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FCRA Bill — Expanding State Control Over Civil Society

Context

- The **Foreign Contribution (Regulation) Amendment Bill, 2026**, introduced in the Lok Sabha on 25 March 2026, represents a major shift in India's regulation of foreign-funded organisations.
- While the government presents the Bill as a measure to enhance transparency, accountability, and national security, its provisions significantly expand executive authority over NGOs, charitable trusts, educational institutions, and religious organisations.
- The proposed amendments raise concerns about due process, institutional autonomy, and the future of civil society in India.

Background: The Evolution of the FCRA Regime

- The FCRA framework was already among the most restrictive systems governing foreign contributions.
- The 2020 amendments required all foreign funds to be routed through a single SBI branch in New Delhi, reduced the permissible limit on administrative expenditure from 50% to 20%, prohibited sub-granting, and expanded government suspension powers.

- These measures disproportionately affected smaller NGOs, faith-based organisations, and charitable institutions working among vulnerable communities.
- The 2026 Bill builds upon these restrictions and introduces a more extensive framework of government oversight and intervention.

Key Provisions of the 2026 Amendment Bill

- **Automatic Cessation of Registration**
    - One of the most controversial provisions is **Section 14B**, which introduces automatic **cessation** of FCRA registration.
    - Organisations may lose registration not only when renewal is denied but also when renewal applications are delayed, remain pending, or are not submitted within the prescribed period.
- **Provisional and Permanent Vesting of Assets**
    - The most significant change is the introduction of **Section 16A** under a new chapter governing the management of organisational assets.
    - Under this provision, when an organisation's registration is cancelled, surrendered, or deemed to have ceased, all foreign contributions and assets derived from them automatically undergo **provisional vesting** in a government-appointed **Designated Authority**.
    - Since cancellation can be based on broad grounds such as **public interest**, organisations may lose control over their assets even in cases involving procedural or disputed violations.
- **Expanded Powers of the Designated Authority**
    - The Designated Authority is empowered to manage institutions, supervise finances, control assets, and alter organisational operations.
    - If registration is not restored within the prescribed period, the vesting may become permanent. Assets may then be transferred or sold, with the proceeds credited to the Consolidated Fund of India.

Impact on Civil Society and Community Institutions

- **Restrictions During Suspension and Investigation**
    - Organisations are prohibited from managing their assets without prior approval, effectively paralysing their operations.
    - Changes to enforcement procedures further centralise authority within the Union Government, while broader definitions of **key functionaries** increase personal liability for office-bearers.
    - Together, these measures may discourage civic participation and create a climate of uncertainty within the non-profit sector.
- **Impact on Minority Institutions**
    - Many of these institutions receive support from churches, humanitarian agencies, and diaspora communities abroad.
    - Registration lapses, administrative delays, or cancellation proceedings could expose such institutions to government takeover.
    - Since these organisations provide services to people irrespective of religion, any disruption could affect broader society and not merely minority communities.

- **Economic and Social Consequences**
  - The civil society sector plays a vital role in education, healthcare, child protection, nutrition, skills development, and social welfare.
  - It also contributes substantially to **employment** generation and volunteer engagement.
  - The cancellation of licences and disruption of foreign funding may adversely affect millions who depend on these services.

Constitutional and Democratic Concerns

- The Bill raises important constitutional concerns regarding the balance between regulation and fundamental freedoms.
- The broad and undefined use of public interest may permit action against organisations engaged in minority rights, tribal welfare, environmental protection, human rights advocacy, or public-interest work.
- Several constitutional provisions may be implicated, including **Article 14** (equality before law), **Article 19(1)(c)** (freedom of association), **Articles 25 and 26** (religious freedom), **Articles 29 and 30** (minority rights), and **Article 300A** (property rights).
- By concentrating extensive powers within the executive branch, the Bill risks undermining freedom of association, institutional autonomy, and democratic accountability.
- The possibility of administrative action leading to asset confiscation without adequate safeguards raises serious concerns regarding fairness and the rule of law.

