Opinion

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INDIA'S ROLE IN AFGHANISTAN

Hamid Karzai, former Afghanistan president

We want India to do a lot more in Afghanistan, do things entirely on its own, detached from all other countries. We want [it] to be on board all the peace processes that seek to bring stability, institution-building and development in Afghanistan

Why have deficit target if it doesn't reflect reality?

CAG does well to point out that off-budget financing and delaying payments make a mockery of the budget

WHEN INDIA FIRST embarked upon the path of fiscal responsibility through the FRBM Act, a 3% fiscal deficit target was set for FY09. It speaks volumes for how various governments have decided not to adhere to this that, a decade later, in the FY19 budget, the fiscal deficit target is 3.3% of GDP. It is obviously true that a single-digit fixed number is a bad idea, the deficit needs to be counter-cyclical so that it can be low in years of good growth and high when growth needs to be stimulated through more government expenditure. After all, the deficit in itself is not as important as the issue of the government 'crowding out' private sector borrowers; this happens only in years of high growth when private expenditure is also buoyant. The reason why India has never been able to do this, though, is precisely because no government has compressed expenditure—and hence the deficit—in high-growth years; only when this happens is there scope to raise the deficit in a low-growth year. That is why, while the NK Singh panel has allowed a slightly higher deficit in a really bad year, the deficit target remains a single number.

What is more problematic, as the CAG has pointed out in the past as well, is that the government of the day makes a mockery of this number by either doing a lot of off-budget financing or by simply deferring payment of various bills such as those of the Food Corporation of India (FCI) for its food subsidy operations. And when the NDA came to power, another chosen off-budget vehicle was loans from other PSUs like LIC—LIC has, from time to time, extended loans to the Railways for its capex. Since this money has to be repaid eventually, it will impact spending in that year, so it is better to have clean accounting every year. As a result of this, CAG says, the Central government's total liability at the end of FY17 was not the 45.5% of GDP that was reported but a much higher 50.5%.

In the case of fertilisers, CAG points out, an expenditure of ₹26,417 crore was carried over in FY13 and this rose to ₹43,356 crore in FY16, before falling a bit to ₹39,057 crore in FY17; to put the FY17 number in perspective, it was 56% of the ₹70,100 crore expenditure mentioned in the budget. Indeed, since the fertiliser companies weren't paid on time by the government, the government had to arrange loans for them from PSU banks through what is called a Special Banking Arrangement. In the case of FCI, arrears rose from ₹23,427 crore in FY12 to ₹81,303 crore in FY17; in FY17, the arrears were slightly higher than the budgeted expenditure of ₹78,335 crore. And, as *FE* reported, FCI had to borrow ₹1.2 lakh crore from the small savings' scheme in FY18 to help cover its subsidy arrears of ₹1.35 lakh crore. For FY19, *FE* reported that the Central government had lined up extra-budgetary borrowing plans of ₹1.7 lakh crore via FCI, Nabard, REC, PFC, etc, a number that was up 110% from that in FY18. Not surprisingly, the CAG has recommended the government come up with a policy framework for off-budget financing and report the number to Parliament. If every government is going to try and beat the FRBM target by withholding subsidy payments or by using off-budget borrowing, then why even bother with an FRBM target and pretending to achieve it each year.

Encouraging DigitalPay

UPI payments growing well, but still quite small

GIVEN HOW UPI payments rose from a mere ₹706 crore in December 2016, to ₹13,144 crore in December 2017 and to ₹102,600 crore in December 2018—620 million transactions were done last month—it is clear UPI is gaining a lot of traction. Indeed, by 2020, 80% of all non-cash transactions are expected to be routed by UPI. However, the fact is the volume of cash transactions is high and it remains the preferred currency. But, given smartphones are selling in big numbers and tipped to hit 700 million by 2020, there is a big opportunity—not to mention, a big need—to push digital transactions.

