'Tailored' news is bad news

Readymade news bulletin from public broadcaster AIR on private FM may not be the best form of news

NOT FOR PROFIT

NIVEDITA MOOKERJI

It may have passed as a routine news report, but it's extraordinary that after almost two decades of privatisation, FM radio in the country will get to broadcast news. It's even more extraordinary that it will get to broadcast only All India Radio (AIR) news without any alteration. This is not an overnight decision, nor is it an arbitrary call taken by the Narendra Modi government.

It was under the leadership of Atal Bihari Vajpayee that a full-blown FM radio privatisation policy was formulated and 108 FM frequencies across India went under the hammer. Between 1993, till when AIR was the only radio broadcaster in India, and 2001, when the first private FM radio station (Radio City in what was then Bangalore) was launched, privatisation meant selling airtime blocks on state-owned FM stations to private operators.

The 21st century opened with a big promise of good radio when the Vajpayee government announced a mega auction of frequencies. But after rounds of ambitious bidding by private players, years of tough business for many and several shutdowns and takeovers, we are left with close to 400 private FM stations across more than 100 cities and towns, belting out non-stop chatter interspersed with a mix of good and bad music, mostly 'filmy'. These stations can hardly be faulted for the content they offer. Reason: News, which has been a backbone of FM radio in the US and other Western countries, was a bad word when we set out on the big privatisation drive in 2000, and it still is. Government after government, irrespective of whether it's the Congress-led UPA or BJP-led NDA, has handled news on private FM radio with the same level of caution.

Ahead of the Lok Sabha elections, the state-run broadcaster will be on an overdrive to put across the government's message to the masses

Various governments have toyed with suggestions to find a middle ground — allow only sports and weather bulletins of very short duration, current affairs of a certain kind may be fine, talk shows referring to non-political news could be considered, and so on... Then came a proposal that private FM stations may be allowed to broadcast AIR news in an unaltered form. That was years ago, and finally now AIR is ready with the news capsules to share with private FM radio stations. Information and broadcasting minister Rajyavardhan Singh Rathore said the move would empower citizens. Really?

The readymade news bulletin from the stable of public sector broadcaster AIR may not be the best form of news to be consumed by citizens across the country. The objectives of private FM were to make quality programmes with a localised flavour in terms of content and relevance and to encourage new talent and generate employment opportunities directly and indirectly, as a former I&B official described it. This was also meant to supplement the services of AIR, according to the official. Using readymade news bulletins from AIR will not meet any of those objectives.

From the government perspective though this is excellent timing to allow private FM radio stations to use AIR news. Ahead of the Lok Sabha elections, the state-run broadcaster will be on an overdrive to put across the government's message to the masses. What can be better than private FM radio to transmit the same message. Whether you are a professional driving to work in a city or a farmer working in the fields, the radio will be at work. There will be localised news also catering to the FM audience spread over shorter distances, but everything will come from AIR.

The fear of news tailored by private players is a surprise in the internet age. If news websites, run by any entity, can reach out to everyone, why not radio? The argument often is websites are accessed by a more educated class, compared to many of those listening to radio. So, it may be easier to influence radio audience than somebody watching TV or reading news on a website, according to the argument, which has no credibility. More than anything else, when Twitter and WhatsApp spread news, fake or otherwise, more rapidly than any other platform, the inhibition about radio news is tough to figure out.

In fact, even in the latest announcement that the government has made on permitting AIR news on private FM radio stations, there's a caveat. That is, private FM broadcasters may avoid broadcasting in disturbed or border and Naxalism affected areas. What is left unsaid is that some news may result in volatile riot-like situations, and so let there be news-less islands across the country.

It has taken decades for India to allow news on private radio, even if it's AIR tailored content; it will take several more years to let private FM radio to have their own news.

CHINESE WHISPERS

A hard-earned break

Bharatiya Janata Party (BJP) chief Amit Shah (*pictured*) has a reputation in the party of being a hard taskmaster and a workaholic who has little time for recreation. It surprised many in his party when they heard Shah joined some of his party colleagues for dinner at a restaurant in Delhi on Tuesday evening. The outside world came to know of it when BJP Rajya Sabha member Subramanian Swamy tweeted about it on Wednesday afternoon. "Yesterday, hard working efficient Parliamentary Affairs Minister (Vijay) Goel took BJP MPs of Rajya Sabha, including me to dinner at a lovely Rajasthan type ITDC Haveli restaurant/hotel in Chandni Chowk. Party president Amit Shah headed the dinner table. The informality of the occasion was great," Swamy tweeted. A party member quipped how much has changed after the recent Assembly poll results.

