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Path breaking DGGI

The Chief Secretary recently unveiled the 3rd edition of the District Good Governance Index (DGGI 3.0) in the presence of various Government officials. The index evaluates the performance of districts in accomplishing a set of 385 deliverables assigned to them for the year 2022-2023. CS commended the Planning, Development, and Monitoring Department for efforts in conducting this extensive exercise and compiling rankings from the panchayat to the district level.

Jammu and Kashmir was the first region in India to successfully implement the District Good Governance Index model. J&K took the initiative to adopt this model, and its successful implementation has set an example for other states and union territories in the country. By introducing the DGGI, J&K aimed to promote good governance practices and enhance the overall development of its districts up to panchayat levels. The index provides a comprehensive framework for evaluating the performance of districts, taking into account multiple sectors such as agriculture, industry, health, education, infrastructure, and more. It enables evidence-based decision-making, transparency and accountability in governance. DGGI enables evidence-based decision-making while promoting citizen participation and fostering a culture of learning and continuous improvement. By addressing developmental gaps and promoting best practices, DGGI ensures more efficient and effective delivery of services to citizens.

The wide variations in performance among districts in the DGGI report highlight the need for introspection and prompt action by District Administrations. The Chief Secretary's suggestion for proper introspection is essential to identifying the reasons behind the performance disparities and devising strategies for improvement. District Administrations should thoroughly analyse the DGGI rankings, scores, and sector-wise performance indicators to identify areas where they have performed well and areas that require improvement. A detailed review will provide insights into the specific factors contributing to variations in performance. It is crucial to identify the underlying causes of variations in performance. The variations can be attributed to a range of factors, including differing levels of resources, capacity, infrastructure and socio-economic conditions across districts. The efficiency and effectiveness of district-level leadership and administration play a crucial role in governance outcomes. Strong leadership, proactive decision-making and effective implementation strategies can positively impact district performance. Whatever the reasons, corrective measures should be taken immediately.

Jammu scored the number one rank and credit goes to the District Administration. The performance of the Reasi district, particularly concerning the potential of the Katra region and the Vaishno Devi pilgrims, is indeed an area of concern. Given the significance of the Shri Mata Vaishno Devi ji shrine and the large number of pilgrims it attracts, it is essential to ensure that the district, especially the area around Katra, is well-developed and equipped to cater to the needs of the pilgrims. Addressing the specific challenges requires a multi-faceted approach involving the district administration, tourism authorities, infrastructure development agencies, local communities and other relevant stakeholders. By focusing on infrastructure, tourism facilities, safety measures, sanitation, pilgrim services and community engagement, the Reasi district can better harness its potential and provide a positive experience for Vaishno Devi pilgrims while promoting sustainable and inclusive development throughout the entire region.

The DGGI allows the measurement of the impact and progress of interventions undertaken by the administration. Providing a standardised assessment framework, it helps in evaluating the outcomes of various development programmes and policies, facilitating data-driven decision-making and policy refinement. The successful implementation of the DGGI in Jammu and Kashmir has inspired other states and UTs to implement similar mechanisms for evaluating and enhancing their governance performance.

By leveraging the insights and recommendations from the DGGI report, J&K can progress towards becoming a model UT in terms of governance, development, and the overall well-being of its citizens. Competition among all twenty districts is the motivating factor. The commitment of the administration, along with active participation from various stakeholders, will be key to realising this vision and ensuring sustained progress in the years to come.

Major success against terrorism

The recent successful operation by the joint team of the army and police in foiling an infiltration bid and neutralising five foreign militants in the Keran sector of the Kupwara district is commendable. In a separate development, the arrest of five militants belonging to the Jaish-e-Mohammed involved in the killing of a circus employee, Deepu, in South Kashmir last month is another significant achievement. The investigation, conducted with the help of technical, human and scientific evidence led to the identification and apprehension of the accused. The recovery of weapons, ammunition, and other incriminating materials further strengthens the case and ensures that those responsible for the heinous crime are brought to justice.