In order to do that, stakeholders—especially those intermediaries working hard to encourage digital payments—need to be incentivised. The Nandan Nilekani committee, set up to see what needs to be done, may want to assess whether the subsidies and discounts are being channelled quickly to the beneficiaries. For example, banks have been accused of delaying reimbursements of merchant discount rates (MDR) to merchant aggregators and acquirers. While the absolute values may be not be large since these are small-value digital transactions—the estimated MDR in 2016-17 was ₹3,000 crore—the delay in reimbursements nonetheless needs to be addressed. Indeed, the larger banks appear to be dragging their feet on this, if not altogether stalling digitisation, especially in semi-urban and rural geographies. They have been consistently refusing to raise the inter-change fee which is to be paid to smaller, new-age lenders that are installing micro-ATMs. The big banks—who call the shots in the NPCI—fear they will lose customers to the newer intermediaries and are believed to be pushing for a cut in inter-change rates. That would be a big disincentive for lenders that are installing micro-ATMs and the government must ensure this does not happen.

Also, RBI must remain the regulator for payment systems; while the Watal Committee had said so, the inter-ministerial committee, which is finalising changes to the Payment & Settlement Systems Act of 2007, has suggested otherwise. Since RBI regulates banks which are the backbone of the payments system, RBI must regulate payments systems to ensure systemic stability and safety.

Most important, the government must take it upon itself to spend more on incentives and, while it cannot compete with PE-backed players like a Paytm, it must view the expenditure as an investment. If a Paytm has to spend what it has to build up a formidable ecosystem, the government has to be committed to spend at least a fraction of this to compete with them. Right now, the number of outlets with a Paytm QR code are several times higher than those with a UPI or Bharat QR; it is only when this changes that UPI can transform from a peer-to-peer money transfer tool to a customer-to-merchant one. This expenditure will well be worth it since few cash transactions means a smaller loss in tax revenues as digital payments drive people into the tax net. So it must spend to promote the UPI QR or Bharat QR—this allows users to either pay via payment apps or even their Master/Visa/RuPay cards. And, in the interim, given their vast network, if all PSU petrol pumps are instructed to carry a UPI/Bharat QR along with the Paytm/MobiKwik ones they carry—the latter are based on commissions the PSUs negotiate with these firms—this will go a long way in pushing UPI payments.

TongueTwisted

Compulsory Hindi is a bad idea, given India's rich linguistic diversity

IN A COUNTRY that is home to 121 and 270 distinctly identifiable mother tongues, pressing for compulsory teaching of any one language at a pan-India level is a fraught proposition. A report by *The Indian Express* that the K Kasturirangan panel, on framing the New Education Policy (NEP), had advocated continuing with the three-language formula, but while making Hindi compulsory till class 8, therefore set off a storm. But, the government came out and refuted the report before the Twitter storm could hit the real world. Even though Hindi, in all its variations, is the most commonly spoken Indian language—over 40% Indians speak some or the other form of it—any move to impose it in, say, Tamil Nadu, is akin to language chauvinism.

There is no doubt that the current dispensation has tried to push Hindi as part of its cultural governance—be it the decision to have milestones on national highways in Tamil Nadu written in Hindi or the advice given by the Central government that all its ministers should make their speeches in Hindi. This Hindi-centric push at all levels handicaps those taught in other languages—even their mother tongues. Also, it is not as if Hindi has not been given its due; it remains the official language of the Union of India in addition to English. A push towards compulsory Hindi-learning in a three language format—against the backdrop of English's advantage in white collar employment—would essentially rob a student of the choice of learning an Indian language other than her mother tongue since most students are likely, in such a scenario, to opt for the English-Hindi-mother tongue combination. Also, a country's linguistic diversity is part of its cultural heritage. In a nation where 600 languages are at the risk of dying out—250 have already died out over the past 60 years—focusing on one language is linguistic hegemony of the worst kind.

DIRECT INCOME TRANSFERS

A LIST OF BENEFICIARIES THAT EXCLUDES THE BETTER-OFF FARMERS AND INCLUDES THE VULNERABLE ONES IS THE RIGHT FOUNDATION

Learning from Rythu Bandhu and KALIA

SHWETA SAINI

Senior consultant at ICRIER

EVEN THOUGH IT may be for political leverage, it helps the country that Indian farmers and the financial stress they have endured through the years is centre-stage today and politicians are desperately looking for ways to alleviate the grave reality. While PM Modi clarified that his government does not favour a farm-loan waiver, there is a high chance that he decides to roll out an unconditional direct income transfer (DIT) to all-India farmers soon. Are there learnings that one can draw from states who have already implemented or are in the process of rolling-out a DIT? We explore two of the biggest schemes, Telangana's Rythu Bandhu Scheme (RBS) and the Odisha government's Krushak Assistance for Livelihood and Income Augmentation (KALIA).