Conclusion

- Although the objectives of ensuring transparency and preventing misuse of foreign contributions are legitimate, the **proposed amendments grant unprecedented powers** to the executive through provisions relating to registration, suspension, investigation, and asset control.
- Effective regulation must be accompanied by **due process**, independent oversight, and constitutional safeguards.
- Without such protections, the **amendments risk transforming regulatory oversight into extensive state control** over organisations that play a crucial role in India’s social and democratic development.

FCRA Bill — Expanding State Control Over Civil Society FAQs

Q1. What is the main objective of the FCRA Amendment Bill, 2026?

Ans. The Bill aims to strengthen government regulation of foreign-funded organisations in India.

Q2. What does Section 14B introduce?

Ans. Section 14B introduces the automatic cessation of FCRA registration under certain circumstances.

Q3. What is the purpose of Section 16A?

Ans. Section 16A allows the provisional vesting of foreign-funded assets in a government-designated authority.

Q4. How could the Bill affect civil society organisations?

Ans. The Bill could restrict their autonomy and increase government control over their operations and assets.

Q5. Why are constitutional concerns being raised about the Bill?

Ans. Constitutional concerns are being raised because the Bill may affect freedom of association, religious rights, minority rights, and property rights.

Source: The Hindu

Indian Firms Underinvesting in R&D – Understanding the Structural and Historical Causes

Context

- India's low investment in Research and Development (R&D) is often attributed to policy and institutional weaknesses. However, the issue cannot be explained solely through economic structures or cultural factors.
- India's R&D deficit emerges from the interaction of historical, structural, financial, and political factors, some of which have shaped the behaviour and **risk appetite** of Indian **businesses** over time.

Large Domestic Market – A Double-Edged Advantage

- **The "captive market" effect:**
  - India's vast domestic market provides businesses with a large consumer base, reducing the pressure to compete internationally.
  - Firms can achieve growth by serving domestic demand without entering highly competitive global markets.
  - This **weakens incentives** for technological upgrading, quality enhancement, and frontier innovation.
  - Export competition has historically driven innovation in countries such as South Korea, Japan, and Germany.
- **R&D version of "Dutch disease":**
  - Just as resource abundance can reduce industrial competitiveness, a large domestic market may discourage firms from investing in costly and uncertain R&D activities.
    - **Key insight**: Easy market access can diminish the urgency to innovate.

Colonial Legacy and the Weak Manufacturing Tradition

- **Impact of colonial deindustrialisation:**
  - Economic historians have documented how colonial policies undermined India's indigenous manufacturing sectors, particularly **textiles**.
  - Traditional manufacturing capabilities were weakened or destroyed. Commercial communities increasingly shifted towards trade, intermediation, and arbitrage rather than production.
- **Long-term consequences:**
  - The decline of manufacturing ecosystems shaped business preferences and capabilities for generations.
  - Innovation-oriented industrial entrepreneurship remained limited.

    - Business communities became more comfortable with **commerce** than technological production.

Premature Financialisation of the Corporate Sector

- **Shift from productive investment to financial returns:**
    - **Financialisation** refers to prioritising shareholder returns and stock market performance over long-term productive investment.
    - It is perhaps the most significant factor behind weak R&D spending.
- **Lessons from developed economies:**
    - Research highlights how major U.S. corporations increasingly diverted profits toward share buybacks and dividend payments, instead of investing in innovation and capability-building.
- **The shareholder-value problem:**
    - The doctrine of maximising shareholder value often translates into maximising short-term stock prices.
    - This creates disincentives for R&D because research spending reduces current profits, benefits emerge only after 5–10 years, and corporate executives are rewarded based on short-term performance.
- **Executive incentives and short-termism:**
    - Studies show that stock-option-based compensation encourages earnings management rather than long-term investment.
    - Similarly, research found that publicly listed firms invest less than comparable private firms because of pressure from quarterly financial reporting.

