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## **1. Foreign Contribution (Regulation) Act**

**Prelims Syllabus:** Policies

**Mains Level:** GS-III Role of External State and non-state actors in creating challenges to Internal Security.

### **Why in News?**

- According to the Ministry of Home Affairs (MHA) annual report (2021-22), the FCRA was amended in 2020 to discourage expenditure by non-governmental organisations (NGOs) on unproductive items.

### **About the News:**

- The Ministry said that the Foreign Contribution (Regulation) Amendment Act, 2020 was passed by Parliament in September 2020 and was notified on September 28 the same year. “The amendments made in the Act would help effectively monitor the receipt and utilisation of foreign contribution”.
- It said that provisions such as Aadhar numbers of all key functionaries of NGOs, receipt of foreign contribution only through designated FCRA bank accounts with the State Bank of India, complete ban on domestic transfer of foreign funds and reduction of administrative expense limit from 50% to 20% “would ensure exact identification of office-bearers and eliminate chances of benami/bogus entry and would discourage expenditure on unproductive items like inflated staff salaries, posh buildings and office and luxurious vehicles etc.”

### **How FCRA regulates NGO funding?**

- FCRA regulates foreign donations and ensures that such contributions do not adversely affect the internal security of the country.
- The Act, first enacted in 1976 was amended in the year 2010 and then 2020.
- Section 5 of the Foreign Contribution (Regulation) Act, 2010 gives the Union government “unchecked and unbridled powers” to declare an organisation as being one of political nature and deny it access to funds from sources abroad.
- FCRA is implemented by the Ministry of Home Affairs.

### **Applicability:**

- The provisions of the Act apply to the territory of India, to citizens of India who may be outside India and to companies or their branches outside India that are registered or incorporated in India.

- The entities covered by the Act include an individual, a Hindu undivided family, an association, or a registered company.

### **For how long is approval granted?**

- Once granted, FCRA registration is valid for five years. NGOs are expected to apply for renewal within six months of the date of expiry of registration. In case of failure to apply for renewal, the registration is deemed to have expired, and the NGO is no longer entitled to receive foreign funds or utilise its existing funds without permission from the ministry.

### **Prior Reference Category under the Act:**

- It implies that to donate to such an NGO, a foreign donor has to take prior clearance from the Ministry of Home Affairs.

### **What Is A Foreign Contribution Under FCRA?**

- “Foreign contribution” under FCRA covers any “donation, delivery or transfer made by any foreign source of any article” as long as it is not given as a gift for personal use, or if its market value in India at the time it was made is “not more than such sum as may be specified from time to time by the Central government”.

### **Exceptions:**

- Any currency, or security can fall under the ambit of the Act though it excludes any money received “by way of fee or towards cost in lieu of goods or services rendered by such person in the ordinary course of his business, trade or commerce whether within India or outside India”.
- Neither are donations made by Non-Resident Indians (NRIs) considered to be “foreign contribution” although a donation from a person of Indian origin who has assumed foreign nationality is treated as as “foreign contribution”.

### **Who Cannot Receive Foreign Contribution?**

- A host of entities are barred from receiving foreign funds, including election candidates, those connected with a registered newspaper, judges, government servants or employees of any entity controlled or owned by the government and members of any legislature. Political parties and their office bearers, too, are prohibited from receiving foreign funds.

## 2. The Protection of Children from Sexual Offences (POCSO) Act

**Prelims Syllabus:** Governance- Policies

**Mains Syllabus:** GS-II Welfare schemes for vulnerable sections of the population by the Centre and States and the performance of these schemes; Mechanisms, Laws, Institutions and Bodies constituted for the protection and betterment of these vulnerable sections.

### Why in News?

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### About the Protection of Children from Sexual Offences (POCSO) Act:

- The Union Ministry of Women and Child Development led the introduction of the POCSO Act in 2012.
- The Act was designed to protect children from sexual assault, sexual harassment and pornography offences, as well as to provide for the establishment of Special Courts for the trial of such offences.
- The Act was amended in 2019 for enhancing the punishments for specific offences in order to deter abusers and ensure a dignified childhood.

### Salient features:

- **A gender-neutral law:** The POCSO Act establishes a gender-neutral tone for the legal framework available to child sexual abuse victims by defining a child as "any person" under the age of 18.
- **Not reporting abuse is an offence:** Any person (except children) in charge of an institution who fails to report the commission of a sexual offence relating to a subordinate is liable to be punished.
- **No time limit for reporting abuse:** A victim can report an offence at any time, even a number of years after the abuse has been committed.

- **Maintaining confidentiality of the victim's identity:** The Act prohibits disclosure of the victim's identity in any form of media, except when permitted by the special courts established under the act.

### **New obligations under the POCSO Rules 2020:**

- Any institution housing children or coming in regular contact is required to conduct a periodic police verification and background check of every employee.
- Such an institution must impart regular training to sensitise its employees on child safety and protection.
- The institution has to adopt a child protection policy based on the principle of zero tolerance for violence against children.