There are other states that have announced such schemes like Andhra Pradesh, Karnataka, Jharkhand and West Bengal. While most of these schemes are scheduled for a roll out in the upcoming financial year, others target beneficiaries beyond farmers. In comparison, Telangana's RBS has been implemented since May 2018 and Odisha's KALIA is in the process of being rolled out, where the first phase of payments is to be released by January 25, 2019. Both are what Arvind Subramanian, former CEA to government of India, would have called a QUBI or quasi universal basic income scheme, where the income transfer is universal within an identified group of individuals, which in this case is farmers.

If RBS was an embryonic version of UBI, then named after Lord Jagannath, the KALIA scheme is its next level. Many problems associated with RBS are being addressed by KALIA. In the attached graphic, a basic comparison between the caveats of the two schemes is presented.

Exclusion of sharecroppers and the landless was one of the biggest problems with RBS. Under KALIA, this problem is resolved as it has three components which cover landowners, sharecroppers, landless labourers and other vulnerable agri-HHs.

By making payments on a per acre basis, RBS is criticised for being regressive, i.e. as landholding size grew, so did the payment. As per calculations based on Telangana agri-landholdings and the RBS payout schedule, it was found that about 38% of RBS payouts went to farmers with greater than 2 hectares. KALIA is progressive as it makes a standard payment to all on just the condition that the individual is identified as a beneficiary. Besides, KALIA is only designed to deliver to small and marginal farmers, all others are outside the ambit of the scheme. Other farmers excluded from KALIA include ones paying taxes or having a government job.

As per NSSO and NAFIS data on farmer incomes, as landholding sizes shrink, an increasing share of incomes come from livestock. Payments under RBS are meant only for farmers growing crops, however, KALIA has announced support to its landless for livestock and allied activities with an amount of ₹12,500/year.

In terms of actual reach, however, both schemes were found inadequate. Upon comparing targetted number of scheme beneficiaries with actual state agri-workforce (sum of cultivators and agri-labourers (main plus marginal) from Census 2011), actual coverage was found to be lower than what is suggested. Nevertheless, as both schemes are a work-in-progress, reach is likely to improve overtime. There is no dispute, however, that both are good examples to be studied if a national DIT is on the cards.

What are key takeaways from the two schemes? Amongst other nuances, three things emerge. The first amongst them is the fact that creating a robust list of beneficiaries is most crucial. A list that excludes the better-off and includes all those vulnerable associated with agriculture is the foundation of a successful DIT. Centrality of data on land records in this case cannot be overstated—they need to be updated, linked to unique farmer IDs (possibly Aadhaar) and to bank accounts of farmers. A 100% financial inclusion is indisputably a necessary condition in this case. Other databases like ones from the Census and farmer schemes can also be synergised for the purpose.

Secondly, finding funds to finance this DIT while balancing the fiscal deficit is crucial. A pan-India DIT with a payment of ₹4,000 per acre twice a year on the country's net sown area of about 140 million hectares is likely to cost about ₹3 lakh crore. Cost sharing between the Centre and states (possibly in a 70:30 ratio) can resolve this issue to some extent, but for non-BJP states, to come to terms on this may be a long haul. This brings us to the third takeaway.