India's Premature Adoption of Financialised Capitalism

- **A sequencing problem:**
    - Countries such as **Germany**, Japan, and South Korea first built strong manufacturing and technological foundations before becoming heavily financialised.
    - India followed a different trajectory. **For example**,
        - Financial-market pressures emerged before the country developed deep industrial capabilities.
        - Firms faced incentives to prioritise financial returns over technological investment at an earlier stage of development.
    - **Consequence:** India now exhibits R&D intensity that remains significantly below what is required for its economic and strategic ambitions.

Democracy, Uncertainty, and Long-Term Investment

- **High uncertainty in a complex democracy:**
    - India's political economy presents **unique challenges**:
        - Large and diverse electorate.
        - Multiple layers of governance.
        - Competing stakeholder interests.
        - Security challenges from a difficult neighbourhood.
    - These factors make long-term policy and economic outcomes harder to predict.

- **Impact on business decisions:**
  - Businesses respond to uncertainty by applying higher discount rates to future returns.
  - As a result, investments with distant payoffs appear less attractive, long-term projects such as R&D suffer the most, and firms prefer investments that generate **quicker** and more **predictable**
- **The R&D dilemma:**
  - Research spending requires sacrificing current profits for uncertain future gains.
  - In an environment of high uncertainty, underinvestment becomes a rational business response, even though it harms long-term national competitiveness.

Conclusion

- India's R&D deficit cannot be explained by a single factor. It stems from the interaction of:
  - A large domestic market that reduces competitive pressure.
  - The historical legacy of colonial deindustrialisation.
  - Premature financialisation and short-term shareholder capitalism.
  - Political and economic uncertainty that discourages long-horizon investments.
- Addressing the problem requires more than increasing R&D subsidies.
- It demands strengthening manufacturing capabilities, promoting export competitiveness, reforming corporate incentives, and creating a **stable environment** that encourages long-term innovation-led growth.

Indian Firms Underinvesting in R&D FAQs

Q1. How can a large domestic market discourage R&D investment among firms?

Ans. A large domestic market reduces competitive pressure from exports, weakening incentives for innovation, etc.

Q2. What is the link between colonial deindustrialisation and India's contemporary R&D deficit?

Ans. It weakened indigenous manufacturing capabilities and shifted business orientation towards trade and intermediation.

Q3. What is meant by financialisation?

Ans. It is the prioritisation of shareholder returns and stock prices over productive investment.

Q4. Why are publicly listed companies generally less inclined to invest in R&D than private firms?

Ans. Publicly listed firms face pressure from quarterly reporting and shareholder expectations, encouraging short-term profit maximisation.

Q5. How does political and economic uncertainty in a democracy influence corporate R&D decisions?

Ans. It raises the discount rate applied to future returns, making long-term R&D investments appear less attractive to businesses.

Source: IE

Implementation Complete, But Workers Still Vulnerable

Context

- India's four Labour Codes — enacted during 2019-20 — finally have their implementation rules notified in May 2026, completing the legislative framework after nearly six years.
- The four codes are:
    - The Code on Wages (2019),
    - The Industrial Relations Code (2020),
    - The Code on Social Security (2020), and
    - The Occupational Safety, Health and Working Conditions Code (2020).
- Trade unions and academics had hoped that the Rules — which lay down standard operating procedures for implementing a law — would moderate some of the more contentious provisions.
- This article highlights the completion of the implementation framework for India's four Labour Codes with the notification of Rules in May 2026.
- It examines whether the Rules address long-standing concerns regarding worker protection, job security, wages, social security, trade union rights, and workplace safety.
- The article argues that despite completing the legislative process, several critical gaps remain, leaving workers vulnerable and weakening labour protections.

What Are Rules and Why Do They Matter

- Rules cannot contradict the parent legislation, but they become critical wherever a law is **broad or open-ended**.
- They fill gaps, define procedures, and protect against misuse.
- Given the sustained opposition to several provisions in the four codes, the Rules offered a meaningful opportunity to address workers' concerns — an opportunity the author believes has been **squandered**.