Dhaba politics of MP

Allegations of horse-trading are surfacing in Madhya Pradesh with unfailing regularity. In the most recent instance, Congress members have cited names and numbers to bolster their allegation. They have claimed that the Bharatiya Janata Party (BJP) has put out feelers to at least four of the party MLAs in the state. According to former chief minister and senior party leader Digvijaya Singh, BJP MLA Narayan Tripathi had taken Congress' Sabalgarh MLA Baijnath Kushwah to a *dhaba* (local eatery) for a tête-à-tête. Former ministers Narottam Mishra and Vishwas Sarang (both from the BJP) met him (Kushwaha) and allegedly offered ₹100 crore to topple the government. Three other Congress MLAs — Hira Alawa (Manavar), Ashok Marskole (Niwas) and Panchilal Medha (Dharmapuri) — also alleged that BJP leaders have contacted them and offered ministerial berths in return for a defection.

Dismal floor management

Senior Bharatiya Janata Party (BJP) leaders in Madhya Pradesh were doleful about what they termed was dismal floor management in the Assembly they dominated for 15 years. They cited the recent election of the Assembly Speaker as a case in point. The election was the first big test for the ruling Congress, but the BJP failed to capitalise on the opportunity. Congress MLA N P Prajapati was elected the Speaker of the 15th Assembly in the absence of BJP MLAs, who walked out protesting the protem speaker's refusal to let the Opposition party propose the name of its nominee for the post. A senior BJP leader rued that he was sad to see the "disintegration" of the state unit.

Linking lending rates to external benchmarks

Instead of moving the whole banking system to a new lending regime, a practical way forward would be to let the banks continue with the existing system, duly addressing its weaknesses, if any

PRASHANT KUMAR

The latest financial stability report of the Indian central bank, a biannual health check-up for the banking system, should be music to the ears of the CEOs of banks and the investors in bank stocks.

The recent proposal by the Reserve Bank of India (RBI) to link all new floating rates, retail (housing, auto etc.) and micro and small enterprise to market determined benchmarks from April 1, 2019, is a paradigm shift for Indian banks. While the RBI believes the new regime will ensure transparency, standardisation, and ease of understanding of loan products by borrowers, the majority in the banking community can foresee a plethora of challenges going forward.

To be fair to the RBI, the external benchmark is popular in Western countries for setting lending rates because banks there depend largely on short-term funds. This makes their cost of funds flexible. In particular, the financial system operates primarily in a liquidity shortage mode and banks take frequent recourse to central bank liquidity. Indian banks, on the other hand, have a strong sticky retail deposit base and hence do not resort to borrowings from the central bank.

The large share of public deposits in total liabilities for countries like India has important implications for macro stability and policy transmission. First, with banks funding themselves through retail deposits, the source of vulnerability to external contagion is significantly reduced. Second, only 1 per cent of the bank borrowings is currently at the policy rate of 6.5 per cent. Third, the share of public deposits has a preponderance of CASA (41 per cent approximately) that is mostly interest rate agnostic in India with an average interest rate of around 3.5 per cent. The rest are time deposits with a fixed interest rate for the duration of the deposit tenure. Thus when, say, the repo rate say changes by 25 basis points, even under full transmission, there could be at most a 15-basis point impact on deposit rates (25 bpX59 per cent interest sensitive time deposits) and thereby on lending rates.

Compared to India, demand deposits in developed economies (the UK, the US, Singapore, euro zone countries) do not pay any interest rate and the deposits can be withdrawn at any point of time without any penalty. This minimises the cost of deposits significantly. Second, even in the time deposit category, the deposits are mostly floating and are linked to a bank's external benchmark.

It would be difficult to implement floating retail deposit rates in India. We can't overlook the fact that even today only about 3 per cent of the population has access to social security, while a large proportion of senior citizens still rely purely on bank deposits as a source of their retirement corpus. Once deposits are linked to market determined benchmarks, the risk of deposit flight from banks to small savings will be quite real. It would be pertinent to add here that floating rate deposits, which were introduced in 2001 and even in 2010 with rates linked to yields on government securities, received a thumbs down from customers. In contrast, senior citizens in almost all developed countries are entitled to generous social security corpus and need not rely on bank deposits for their needs.