These successful operations not only neutralise immediate threats but also contribute to the overall security environment in the region. They send a strong message to anti-national elements that their activities will be met with a robust response from the security forces. It is crucial that the administration and security forces thoroughly analyse such incidents to understand the dynamics of infiltration and identify any loopholes that may have been exploited. Introspection and continuous improvement are essential to enhancing the effectiveness of security operations and minimising any potential risks or gaps in the security apparatus. Terrorism is a persistent and evolving threat that requires constant attention and proactive measures. There are still elements that seek to disrupt peace and stability in the region, with active support from Pakistan.

These two operations are significant for the upcoming Shri Amarnath Ji Yatra. The security arrangements for the Yatra must be continually reviewed and strengthened based on the evolving security situation and inputs from intelligence agencies. Flexibility, adaptability and a proactive approach are key to addressing any emerging security challenges during the Yatra. The fight against terrorism requires the collective efforts of the Government, security forces, intelligence agencies and the community. Maintaining a strong and united front is essential to counter the threat posed by terrorism and ensuring the safety and well-being of the people in Jammu and Kashmir.

Panchayati Raj and Rural Development in India

Ram Rattan Sharma

Panchayati Raj was a pious dream of our great leader Mahatma Gandhi , who wanted to strengthen the democracy at the grass roots level by this system. In our country,70% of the population is in rural areas and the Panchayats have been backbone of the Indian villages since the beginning of the recorded history. The history of Panchayati Raj goes back to the days of our Independence. Efforts were made to strengthen sense of participation in the nation building programme.It was in pursuance of this objective that community development programme was launched in 1952. It was an effort to provide and encourage development and employment in rural areas, use of scientific methods of agriculture, encourage cotton and small scale industries among other things. To evaluate the effects of community development programme Balwant Rai Mehta committee was set up in 1953, that suggested setting up of institutions . The underlying idea was to usher in an era of democratic decentralization. Few other committees that were formed on Panchayati Raj were VT Krishnam Chari 1960, Ashok Mehta committee 1977, GVK Rao committee1985, LM Singhvi committee 1986. Finally, in 1993 through a constitutional amendment Act,73rd. Panchayati Raj institutions were further strengthened. It provides for a three tier structure of Panchayati Raj institutions. The district Panchayat or Zila Parishad, a Block Panchayat at the inter mediate level and a Gram Panchayat at the village level. In most of the states,members of the Gram Panchayat constitute a body called Gram Sabha and all the voters of this constituency are members of this body. Gram Sabha is not a tier of this system. It does not have any executive function and operates only as a recommending body.

Almost all the states have delegated powers and responsibilities in varying degrees to the Panchayats. Article 243G of the constitution has broadly outlined areas of functions for preparing plans for socio-economic development of their areas. These areas are explicitly highlighted in the 11th schedule of the constitution. The functions highlighted are ensuring safe drinking water, maintaining community assets, health and sanitation, rural electrification, physical infrastructure viz roads, bridges, waterways etc. There are many changes that these institutions have brought about under Articles 40 and 246(3). The constitution grants powers to the states to make laws to enable the functioning of the self govt units . Haryana and Rajasthan are the states who mandate to fix minimum education qualification for those contesting in Panchayati Raj institutions (PRI's). In August 2015, the Bihar assembly also passed amendments making it mandatory for candidates contesting Panchayat polls to have toilets in their homes. Through Gram Panchayats, activities in MGNREGS are handed out and auditing of work is done. MGNREGS has brought a sigh of relief for rural populace as rural distress was brewing due to unemployment. MGNREGS has become a cog in the wheel of growth and development. Gram Sabha acts as a pivotal body that is involved in building in infrastructure and providing employment to people in rural areas.

Panchayati Raj institutions have broken the caste, age and gender structure of a village. No more higher caste people, old members and males are at the helm of decision making. The provision of 33% reservation for women and provision for reservation for SC/ST in the body has enabled villages and the govt to achieve parity in the village. This has broken the old age structures and has mainstreamed the marginalized. Among the states that already follow 50% reservation for women in Panchayati Raj are Bihar, Uttarakhand, Madhya Pradesh, Himachal Pradesh and Maharashtra. Similarly, many state and central govt schemes have been implemented at the grass root level by these bodies. Schemes of rural housing, rural electrification, health and sanitation, physical infrastructure etc. have made conspicuous difference in rural areas. These schemes have been implemented with the assistance of the Panchayati Raj institutions. Similarly, Gram panchayat have worked as the first response entity during the times of disaster. Mock drills being organized, awareness programme being conducted have enabled these bodies to response quickly during the needful times.