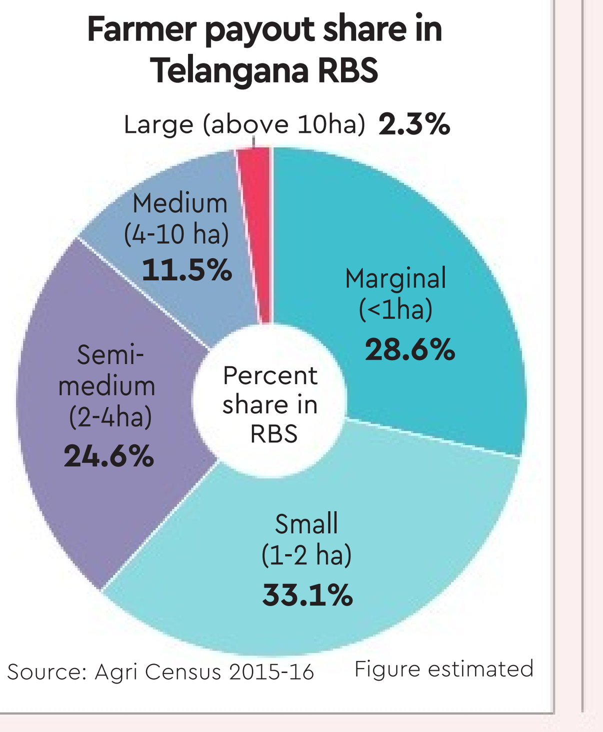
A national DIT on lines of RBS and KALIA is likely to be a transfer that is made over and above existing input subsidy schemes and, therefore, the fiscal implication of this looks dauntingly high. But what if the government decides to subsume input subsidies like seed, fertiliser, power (and, possibly, food grains, at least in the better-off cities/states) in DIT? Then the saved resources can be used to finance a perhaps larger DIT.

In fact, a national DIT has scope of becoming the new face of Indian agri-support policy schemes. Such transfers reach more beneficiaries, save on pilferages, is less market distortionary compared to schemes of farm-loan waivers, MSP increases (ones that alienate markets) and inefficient input subsidies and is good economics and, evidently, good politics.

Comparing Telangana's RBS with Odisha's KALIA

	Telangana's RBS	Odisha's KALIA
Coverage	All landowners	Small and marginal landowners; Landless agri-HHs; Vulnerable agri-HHS
Amount transferred	₹4,000/acre twice a year	● ₹5,000/farmer twice a year ● ₹12,500/landless agri-HH/year ● ₹10,000/vulnerable agri-HH/year
Unit	Per acre	Per farmer
Fiscal costs	₹12,000 cr/year	₹10,180 cr for 3 years i.e. about ₹3,400 cr/year
Total beneficiaries	5.2 million (landowners)	Cap of 4.5 million (3.02 million farmers, 1 million landless labourers and 5 lakh vulnerable HHs)
Identification of beneficiaries	Updated & purified land records under LRUP	Databases on farmers, not necessarily land records
Beneficiaries excluded	Share croppers, landless labourers	Large farmers, and within small and marginal farmers those who pay taxes, or have a family member with a government job
Mode of payment	Printed cheques/ bank orders	Direct bank transfer
Payment related to actual production	No	No

Farmer payout share in Telangana RBS



Source: Agri Census 2015-16 Figure estimated

A trade deal is only half the fight

Progress on early-stage talks—or indeed, an actual signed agreement ahead of the planned March deadline—is in many ways the easiest part of this process. Getting the deal to stick is the real challenge

DAVID FICKLING

Bloomberg

EQUITY MARKETS HAVE been rallying on the prospect that the trade-related cloud hanging over the global economy could be lifting.

The S&P 500 index is up more than 5% since Thursday, buoyed both by last week's strong US jobs figures and the sense of momentum in talks between US and Chinese negotiators. The two countries can reach a deal they "can live with", US commerce secretary Wilbur Ross told CNBC on Monday. His boss seems equally optimistic:

That is reflected in the upbeat tone of statements from both sides following talks in Beijing this week. The meetings "laid the foundation for resolving mutual concerns", according to a statement on Thursday from China's ministry of commerce. Similar noises came from the Office of the US Trade Representative. There is a problem, though. Progress on early-stage talks—or indeed, an actual signed agreement ahead of the planned March deadline—is in many ways the easiest part of this process. Getting the deal to stick is the real challenge.

"An agreement is fine but the history here has not been so good on compliance", Ross told CNBC. "The real issue here is what are the enforcement mechanisms? What are the punishments if people don't do what they were supposed to do"?

The major first-round breakthrough from the Buenos Aires meeting between president Donald Trump and president Xi Jinping—a touted Chinese crackdown on the opioid fentanyl—is a case in point. China has, in theory, been pouring herbicide on the fentanyl trade for three years now but the weeds keep growing. It is not clear if even this latest agreement will stick, or indeed what exactly has been agreed.