ILLUSTRATION BY BINAY SINHA

Also the RBI issued inflation-indexed linked bonds for the first time in 2013. However, the market is still not developed for the same. One of the reasons for low popularity of this instrument in India is perhaps that Indians prefer stable returns to variable returns as they are linked to the inflation rate.

Alternatively, banks may think on the lines of converting their fixed-rate deposits into flexible-rate deposits by going for interest rate swaps (IRS), where fixed obligations of banks can be converted into floating ones. But, there is a catch here: While globally, the market for IRS is quite huge, in India it is at a nascent stage and suitable counter parties to account for ₹118 trillion of bank deposits is simply not possible. This will deter banks from venturing into this market, and quite naturally so.

There are other problems too. In the new regime, computation of the spread will be a huge challenge for banks. The operating cost, currently built in the MCLR (marginal cost of funds based lending rate), will need to be an invariable part of the spread going forward. This will quite naturally push up the spreads, ultimately leading to further discontent in the borrowing community and thereby defeating one of the main reasons behind the introduction of the new regime. Also, given the high degree of competition among banks, freedom to charge the spread will be limited. This will put additional pressure on banks' balance sheets which are already under severe stress. The banking sector's net interest margin (NIM), already at a very low level, will go further down. For the record, Indian banks currently have one of the lowest NIMs, at 2.8 per cent (world average: 5.7 per cent).

In the new regime, quarterly or more frequent interest resets would also lead to frequent changes in EMIs, leading to confusion among a majority of the borrowers. Further, as loans are repriced faster than deposits in a downward interest rate scenario, there will be an adverse impact on the profitability of banks while in an upward interest rate scenario, the interest servicing capacity of the borrower will be impacted. Reset frequency is commonly tenor-based in the international markets.

There are costs involved in terms of customisation of technology, documentation-related issues in amending the original terms of the loan contract, executive time and bandwidth of the management required to operationalise the changes.

Given this, it would be more prudent to let the banks decide the future course of action for themselves. Instead of moving the whole banking system to a completely new lending regime which is alien to the Indian market, a practical way forward could be to let the banks continue with the existing MCLR system, duly addressing its weaknesses, if any.

The author is DMD & CFO, State Bank of India. Views are personal

INSIGHT

Popular aspiration vs political response

Discussing market reforms would likely make politicians on both sides of the Parliamentary divide uncomfortable but it is a conversation that India desperately needs to have, and not just in Parliament

DHIRAJ NAYYAR

It is a sign of India's progress that the political debate on the economy is now centred on jobs, not poverty. That the advance is not rapid enough is evidenced by the continued predominance of welfarism over growth. And therein lies a paradox of India's current political economy — the popular aspiration is for better jobs, the political response is redistribution. What better paying jobs require is a double digit growth which can only materialise if a series of difficult reforms are implemented. On the other hand, some redistribution is perfectly feasible at 7-8 per cent levels of growth as both the United Progressive Alliance and the National Democratic Alliance governments have shown. If this was a satisfactory equilibrium, incumbent governments would not feel much pressure. Clearly, it is not.

Last week, there was a spirited discussion in Parliament on the Rafale acquisition matter where both the government and the Opposition dissected and debated the issue threadbare. If only Parliament debated the issue of jobs in similar spirit and detail. Unfortunately, the discourse on jobs is only about numbers: How many were created by which government? While not irrelevant, that is not the moot question. The creation of jobs, or better paying jobs, is not something any government can do with one stroke of the administrative pen or even with one or two legislative changes. There is a gamut of reforms required — in land, in labour, in taxation, in banking, in the public sector, in environment, the list is long — but discussing market reforms frankly would likely make politicians on both sides of the Parliamentary divide uncomfortable.

It is a conversation that India desperately needs to have, and not just in Parliament. It is generally agreed that India has carried out market reform by stealth or via strategic silence rather than on the back of public opinion. That may have worked for a first generation of reforms but it is not working for the next. Consensus is loaded with negative connotations in India's political economy but the country needs a new social compact to meet its aspirations. Politics/government, industry and civil society need to engage in a dialogue to chart a feasible course that will deliver double-digit growth which is inclusive and sustainable.

