasized on that too. I once again thank you very much.

India is being criticised for hindering efforts to meet the 1.5C target[1]

The Glasgow climate deal has put India and China in the spotlight after they opposed a commitment to "phase out" coal while negotiating the final agreement.

Instead, countries agreed to "phase down" coal, causing disappointment and concern over whether the world can limit the average global temperature rise to 1.5C. "China and India will have to explain themselves and what they did to the most climate-vulnerable countries in the world," said the COP26 president, Alok Sharma. Mr Sharma also called the deal "historic" and said it "keeps 1.5C within reach".

Earlier drafts of the agreement contained an commitment to phase out unabated coal (unabated refers to coal that is burned without carbon capture and storage technology, which advocates say significantly decreases emissions). So what happened?

At the start of the summit, Indian Prime Minister Narendra Modi pledged to cut emissions to net zero by 2070, reduce carbon emissions by one billion tonnes by 2030, and raise the share of renewables in the energy mix to 50%, among others. The ambitious announcements, welcomed then, now stand in stark contrast to India's last-minute intervention to water down the language on coal.

China, which otherwise shares a tense relationship with its neighbour, was a strong ally throughout the final negotiations. The summit was expected to end on Friday but went into overtime until a deal was hammered out late on Saturday night.

The last day of negotiations saw China argue "common but differentiated responsibilities and respective capabilities" or CBDR - it means countries that have signed the UN climate deal have a common responsibility to fight climate change, but have different capacities to do so given that they are in different stages of economic development.

China said that various countries' efforts to meet the 1.5C target should be seen in the context of their efforts to eradicate poverty. India agreed. "How can anyone expect that developing countries make promises about phasing out coal and fossil fuel subsidies? Developing countries still have to do deal with their poverty reduction agenda," India's Environment Minister, Bhupender Yadav, said.

The words "phasing out unabated coal" had triggered the argument. Without a consensus, there would be no final text to adopt, and that meant the summit would fail. So, key negotiators were seen huddling to secure an agreement ahead of the final session where the deal would be adopted.

1 https://www.bbc.com/news/world-asia-india-59286790

At first, the cameras were focussed on Chinese negotiators, including their leader Xie Zhenhua, who were speaking to US special climate envoy, John Kerry. They were also seen speaking with Mr Sharma. Then Mr Yadav was seen talking to Mr Sharma and the two spoke at least twice while everyone waited for the final session to begin.

When it did, India took the floor and sought permission to make a proposal. Mr Yadav proposed that the phrase "phase out unabated coal" in the final draft text of the agreement be replaced with "phase down coal". His words were met with silence barring a few whistles in the background.

Once the agreement had been finalised, various countries took to the stage to express their disappointment over the change, arguing that "phasing out coal" was a major pillar to keep the 1.5C target alive. "We do not need to phase down coal but to phase out coal," Switzerland said, while calling the process "untransparent".

"The longer you take to phase out coal, the more burden you put on natural environment and your economy," EU envoy Frans Timmermans said. A heavy round of applause followed the statement. Several small island states said keeping 1.5C out of reach would mean a death sentence for them.

Mr Sharma, seemingly on the brink of tears, apologised for the way things had unfolded. But some experts say this could have been better handled by developed countries. The emphasis on coal while leaving out oil and gas would disproportionately impact developing countries such as India and China, Brandon Wu, director of policy and campaigns at ActionAid, said. "We would have liked the "phasing out" of all fossil fuels and not just coal," said Avinash Chanchal, senior climate campaigner, Greenpeace India.

He added that the "weakened draft reflected the lack of trust among rich and poor countries as previous commitments were not met". Developing countries such as India have argued that they are being put under pressure to move from fossil fuels to renewables, while developed countries are not helping them financially and with technology.

"This text has so many lines on mitigation [emissions reduction]. What countries need to do, what they have to submit every year and even the details of upcoming high level meetings etc, but there is nothing on finance. How can we call this a balanced text?" Mr Yadav said.

India is the third-largest carbon emitter after China and the US but its per capita emissions is around seven times lower than that of the US, according to studies, including one by the World Bank. An energy secure future is essential for India's economy - which is recovering from the pandemic while also battling sluggish growth - and coal is a big part of that goal.

"The challenge is to make it a just transition to low carbon so that people don't suffer," says Chirag Gajjar, an energy expert with World Resources Institute India. "India's track record with renewables is solid; its target was 20 gigawatts by 2010 and by 2016 it was already heading towards 175 gigawatts. So, if India is able to send the right signal, renewables can grow exponentially."

If that happens, India will certainly win accolades but for now it has earned criticism for managing to water down what many say is a key commitment to fight global warming. Mr Yadav, however, sees it differently. "As COP26 draws to a close, I would like to thank the entire team with me in Glasgow that worked hard to make the summit a success for India," he has tweeted.

Image Courtesy: https://www.thehindu.com/news/national/glasgow-climate-summit-coal-phase-down-is-a-right-says-india-environment-minister/article37485277.ece

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