Critical Gaps in the Labour Codes

- **Fixed-Term Employment: A Door Left Wide Open**
    - The Industrial Relations Code formally introduced **Fixed-Term Employment** (FTE) into India's labour law framework.
    - However, the Code specifies neither a minimum tenure nor a cap on contract renewals. The Rules maintain the same silence.
    - A minimum tenure of one year could have protected workers from exploitatively short contracts.
    - Without any renewal limit, even permanent positions can potentially be converted into FTEs with unlimited renewals — a significant regression for job security.
- **Minimum Wages: Vague and Biased**
    - The Code on Wages Rules provide only a **vague definition of "floor wage"** without clearly distinguishing it from the minimum wage.

    - The Rules prescribe consultation with state governments but specify no framework for how such consultations should work — raising fears they will remain symbolic.
    - More troublingly, the Rules perpetuate a **gender bias** baked into the existing wage-fixing convention: a four-member family is treated as comprising three consumption units, where an adult female is assigned a weight of 0.8 against 1.0 for an adult male.
        - The Rules do nothing to correct this.
    - The Rules also define hourly wage as simply the daily wage divided by eight — a conceptually flawed approach.
    - Internationally, hourly minimum wages are fixed independently of daily wages, because part-time or hourly workers may not find work for the remaining hours of the day.
    - This matters greatly given India's large domestic worker population and the rising gig economy.

Gig Workers: Left in a Legal Grey Zone

- The Social Security Code Rules make no attempt to clarify the employment status of gig and platform workers.
- They continue to be treated as **self-employed** and **remain part of the unorganised workforce** — outside the protective ambit of formal labour law.
- The Rules are also silent on mandatory gratuity insurance — a safeguard envisaged under the Code to protect workers from employers who fail to pay gratuity.
- By not specifying how this insurance would work, an important worker protection remains undefined on paper.

Trade Union Recognition: A Higher Bar, Less Protection

- The Industrial Relations Code Rules require that a sole registered trade union must have at least **30% membership** to be recognised.
- Crucially, this 30% threshold does not even appear in the Code itself — it has been introduced through the Rules.
- In large establishments, smaller or newly formed unions may struggle to meet this bar, further eroding workers' collective bargaining power at a time when **union membership has already been declining for decades**.

Missing Safeguards: Safety, Contract Labour, and Plantations

- The Occupational Safety, Health and Working Conditions Code Rules omit certain occupation-specific welfare measures — notably housing and medical facilities for plantation workers.
- The Rules also do not specify which activities can be performed by contract labour, nor do they distinguish between core and non-core activities.
- This ambiguity facilitates growing informalisation, as employers can engage contract labour even in core operations without legal clarity constraining them.

Conclusion

- Labour reform must balance ease of doing business with dignity of work.
- When rules that could have protected millions are left deliberately vague, it is not a legislative oversight — it is a **policy choice** that the working class will live with for years.

Implementation Complete, But Workers Still Vulnerable FAQs

Q1. Why are the Rules under the Labour Codes important?

Ans: Rules provide implementation procedures, clarify ambiguities in legislation, define safeguards, and determine how effectively workers' rights are protected in practice.

Q2. What concerns have been raised regarding Fixed-Term Employment (FTE)?

Ans: The Rules do not specify minimum contract duration or limits on renewals, allowing employers to repeatedly renew contracts and potentially weaken job security.

Q3. How do the Labour Code Rules affect gig and platform workers?

Ans: The Rules continue to treat gig and platform workers as self-employed, leaving them outside many formal labour law protections and social security benefits.

Q4. What issue has been highlighted regarding trade union recognition?

Ans: The Rules require a sole trade union to have at least 30% membership for recognition, potentially making collective bargaining more difficult for smaller unions.

Q5. What shortcomings exist in the Occupational Safety and Working Conditions Rules?

Ans: The Rules omit certain welfare provisions for plantation workers and fail to clearly define the use of contract labour in core activities.

Source: TH

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