Of course, even if there is broad agreement on the end goal, there will be serious disagreements on the pathways. Consider the scenario in just one sector, natural resources. No country has achieved prosperity without consuming vast amounts of energy (oil and gas, coal, renewables recently) and metals (iron, steel, aluminium, copper, rare earths more recently). This is true of the first, second and third industrial revolutions and it will be true of the forthcoming fourth industrial revolution as well — it is a necessary condition for growth. Of course, the use of energy and resources has serious spillover consequences, not just for the environment but also for communities. India's current reality is that it is consuming ever more quantities of energy and resources as it grows at a rate of 7-8 per cent per annum but its policies for the sector are caught in a tangle between the divergent views of industry, government and civil society.

India is a mineral-rich country (its geological potential is similar to Western Australia) but mines only 2 per cent of its potential

India is a mineral-rich country (its geological potential is similar to Western Australia) but mines only 2 per cent of its potential. Civil society activism and government concern for communities has meant that India imports a significant amount of its resource requirements, straining its current account and its inflation levels every time global commodity prices go up. Elsewhere, in emerging economies like South Africa and Brazil, governments, industry and civil society have come together to unleash the potential of the sector while protecting, and often enhancing, the interests of the environment and communities. With technology and transparency, both of which are available in India, it is possible to achieve superior outcomes even in a contentious sector like resources.

Alternatively, perhaps there may be a view that India should not exploit natural resources at all and should import all its requirements. In which case, there will need to be a simultaneous consensus on which sectors can generate enough exports, or attract massive foreign investment, to pay for the huge import bill. Then, policies for those sectors will need to be liberalised.

Development does not happen without disruption. Better jobs will not materialise automatically. They need a vibrant market ecosystem. There are bound to be some losers in any process of structural reform but that isn't reason enough not to reform. Instead, create systems for their rehabilitation. Politicians must urgently initiate a national dialogue on double digit growth and good jobs because it is their, not industry and civil society, who will, in the end, face the judgement of an impatient India.

The author is chief economist, Vedanta Ltd

LETTERS

Easy escape

This refers to "White collar crime: why they do it" (January 9). In addition to what Shyamal Majumdar shares in his column, there are some other factors because of which even top business celebrities commit fraud and other crimes aimed at making personal gains. Unlike developed countries, it takes a long time in India to investigate the crime and punish such offenders. Moreover, they manage to get bail and continue to enjoy the "fruits" of their labour.

This gives them time to transfer ill-gotten gains to their various sources making the process of tracing them difficult.

The ease with which officers and politicians can be bribed here also add to the problem. Such transfer of money helps them to settle abroad and lead a lavish life after easily escaping from India. And that is when we have cases such as those of Vijay Mallya, Nirav Modi and Mehul Choksi.

Compare this to the number of directors and executives who were sentenced to prison for fraudulently concealing large losses in Enron Corporation's projects.

While the honest are motivated by money up to a point, there is no limit to the greed of the dishonest. Rapid success and no fear of punishment make them reckless.

Y G Chouksey Pune

Strengthen PSBs

Linking the introduction of reforms in banks with restrictions on their functioning is not correct. Substantive reforms of banks, especially the public sector (PSBs) ones, will improve their efficiency and enable them to effectively compete against private and foreign banks. In fact, it is precisely because no reforms have been carried out in the PSBs that they are in dire straits – dealing with under-capitalisation, losses, non-performing assets (NPAs) and facing high operational risks and low productivity. It's high time comprehensive reforms of these entities are carried out. Sadly, this has not happened despite the problems being faced by these entities.

Merely infusing capital into loss-making entities without substantively reforming them is a short-term measure, a bit like agricultural loan waivers. The merger of PSBs, that is, the relatively strong ones with weak ones, without reforms, will not create strong PSBs. Also, weakening the regulatory systems will not produce strong PSBs.

Arun Pasricha New Delhi

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 • E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE

BY MIKE FLANAGAN

Business Standard
Volume XXIII Number 106
MUMBAI | THURSDAY, 10 JANUARY 2019

Tip of the iceberg

CAG presents a disturbing picture of govt spending

The Comptroller and Auditor General of India (CAG) on Tuesday tabled its report on spending in Parliament. The national auditor expressed concern that the government has taken to financing its expenditure through various methods of borrowing that are not reflected in the headline numbers in the Union Budget. It thus disguises the true level of the crucial revenue and fiscal deficits, and appears to be keeping to the path of fiscal consolidation even while deviating from it. There are multiple ways in which the government has been accused by the CAG of concealing off-Budget expenditure. For example, special banking arrangements were used to conceal the deferment of fertiliser subsidies. Spending on irrigation was masked by borrowing by the National Bank for Agriculture and Rural Development or Nabard. Railway expenditure was covered by borrowing by the Indian Railway Finance Corporation, and spending on power projects by the Power Finance Corporation. None of these are under the Budget and thus subject to Parliamentary approval. Yet they are definitely aspects of spending. Thus, the balance of power between the executive and the legislature is being disturbed. It also fails to be transparent and thus short-changes savers and investors.