The most obvious compliance mechanism is the one that is already in operation: tariffs. The damage that both economies are increasingly suffering from these restraints on trade represent a potent piece of leverage in the talks. US Trade Representative Robert Lighthizer is looking at only winding back the tariffs when there is evidence the Chinese are upholding their end of the deal, or merely suspending them so they can be reimposed if there is backsliding, the Wall Street Journal reported Tuesday.

> **If removing tariff levies is contingent on the Chinese govt enforcing its economic policies, that reassurance could be a long time coming**

From Washington's perspective, there is a compelling logic to that approach. Implementation of any deal will be "subject to ongoing verification and effective enforcement", Lighthizer's office said in its statement on Wednesday. The problem is how it will be perceived in Beijing.

After all, Chinese negotiators can argue that they've already offered several concessions in this process: opening the auto manufacturing, shipbuilding and aerospace industries to foreign entrants; allowing foreign companies to operate power grids, railways and gas stations; and introducing a new set of punishments to crack down on intellectual-property theft. They're even removing tariffs on US car imports and restarting purchases of soybeans, cosmetic moves that nonetheless will be presented as evidence of Beijing's flexibility.

If, in the face of a shaky economic outlook on both sides of the Pacific, a further round of concessions from Beijing is answered with no more than a promise from Washington to pause the trade war, there is a risk the fragile goodwill that's emerged in recent weeks could evaporate very quickly. The two sides are closer on areas such as energy and agriculture but further apart on harder issues, people familiar with the talks told Andrew Mayeda and Miao Han of Bloomberg News. More to the point, the recent equity market rally has been predicated on the idea that a deal could lift the brake that tariffs are currently placing on the global economy.

If removing the levies is contingent on the Chinese government providing evidence it can enforce its economic policies, that reassurance could be a long time coming.

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LETTERS TO THE EDITOR

Game of musical chairs

The Hockey India High Performance and Development Committee has once again resorted to a game of musical chairs by sacking the chief coach of the men's hockey team, Harendra Singh. Harendra Singh is the sixth coach to be axed by Hockey India in the last six years and the move comes with just six months left for the pre-Olympic qualifier. The measure has been seen as a retrograde step by many considering that Harendra led India to their best World Cup finish in 24 years. Frequent chopping and changing of coaches is an old habit that refuses to go away and it is high time that Hockey India realises that this tactic is detrimental to the game

— Ravi Chander, Bengaluru

Citizenship Bill

The Citizenship Bill that seeks to confer Indian citizenship on "non-Muslim minorities" from Afghanistan, Bangladesh and Pakistan reeks of sectarianism. Division of man on the basis of religion at its worst is writ large on the Bill. Hindus, Jains, Sikhs, Parsis, Christians and Buddhists are welcome, but not Muslims. The rationale that the Bill is intended to provide succour to 'persecuted minorities' does not quite disguise visceral hatred and hostility to a particular religion and its adherents. The justification that 'Hindus have no place to go, except India' says it all. India's tragedy is that it does not occur to the forces of reaction that run the country's politics that humanity should always be put above religion