Similarly, in the field of agriculture, these bodies have contributed enormously. Awareness about organic farming, soil health card scheme has been implemented with the help of gram sabha.Similarly, many infrastructure projects, animal husbandry activities, fisheries etc. have been carried out by these bodies, cooperatives like AMUL were conceived at these levels and efforts have been their hallmark . Similarly concept of social forestry, agro industry have been encouraged by panchayats. The Govt has planned to set-up formal markets, which would remove the intermediaries. So that the maximum share of the profits land in the hands of farmers. Panchayats will be an enabling factor in the scheme. Also, panchayats have mandate to make plans and implement them in the areas of small-scale industries, food processing industries, khadi and cottage industries. These industries require proper planning and farming and financing. With coordination among central, state and Panchayat level bodies, it will help in realising the full potential.

The reservation of seats for women, scheduled castes and tribes in panchayats is a welcome step for it would make the institution of panchayat more democratic, representative and balanced. The panchayat elections are conducted and supervised by election commission to ensure free and fair elections. All these measures ensure a bright and long lasting future of panchayat system in India. Panchayati Raj in India has not been an absolute success. Its functioning in all these years has demonstrated numerous short comings. These include (i)The inadequacy of funds has stood in the way of successful working of Panchayati Raj institutions (ii)The tendency on the part of the higher structure to treat the lower structure as its subordinate is markedly visible (iii)Participation of the people hardly happen in reality since the key administrative and technical positions are manned by the govt officials(iv)The performance of Panchayati Raj institutions has been vitiated by political cum-caste factionalism, rendering developmental projects as to chimeras. These bodies also experience several administrative problems like politicisation of local administration, lack of coordination between the popular and bureaucratic elements etc. These structural and functional issues which have created impediment in realising the full potential, needs to be dealt with strong hand.

Panchayati Raj institutions have enormous potential to transform the face of the rural India. But there are some structural and functional issues, which have created impediments in realising the full potential. Thus, the Panchayat system in India assumes a very significant role. This system is quite rational, practicable and in perfect harmony with the spirit of democracy and should be further strengthened and encouraged, it should be made economically viable and self- sufficient by providing adequate resources, funds and generous grants.

(The author is former Dy Librarian University of Jammu)

The downfall of Imran

Harsha Kakkar

Shah Mahmood Qureshi, on release from prison, met Imran Khan with a message from the generals, who had thus far refused to talk to him, despite his pleading. Pakistan's Friday Times stated that the message was unambiguous and that if Imran did not accept the 'option' being presented to him, he would face a long stint in prison along with disqualification from public life. He was advised to hold a press conference and announce his staying away from politics and party for some time.

If Imran accepted, he would be allowed to move to the UK and join his ex-wife Jemima Khan and children. He was also told that he could be recalled in case the current dispensation fails. Refusal would be trial by a military court for instigating the May 9th attacks on army installations. As a face-saving gesture, Imran was provided time to decide.

Qureshi was reported to have told Imran, 'Think about it. Inform me about your decision and I will go to the military establishment and sort things out. If you do not do so, you will surely be arrested.' Qureshi, who incited the public to come out in support of Imran is now demanding his resignation and looking to replace him. This is political loyalty.

Imran had termed the current Islamabad dispensation as a bunch of thieves and not worthy to be engaged in discussion. Today, he is begging for a dialogue, with no takers. In his heydays, post his removal, he was conducting rallies daily, instigating the public and threatening the army chief. Media headlines were only Imran while word on the street was that if elections are held, Imran will return with a thumping majority. His arrogance knew no limits and he was over-confident being protected by the courts.

Today he is alone, ignored by the media and conveying his messages on twitter or YouTube. Even the courts have failed to lift media restrictions. Oh! How the mighty have fallen.