Investors require a fiscal deficit number that is credible, and reflects the true level of government borrowing and spending. Using that number they can come to conclusions about the future demand for debt, the nature of inflationary pressures, and so on. The more transparent these are, the better the market works — and the more money can be raised going forward. Thus, the government should not sacrifice the effectiveness of the bond markets to its short-term desire to raise more finance while appearing fiscally conservative. The deception of savers is also important. Consider the misuse of the National Small Savings Fund or NSSF, for example. These are savings that have been given to the government as a trustee. It is now being used to prop up public sector bodies that no competent investor would want to put their money in, following a rules change by the government allowing such investments out of the small savings fund. For example, the small savings fund has lent money to the troubled and loss-making state-owned airline Air India, which is not even a risk-loving fund, let alone one that serves as a trustee of small savings, would claim is a safe and productive investment.

The mismanagement of the Food Corporation of India (FCI) is another case in point. The government has passed on its own food subsidy burden, which should come out of the Budget, on to the FCI. The FCI has borrowed to pay for that burden — and is now dipping into the NSSF to the tune of tens of thousands of crores to service that debt. In 2017-18, the FCI took loans of ₹65,000 crore from the NSSF — partly for fresh expenditure, and also to to repay some of the principal of an earlier loan. All this money should in fact have been part of official government expenditure in the Budget. The CAG is thus right to question the credibility of government fiscal statistics. The forthcoming Union Budget should incorporate no such sleight of hand and instead give the true picture of central finances.

Every drop counts

New groundwater-extraction guidelines are inadequate

The new water-extraction guidelines, notified by the Central Ground Water Authority (CGWA) to take effect from June 1, are unlikely to help check wasteful and injudicious use of rapidly vanishing groundwater because of several loopholes. For one, they do not make any effort to ensure efficient and need-based utilisation of water for irrigation, which corners nearly 90 per cent of the extracted groundwater. The domestic sector, which accounts for another 5 per cent of it, has also been exempted from any restrictions. That leaves only 5 per cent groundwater that is accessed by the industrial sector to be regulated for careful use. Even in this case, some of the well-advised norms that are already in place have been relaxed for no good reason. Many commercial ventures, including beverages and drinking water bottlers, do not only consume water in bulk but also waste it in substantial measure. The power of issuing no objection certificates for many kinds of industrial units has now been vested with district magistrates instead of the CGWA. Given the lack of wider perspective on the status of this dynamic natural resource, the civic authorities can be expected to be quite lenient in letting the commercial ventures tap it unchecked.

The existing provision for mandatory recharging of groundwater by bulk consumers has also been diluted. They are now bound only to undertake rooftop water harvesting and not large-scale field projects for rainwater harvesting. Though the new guidelines propose water conservation fees on groundwater use to generate resources for the state governments' water harvesting schemes, there is no guarantee that these funds will actually be used for this purpose. No doubt, the water charges have rightly been linked with the category of aquifer, type of industry and the quantum of water extraction but, in the absence of any cap on water withdrawals, this step will not suffice to discourage its wasteful use by cash-rich consumers. Moreover, the new rules have, for inexplicable reasons, virtually done away with the obligation to reuse the extracted water. Any laxity on this count is uncalled for considering the rampant overexploitation of this resource, causing a sharp dip in water table in many areas.

India is already the world's largest user of groundwater, tapping annually about 253 billion cubic metres (BCM) of water. This is equivalent to 25 per cent of the global yearly withdrawals. As many as 1,034 of India's total 6,584 groundwater blocks have already been categorised as "over-exploited". Among the rest, 253 blocks are in "critical" and 681 in "semi-critical" categories. Some 96 others hold only saline water which, in any case, is not of much use. Water tapping in these areas needs to be kept below the level of annual recharge through natural or other artificial means. With such disquieting state of the country's groundwater resources, exceptional care is needed not only to thwart its indiscriminate use but also to incentivise its replenishment with rainwater. Otherwise, large parts of the country would soon face severe shortage of water even for domestic and drinking purposes.