### **POCSO Act's performance in comparison to global standards:**

- A 2019 Economist Intelligence Unit report ranked India's legal system for safeguarding children from sexual abuse and exploitation as the best of the countries surveyed.
- On this metric, India outranked the United Kingdom, Sweden and Australia.

### **Concerns:**

- Despite the existence of such comprehensive child sexual abuse law, the scale of such abuse is staggering.
  - ✓ According to a recent survey, one in every two children is a victim of sexual abuse in India.
  - ✓ Furthermore, in the vast majority of cases, the perpetrators are known to the victim, causing the victim to be hesitant to approach authorities for redress.
  - ✓ Incidents of child abuse have also risen exponentially since the Covid-19 pandemic, with the emergence of new forms of cybercrime.
- The general level of awareness or knowledge on the part of minor girls and boys of the POCSO Act remains severely inadequate in the country.
  - ✓ Child marriage is common among certain tribal groups in the country, resulting in the criminalisation of 17-18 years old youths due to a lack of knowledge of the POCSO Act.

### **Way ahead:**

- Recently, the Karnataka HC has directed the State Education Department to set up a mechanism for educating students, at least from Class IX onwards about the act and its provisions.

### 3. Declining Consumer Demand and Reluctant Investors

**Prelims Syllabus:** Economy

**Mains Syllabus:** GS-III Indian Economy, Investment Models

#### Why in News?

- In September, Finance Minister Nirmala Sitharaman was anguished that industry was holding back from investing in manufacturing despite a significant cut in corporate tax rates in 2019.

#### Analyzing the corporate Investment since the pandemic:

- **Less investment is not the result of losses:** The slowdown in corporate investment did not happen because companies were making losses.
- **More profit but less investments by corporates:** In fact, private companies, boosted by considerable tax cuts, made windfall profits. A State Bank of India analysis shows that tax cuts contributed 19% to the top line of companies during the pandemic. But this did not result in increased investments.
- **Dividends to shareholders:** Before the pandemic, instead of investing in themselves, companies chose to reward shareholders with higher dividends.
- **Investment in equity and debt instead of Infrastructure:** During the pandemic, they did not use the profits for paying out dividends; they retained a big chunk of the profits. However, instead of investing in buildings, plants and machinery, they invested in equity shares and debt instruments.
- **Corporate cited the slowdown in demand as reason for less investment:** So, both before and after the outbreak, they shied away from capital investments. The hesitancy to invest can be explained by a slowdown in the demand side of the economy.
- **Corporates didn't invest in long term returns sectors:** Consumer demand started to decline the year before the pandemic and worsened after the COVID19 outbreak. This forced companies to use the increased profits to decrease their debts, pay dividends and invest in financial instruments instead of increasing productivity by making capital investments.

### What is the current consumer's demand situation?

- **Average Consumer sentiment index:** Private companies invest when they are able to estimate profits, and that comes from demand. The Centre for Monitoring Indian Economy's (CMIE) consumer sentiment index is still below pre-pandemic levels but is far higher than what was seen 12-18 months ago.
- **Buoyant Aggregate demand:** RBI's Monetary policy report dated September 30 says, Data for Q2 (ended Sept) indicate that aggregate demand remained buoyant, supported by the ongoing recovery in private consumption and investment demand. It shows that seasonally adjusted capacity utilization rose to 74.3% in Q1 the highest in the last three years.
- **High household savings:** Along with household savings intentions remaining high, might hold the key to the investment cycle kicking in.

### Statistic on demand and investment:

- **New investment projects:** The new investment projects announced as a % of GDP, since FY18, the share has remained below the 5% mark, compared to over 9% between FY05 and FY22.
- **Collection of corporate tax decreased:** Corporate tax and income tax collected in India as a % of GDP after the cut in 2019, the share of corporate tax declined dramatically, while the share of income tax gradually increased.
- **Double burden on tax payers:** The shift in tax burden from the corporates to the people came at a time of job losses and reduced income levels. This pushed more people into poverty.
- **Corporate profit increased after tax cut:** Profit after tax earned by non-financial private companies in ₹ trillion after the tax cut, the profits of these companies rose to ₹4-5 trillion in the last two financial years from ₹1-2 trillion in many of the previous periods.
- **Increase and decrease in dividend to shareholders:** Dividends paid by non-financial private companies as a share of profits earned after tax, Payouts to shareholders surged in FY20, the year before the pandemic, but reduced in the following years.
- **Profit retention increased:** Retained profits as a % of profit after tax surged to 63% in FY22 the highest in a decade (limited companies were analyzed in FY22, so data are provisional).

- **Profits are invested in equities:** In FY21, the debt-to-equity ratio came down to 0.86 the lowest in at least three decades. In FY22 (provisional data), it came down further to 0.71.
- **Year on year decline in capital investment:** Year on year change in the investments of non-financial private companies in fixed assets such as buildings, plants, machinery, transport and infrastructure have declined in recent years. But the year on year change in investments in financial instruments such as equity, debt and mutual funds have surged.