Imran had been accusing the US of being behind his downfall. In his rallies before and after his removal, he displayed a letter written by Donald Lu, US Assistant Secretary of State for South and Central Asian Affairs, to the Pakistan ambassador in the US. As per Imran, Lu warned the Pak ambassador of dire consequences for Pakistan in case Imran was not removed by a no confidence vote.

Imran knew he was stating a bunch of lies. He, believing in his mass following, even repeated his accusations in an interview on CNN. Today, the same Imran is eating humble pie and begging US senators to approach the Pak army and prevent his arrest.

9th May was the turning point in Pakistan's history. The violence was exploited by the powers that be (the Pak army) as an excuse to crush every challenger to their authority. Imran's PTI was the first and has since been decimated and a new political outfit created to keep would be unemployed politicians busy. All those who encouraged the public to come out in support of Imran on 9th May have suddenly turned tail and retracted their comments. All rats have deserted Imran's sinking ship. This is how reliable politicians are, not only in Pakistan but across the globe.

Pakistan's army has lost every war it has ever fought with India. It is fighting a losing battle against the Baloch and TTP (Tehreek-e-Taliban Pakistan). However, it has always won where it matters, over its own people. It has never permitted the polity to control it and never will. In a nation where food is scarce and inflation is at historic levels, it has taken a 16 percent hike in the defence budget. The IMF would never approve this increase forcing Pak to seek other options. Looting by the Pak army never stops.

After the latest Corps Commanders Conference, the DGISPR, Pakistan armed forces public relations, issued a statement mentioning that perpetrators of the 9th May attacks will be brought to justice. Sending a clear message to the judiciary and Imran supporters, the statement mentioned, 'efforts to create distortions and attempts to take refuge behind imaginary and mirage Human Rights Violations to create smoke screen for hiding the ugly faces of all involved, are absolutely futile and do not stand the abundantly collected irrefutable evidences.' The message was a warning that interference from any quarter will not be tolerated.

Sending a strong message to Imran from a united military hierarchy, the statement included, 'it is time that noose of law is also tightened around the planners and masterminds who mounted the hate ripened and politically driven rebellion against the state and state institutions to achieve their nefarious design of creating chaos in the country.' The judiciary, which has thus far been protecting Imran by granting bail or even throwing out cases against him, will now have a rethink. When the mighty fall, they fall alone.

Imran had created the persona of a messiah, the man who will deliver Pak from all suffering and build a 'medina state.' The common man was fooled into believing him. Crowds thronged his rallies and cheered when Imran called the generals names. Imran got carried away by the adulation and believed himself to be unstoppable. The generals bided their time, waiting for Imran to commit a mistake and when he did, they regained the initiative. Imran's arrogance did him in. He forgot that fighting the system is a losing battle.

Those who rose against the state on Imran's call, believing he would protect them, found he was powerless. Party leaders deserted Imran to save themselves, while the common man, who rioted on his call, is languishing in prison. The army has crushed the revolt which Imran instigated. General Munir has conveyed that Pakistan is an autocracy and will never be a democracy, other than in name.

If Imran takes the general's offer, he would be safe and free, while those who revolted for his freedom would serve long terms in prison. At the end of the day, Imran, like every other politician would prove he is selfish and concerned only about himself, not his flock of followers.

The author is Major General (Retd)

GST implementation : A landmark achievement

Abhijit Singh Jasrotia

Streamlining the taxation process and acting tough against the tax evasion has been among the cornerstones of the Narendra Modi led Government in past 9 years.

GST has been a focal achievement of Prime Minister Narendra Modi led Government.

Many people believe that the govt has succeeded in reforming the financial system and improving the economy. Implementation of the GST was a major milestone, which made doing business much easier by removing several different taxes and included them in Goods and Services Tax. It also eliminated barriers to inter-state trade by removing taxes.

Similarly, the PLI and other schemes have been listed as successes by the people in enhancing investment in the country. Several people have included financial stability, increasing GDP as major successes of the Government.

Expert pulse is that a after the implementation of the GST, India turned into one market with uniform tax on supplies of goods and services. In last six years, the GST ensured compliance simplification with uniform processes across the country.