ILLUSTRATION BY BINAY SINHA

Some macroeconomic musings for 2019

The challenges of growth and job-creation in 2019 look quite daunting

It's that time of the year, to offer some thoughts about key economic issues as 2019 unfolds in the coming dozen months. The only thing one can be sure about is that there will be major economic and political developments about which we have little inkling at present. That's the glorious and scary uncertainty inherent in the future. As in past years, I divide my remarks between global and Indian domains.

Global Issues

The world's largest economy, the United States (US), recorded strong growth in 2018, at nearly 3 per cent, thanks mainly to the extraordinarily pro-rich and uncompensated tax cut stimulus enacted in late 2017. Although Trumpian trade wars ramped up during the second half of 2018, their negative effects on output and growth will be felt mostly in 2019. As the tax stimulus wanes, trade wars hurt and interest rates normalise, US growth is likely to decelerate to the 2-2.5 per cent range in 2019. Some bearish analysts even foresee signs of recession in the last quarter. That is unlikely unless financial market turbulence is unexpectedly high or the political discord between President Trump and the Democrats-controlled House of Representatives reaches extreme levels or the trade wars (especially with China) get much worse.

A PIECE OF MY MIND

SHANKAR ACHARYA

The European economy (of comparable size to that of the US) was already slowing in 2018 and growth is likely to be even lower at around 1.5 per cent in 2019, significantly lower than the 2 per cent projected by the International Monetary Fund (IMF) in October. Factors suppressing dynamism include: Trade spats with the US; the increasing polarisation of European politics; the massive debt and deficit problems of Italy; the impending end of Angela Merkel's remarkable stewardship of Germany; and, of course, the spillover effects of Brexit.

The United Kingdom's self-goal, the Brexit drama, will reach some sort of climax in the next few months. Likely endgames are parliamentary ratification of the current Theresa May draft deal (most analysts consider this least likely at present), crashing out of the European Union without a deal in March, or a second referendum which, in effect, may cancel the result of the June 2016 vote. Most serious analysts assess the last possibility as the best for Britain from both economic and security vantage points, but that doesn't mean it will happen. All other options will hurt Britain now and in future, and also entail significant negative consequences for Europe.

Of equal concern to the likely economic slowdowns in the US and Europe is the slackening of growth in China. Even at market exchange rates, China's economy is now two-thirds the size of the US; so what happens in China matters to the global economy. Against a background of high total debt (now 250 per cent of GDP compared to 140 per cent in 2009), determined government efforts to rein in the large shadow banking sector and environmental pollution, and the unresolved trade and other economic disputes with the US, the recent weakening of sales of iPhones, cars and houses is ominous. It is quite possible that GDP growth in 2019 could slow to 5-5.5 per cent from about 6.5 per cent in 2018.

Taken together, this suggests that world economic growth at market exchange rates in 2019 could well slow to 2.7-2.9 per cent from 3.2 per cent in 2018, with consequential further dampening of global trade. The only silver lining is that international prices of oil will probably average at moderate levels ($50-60 per barrel of Brent crude).

India's issues

The Indian economy has opened 2019 on a weak note. The recent official "First Advance Estimates" for fiscal year 2018-19 indicate GDP growth of 7.2 per cent (lower than earlier projections by both the Reserve Bank of India and the finance ministry), with a significant slowing in the second half to 6.8 per cent from 7.6 per cent in the first half. The deceleration is particularly sharp in manufacturing, from 10.3 per cent in the first half to 6.4 per cent in the second half.

More worryingly, the slowdown is likely to persist in the coming fiscal year, 2019-20, because of:

- The expected deceleration in the global economy;
- The rising fiscal stress at both central and state government levels, stemming from under-performance in major taxes (especially GST) and growing expenditure commitments for pre-election, populist programmes (such as loan waivers). This could keep interest rates high and crowd out private investment;
- The lacklustre performance of exports, which remain challenged by the slow growth of world trade, an over-valued exchange rate, higher customs duties (in India), weak infrastructure, the lasting impacts of demonetisation and GST transition on small-scale exporters, and a variety of sectoral policy distortions. This will keep our external finances vulnerable to volatility in capital flows and oil prices;
- The continuing drag of high levels of non-performing assets in our largely government-owned banking system and the more recently exposed weaknesses in the non-bank finance sector;
- The inevitable uncertainties associated with the forthcoming General elections in the first quarter of FY 2019-20.