### **Conclusion:**

- Corporates are holding their pockets in hope of demand rise in future. However, this affects the post-pandemic recovery of economy. IMF and RBI was right to revise their growth forecast this year. Unequal recovery of economy have certainly affected the income levels of middle class. Government has taken a lot of step on supply side (corporate side and banking reform) but no intervention in revival of demand.

## **4. India's Role in Russia-Ukraine War**

**Prelims Syllabus:** International Relations

**Mains Syllabus:** GS-II International Relations | Bilateral, Regional and Global Groupings and agreements involving India

### **Why in News?**

- As external affairs Minister Subrahmanyam Jaishankar arrives in Russia this week for a bilateral visit, there is growing international interest in the potential Indian diplomatic contribution to ending the tragic war in Ukraine which is now in the ninth month and has shaken the world to its core.

### **The story of Ukraine's war and India's Strategy so far:**

- **India's balanced approach:** India has reasons to be satisfied that there is a better appreciation of its position on Ukraine in the Western public discourse. In the last few months, the Western media and think tanks had been relentless in their criticism of the Indian approach to the crisis as lacking moral and strategic clarity in the face of Russia's unprovoked aggression.

- **India didn't criticize Russian nor endorse Russian aggression:** Through the last nine months, Delhi was reluctant to explicitly criticize Russian aggression against Ukraine and insisted on a dialogue between the warring parties. At the same time, India refused to endorse Russian aggression, underlined the importance of respecting the United Nations Charter, emphasized the inviolability of territorial sovereignty, warned against the use of nuclear weapons, and sought to draw attention to the economic impact of the war on the "Global South".
- **America showed sensitivity to India's position:** In the Biden administration there was a measure of understanding of where Delhi was coming from and India's long-standing equities in the relationship with Russia and the constraints it imposed on India. Official Washington never let the heat of the Ukraine crisis in Europe undermine the longer-term American imperative of engaging India to stabilize the Indo-Pacific. The same can't be said about Europe, but then the continent was right in the middle of the gravest conflict since the Second World War. The European trauma from a shattered peace is real.
- **India's role in grain shipment and nuclear power station:** Recent reports in the US media recount the Indian diplomatic contribution at a few critical moments in the nine-month-long war-in helping overcome issues over the grain shipment deal from Ukraine and in reducing the growing risks of the war targeting the nuclear power station at Zaporizhzhia in eastern Ukraine.

### **Can India take on a larger diplomatic role?**

- **India's role is limited:** Good relations with Moscow and Washington do put South Block in an interesting position. But India is not the only channel of communication between the US and Russia. Nor are Washington and Moscow totally reliant on third parties.

### **Efforts to end war by west and Russia**

- **Communications between the defence ministers:** The defence ministers of the two countries have frequently talked to each other reminding each other of their redlines in the war. Meanwhile, the onset of winter will increasingly limit the possibilities for military operations in Ukraine and would give a chance to both sides to pause, regroup and rethink their strategy and tactics.



- **Putin's strategy:** Putin's current focus on destroying the Ukrainian cities and the occasional threat to use nuclear weapons underline Russia's weakness in the Ukraine war rather than strength. From a military perspective, there is no easy way for Russia to secure a "victory" in this war.
- **Limitations of Putin:** Putin might have no option but to consider an honorable draw that will save his political face and secure some territorial gains in Ukraine. Can the same be said about the other Vladimir? (The Russians and Ukrainians both claim Vladimir or Volodymyr the Great of the 10th century as the founder of their nations).
- **Ukraine's strategy:** Ukraine's president Volodymyr Zelenskyy has led the country's fight against Russian aggression with impressive determination. Unlike the Russian troops, the Ukrainian forces are trying to save their nation against aggression and have inflicted significant military defeats on the Russians.
- **Limitations of Ukraine:** There is a question, can Zelenskyy succeed in liberating all territories occupied by Russia, including Crimea which Russia took by force in 2014? Zelenskyy might like to fight on until he realizes that goal, but there are second thoughts in the Western coalition that is backing him.
- **Western effort of sanctions on Russia:** The West had bet that the massive sanctions it imposed after Moscow launched its war against Ukraine would bring the Russian economy to its knees. But Russia is still standing and the costs of the sanctions are beginning to have major effects on Western societies.
- **Rising energy cost and Ineffectiveness of sanctions:** As the economic and energy costs of the war mount, there is growing political support in Europe for a quick resolution of the conflict. In the US, which has emerged as the main supporter of Ukraine, there are both Republicans and Democrats who are questioning the current American "blank cheque" for Ukraine. If the Republicans do well as they are expected to in this week's midterm elections to the US Congress, the internal polarization could sharpen and cast a shadow over American foreign policy, including the Ukraine strategy.
- **USA is repairing its strategy:** Although these developments need not be fatal to US strategy, Washington is beginning to recalibrate. In important private advice to Kyiv last week, Washington called for greater flexibility in Zelenskyy's approach to negotiations with Putin.

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**Conclusion:**

- Ending the war in Ukraine is very crucial as global economy especially western, facing energy and inflation crisis. India has a limited impact as mediator in ending the war in Ukraine. West and Russia need to realise their futile pursuit of complete victory is hurting them more. Sooner the war ends better for world.