First proposed by the Atal Bihari Vajpayee-led NDA Government in 2000, the GST has eliminated human interface from the indirect taxation system, enhanced transparency and fulfilled the dream of One Nation, One Tax.

The pulse of nation is happy that GST is a historic tax reform introduced on the 1st of July 2017. Before 1 July 2017, Indian indirect tax regime was highly fragmented. Centre and States were separately taxing goods and services. There were many taxes like excise duty, service tax, VAT, CST, purchase tax, entertainment tax etc. GST subsumed 17 large taxes and 13 cesses. With uniform tax on supplies of goods and services, India turned into one market.

GST has not only reduced the tax burden on corporates, but also enhanced transparency and reduced corruption. The simplified taxation system has encouraged corporates to expand their operations, invest in new ventures, and fuel economic growth.

"The PM Modi-led Government aims to end tax terrorism and increase efficiency," says a document. For FY 2022-23, the GST collections have surpassed Rs 18 lakh crore, with a YOY growth of 22 per cent. This is the highest ever revenue collected for indirect taxes, showing confidence of taxpayers.

In 2019, PM Narendra Modi, in an interview, underlined that all decisions related to GST, a single tax regime which was rolled out two years back, have been taken through consensus in the GST Council, which has representation from State Governments, including Congress ones.

The PM noted how the GST had simplified the tax regime. He said, "GST has simplified all this. 500 items have zero tax, which at one time incurred high taxes. Last few days, tax rates on 1200-1250 items of daily use have been brought down, some to 18%, to 12 to 5 % and in some cases to zero." He said that the Government has been trying to make GST easy and benefits of consumers are secured.

The need felt to reform and make taxation efficient in India has been to a larger extent solved by Modi Government.

Expected Credit Loss

The provisioning methodology

Arjun Singh Rathore

The concept of Expected Credit Loss (ECL) is not new. It was floated in April 2018 as a part of Indian Accounting Standard (Ind-AS). But Ind-AS was deferred, mainly on account of the fact that the banking system was not prepared to implement it at that point of time. The ECL framework also suffers from a weakness. It aims to reckon the loss (on account of a particular loan) by finding the probability of default (PD) based on historical behaviour, whereas in reality the servicing pattern of a loan is not uniform throughout its currency and is bound to move for better or worse depending upon the borrower's cash flow.

On January 16, 2023, the RBI released the 'Discussion Paper (DP) on Introduction of ECL Framework for Provisioning by Banks'. The DP proposes adoption of an expected loss framework. As per RBI guidelines on Ind-AS 109, it is worthwhile to move towards a robust Expected Credit Loss (ECL) provisioning methodology from the existing Incurred Loss Provisioning method.The global financial crisis (GFC) in 2008 exemplified the weaknesses in the current accounting standards and practice (IAS 39 Financial Instruments), which adopts the incurred loss model for impairment of financial assets. The challenge with the incurred loss model is that impairment losses and the resulting write-downs in the reported value of financial assets can only be recognized when there is evidence that they exist (i.e. have been incurred). Post GFC 2008, at the request of the G20 and the Financial Stability Board, the International Accounting Standard Board (IASB) stepped up its work to replace IAS 39. In July 2014, the IASB introduced the International Financial Reporting Standard (IFRS) 9.

The Indian Accounting Standard (Ind-AS) is converged with the IFRS. It is the accounting standard adopted by companies in India and issued under the supervision of the Accounting Standard Board (ASB). Accordingly, Ind-AS 109 is converged with IFRS9.

Ind-AS 109 lays out the guidelines for accounting based on the expected credit loss model. The objective of this standard is to establish reporting principles that will present relevant and useful information to users of financial statements for the assessment of the amount, timings and uncertainty of the entity's future cash flows. This standard will have an impact on the measuring and accounting of credit losses, which means that the risk and finance team of an organization needs to collaborate with the IT department for implementation and complying with Ind-AS 109 standards.