All things considered, it is likely that the economic growth will remain below 7 per cent, possibly closer to 6 per cent, in the coming year.

Of even greater concern is the continuing stagnation (or worse) in the employment situation, for which reliable official data (National Sample Survey) are 7 years old. The most recent large sample survey information is provided by the Centre for Monitoring Indian Economy's "Wave" survey for September-December 2018, with a sub-sample of 140,000 households in December. According to this, the unemployment rate has climbed to7.4 per cent, the highest in 15 months (see Mahesh Vyas's "On the job" column in *Business Standard*, January 8, 2019). Furthermore, the absolute number of unemployed increased by 11 million over the year 2018, corresponding to a decline in total employment by that magnitude. Four-fifths of the job losses were accounted for by women, of which three-quarters were in rural areas. If this data is even approximately correct, it paints a very depressing picture.

The macroeconomic challenges of growth and job-creation in 2019 look quite daunting.

The writer is honorary professor at ICRIER and former Chief Economic Adviser to the Government of India. Views are personal

Quotas on the learning curve

The misgivings raised by the "Forwards Quota" Bill, which was moved and passed by the Lok Sabha on the same day with a 323-to-3 majority, has highlighted like never before the dichotomies in the debate over job and education quotas that have festered since the 1950s. Affirmative action in a country steeped in societal injustices is an unexceptionable value. But it is worth wondering whether the "top-down" approach that has long prevailed — ever-escalating quotas in government jobs and for admission in government-owned or -aided institutes of higher education — is the practical way to go about it.

Whatever the provenance of the recipient of affirmative action — whether caste, tribe, or, the latest innovation, economic situation — neither tool is truly empowering or socially transformative. Note the fierce enduring controversy, in the public discourse and in the judiciary, over whether the lower castes benefit or whether the largesse is cornered by the "creamy layer," the term that refers to the richer, more educated members of that sprawling category known as Other Backward Castes. Then there is also the inconvenient truth, as bluntly articulated by Nitin Gadkari not so long ago, that since the government, at the Centre or in the states, are no longer job creators, granting job quotas to anybody are, essentially, a meaningless exercise.

SWOT

KANIKA DATTA

Mr Gadkari has unwittingly highlighted the nub of the problem for any politician who is genuinely concerned about building greater social equity in India beyond vote-winning gimmickry. Since the bulk of jobs — and we're not talking of *pakora*-sellers here — have been and are being created in the private sector, which is now also the major supplier of education services, the real conundrum is to nudge the corporate sector to do its bit in levelling the playing field for the socially marginalised. Obviously, mandating reservations would be the wrong way to go about it. These are commercial organisations, after all.

The answer lies in a "bottom-up" approach to "capacity building" to use two terms favoured by civil society. If we set aside the deep-seated casteism that assails India even in the 21st century, the general hostility to job and student admission quotas centre on the fact that they narrow the already sparse job opportunities for a vast cohort of non-beneficiaries, compounded by lower qualifying criteria. This has the effect of heightening, however unfairly, the resentment and prejudices against beneficiaries of reservations, quite defeating the purpose of affirmative action.

Note, however, that reservations are limited to jobs and admission to institutes of higher educations. What happens at the formative primary and secondary school levels seems not to have occurred to lawmakers, though differential qualifying criteria acknowledges that their basic education may not be optimum. Given that, would it not make sense for the government to jettison its universal education policy and mandate reservations at school-level in all schools, whether government or private, and leverage its education subsidy to this end? The route for doing so has been demonstrated with some success in the school voucher system for poor students, first mooted by the Centre for Civil Society, and which appears to be working with some success at least in Delhi.

The voucher system, which enables disadvantaged students to attend quality schools of their choice without forcing the institution concerned to forfeit revenue, has worked well in countries around the world, including the US. It has the double advantage of achieving social equity and integration, and delivering better education outcomes for a larger proportion of the population. Armed with this equal opportunity advantage, the socially disadvantaged student would be in a position to imbibe more fully the benefits of higher education at university or the premier B-schools.

Which brings us to jobs. A legislatively mandated levelling of the educational playing field will make it difficult, indeed unnecessary for corporations to discriminate in their hiring practices. To prod them out of age-old prejudices, the government has one potent tool, which the US government leveraged to useful effect, starting with the new Deal, to mitigate the impact of racial segregation. It can mandate that all government contractors ensure a minimum level of social diversity in their hiring practices. Big Government has some uses! To be sure, such changes will not make India the just society that the writers of constitution visualised overnight. Positive social change can take decades, but starting at the grassroots raises, at the very least, the green shoots of hope.

The realities of Lutyens' Delhi

BOOK REVIEW

UTTARAN DAS GUPTA

Asked if he had any regrets about his first tenure as prime minister, Narendra Modi at a TV interview last week said: "I could never make Lutyens' world part of me nor me part of them." He was referring to the upscale areas in central Delhi that houses ministers, bureaucrats, and senior army officers, and is idiomatic of the ruling establishment of the country. The jury is still out on whether or not such an establishment actually exists, but there is general consensus on one fact: British planners of New Delhi, had little to do with the neighbourhood in the national capital that commonly bears his name.

In her new book, which chronicles the establishment of the city as the capital of the British Indian empire and then of the independent nation, historian Swapna Liddle writes: "The evolution of the town plan of New Delhi… can be traced through the notes and correspondence of the principal players… In particular [architect Henry Vaughan] Lanchester and [Viceroy Lord] Hardinge were crucial in determining the fundamentals of the final scheme. …Yet… in the decades to come, [their] contributions would be all but forgotten, and New Delhi would be popularly known as 'Lutyens' Delhi'."

Despite the wealth of details tracing the evolution of the city through the 20th and the first two decades of this century, the book does not really end

The current book is a follow-up or sequel of sorts to *Chandni Chowk: The Mughal City of Old Delhi*, in which Ms Liddle — a professor of history who also conducts heritage walks with the Indian National Trust for Art and Cultural Heritage (INTACH) — had written about the establishment of Shahjahanabad, commonly called Old Delhi, in the 17th century and its eventful life till current times. In Connaught Place, she takes the story forward to 1911, when the decision to move the capital of the British Indian Empire from Calcutta (now Kolkata) was announced at a coronation durbar for Emperor George V to how the plan was executed to current times, when the city continues to expand at a rapid pace.

In the Introduction, she reveals to the reader the germination of this book: "I first set out to examine New Delhi's architectural and historic significance in some detail as part of a project undertaken by the Delhi Chapter of the INTACH… [for] a dossier, applying to UNESCO for recognition of two cities of Delhi — Shahjahanabad and New Delhi for World Heritage City status." This recognition never materialised but these two books, read separately or together, provides an easy access to this historic city's past and how that shapes much of its present. This is of interest not only to current residents but to anyone eager to find out more than what they can learn on casual visits to its innumerable monuments and buildings.

Ms Liddle argues in the early chapters that the decision to move the capital from Calcutta to Delhi was rooted in a change in British imperial attitudes. "Many have seen the creation of New Delhi as the articulation of imperial authority — an essentially conservative, even regressive idea. A closer look at the official correspondence suggests that it was an altogether different kind of empire that devolution of power to the provinces, and by implication a system that was more responsive to local Indian needs." Ms Liddle quotes extensively from these documents to substantiate this argument, which also seems to link India's post-Independence history as a continuation to processes and developments before 1947.

One of the manifestations of this new colonial attitude was Lord Hardinge's insistence on including aspects of Indian architectural traditions in the official buildings of the new capital, though Lutyens had a poor opinion of it. Despite "noble" intentions, however, the planning and construction of New Delhi was deeply influenced by the hierarchical colonial society divided on lines of class and race, writes Ms Liddle. For instance, the highest officials of the government were accommodated in large bungalows near the Secreteriat; clerks were given homes at a little distance. Even among clerks, race was a determining factor on what kind of a house one got: "an Anglo-Indian clerk would live in a house twice the size of an Indian in the same pay grade."

Despite the wealth of details tracing the evolution of the city through the 20th and the first two decades of this century, the book does not really end. To do so is technically an impossible task, because New Delhi shows no sign of slowing down. One complaint I have is that Ms Liddle has not written more about the underground metro, now the most important mode of transport in the city. (Perhaps another book?) She also lobbies against densification — which might create more homes — but, as Ms Liddle writes, would destroy the essential features of Delhi. In the Introduction, she writes that in spite of the large volume of literature on the city, "there is room for a concise, easy to write book…" Ms Liddle achieves this ambition marvellously.

CONNAUGHT PLACE
And the making of New Delhi
Swapna Liddle
Speaking Tiger
Pages: 175; Price: ₹499