To ascertain the applicability of the impairment calculation, an entity needs to classify its financial instruments into amortized cost, fair value through other comprehensive income (FVOCI) and fair value through P&L (FVTPL). Instruments classified as amortized cost and FVOCI are subject to the Ind-AS 109 impairment calculation. The standard requires banks to assess credit risk on the financial instruments to ascertain if there is an increase in risk on the reporting date as compared to the date of initial recognition. The standard also requires banks to assess their portfolio and determine the criteria for stage determination depending on the portfolio risk characteristics. There are certain rebuttable presumptions provided by the standard such as, 30 days past due (DPD) for classifying an asset into Stage-2 and default should not occur later than when a financial asset is 90 days past due. Per Ind-AS 109 standards, an entity can refute this presumption if it has reasonable information that is available without undue cost or effort, and demonstrates that risk has not increased significantly since initial recognition.

The 12-month or lifetime Expected Credit Loss (ECL) is computed and accounted for based on whether the financial instrument is classified as Stage 1 or 2/3. The components that are crucial to calculate ECL include - Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD), and discount rate. These models are expected to be validated at least once in a year or at a more frequent interval; if required.

ECLs are further classified into (i) lifetime ECLs and (ii) 12-month ECL. The former are those that result from all possible default events over the expected life of a financial instrument. The latter are those that result from default events that are possible within 12 months after the reporting date.

Once the three functions (EAD, PD and LGD) are determined, the ECL is calculated as EAD x PD x LGD. The calculation can be either for 12 months or based on the lifetime of the financial asset.

Setting aside the pluses/minuses of this concept (as it is too early to discuss at this stage), the moot question is: Does the RBI think that our banks are geared up for moving to the ECL framework?

Curiously enough, as per the extant guidelines of the RBI, banks are now required to make provision for non-performing assets at 15-100 per cent of the outstanding balances depending upon the status of overdue position - that is, substandard/doubtful or loss, besides 0.15-1 per cent for all "standard assets". In a way, this provision made by banks for these performing assets is also meant to meet the 'deemed credit loss'.

Coming to the decision with regard to ECL, it is to be borne in mind that only now banks are showing an uptrend in their business growth after the ravage caused by the pandemic.

Bank credit grew by 15 per cent year-on-year in the fiscal ended March 2023 due to low base of last year and higher demand for funds as economic activity picked up. Bank advances rose to Rs 136.75 lakh crore as on March 24, 2023 from Rs 118.91 lakh crore as on March 25, 2022, according to the provisional data released by the Reserve Bank of India (RBI) on Wednesday. Bank advances grew at 9.6 per cent in FY 2021-22; 5.6 per cent in FY 2020-21 and 6.1 per cent in FY 2019-20. Business enterprises, particularly MSMEs which reached a nadir during Covid times, are now showing significant signs of revival thanks to the huge funding by banks. The economy is back on the rails now, and it is the right time for banks to ensure steady credit growth, making use of the flourishing business opportunities.

At this juncture, introduction of ECL, which will be complex in structure, will not only divert the focus of banks on rapidly redeeming their business but will also affect their bottom-line, which is becoming steady now.

The RBI's Financial Stability Report (FSR), of December 2022, reveals that the RBI will not have any apprehension over the adequacy of the existing provisioning norms or of any capital erosion in banks in the long run. The Risk Management Department of all banks is proactively undertaking stress tests of their loan books under different scenarios to check how far their CRAR (capital to risk weighted assets ratio) gets impaired.

Also, credit sensitivity analysis is also being done by the RBI on a different scale. The recent FSR says that a severe stress test of the credit portfolio of 46 select banks (where perhaps the GNPA ratios are not comfortable), by applying 2 SD (standard deviation) shock, showed that the GNPA ratio moved up from 6 per cent to 11.5 per cent and the CRAR declined from 16.5 per cent to 12.6 per cent, that is still a solid 3.6 per cent over the prescribed level of 9 per cent.

Further, real time marking of NPAs is being religiously done by all banks subsequent to the RBI circular issued in September 2021. To spot the stress in loans before they actually become bad, the status of overdue position is captured under three levels, Special Mention Account (SMA) 0, SMA 1 and SMA 2 and timely steps are taken by banks to put them on the right track.

At a time when we are witnessing an uptick in the performance of banks after the Covid disaster, it is a bold step to change the existing provisioning framework, a crucial factor which will determine the net profit of banks.