— G David Milton, Maruthancode

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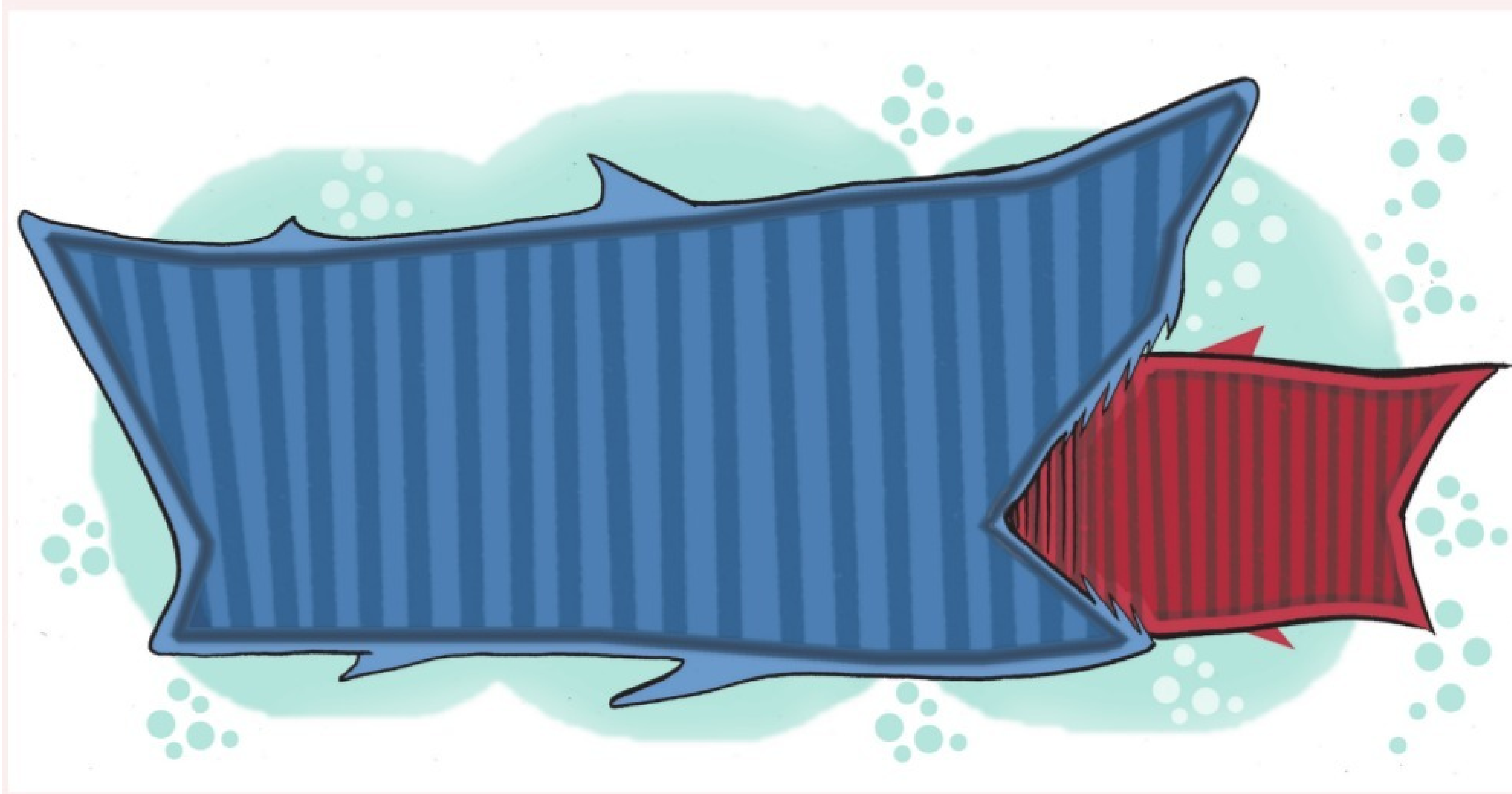

ILLUSTRATION: ROHNIT PHORE

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TRADE DEFICIT

India meets its match in the US

India and the US have always been poles apart on the subject of trade. Both have learnt to live that way. Bilateral trade has continued to grow, notwithstanding differences. For the first time, however, India encounters a US trade administration that is determined to wipe out trade deficits. Such an attitude is much different from responding to challenges that are regulatory in nature, such as intellectual property

THE US HAS, REPORTEDLY, raised the issue of trade deficit with India once again. This subject figured in a recent telephonic conversation between US President Donald Trump and Prime Minister of India Narendra Modi. It is clear that notwithstanding the strategic warmth with the US on geopolitics and regional issues such as the Indo-Pacific, India can't expect leniency from the US as far as trade deficit is concerned. On this subject, the US has not discriminated between allies and adversaries. The country has been as vocal about deficits with Europe, Japan, Canada and India, as it has been with China.

Trade surpluses and deficits are not engineered outcomes. These are natural outcomes of what countries buy and sell from each other. Countries run trade deficits with other countries if they buy more than what they sell. Such transactions, again, are not forced. These happen because of insufficient domestic availabilities of what countries require at affordable prices. Excess of imports over exports results from various factors, including domestic demand, endowment of natural resources, the ability of domestic workforces in producing various goods and services, and even local and global factors influencing the cost of production, primarily transport and intermediation costs.

The result of the US running trade deficits with most countries of the world is due to specific combinations of these various factors. The US is the world's largest consumer market simply because it buys much more of what the rest of the world produces, than the latter does from it. This 'natural' determination of trade relations is scientific, market-driven and logically rational.

Forced correction of deficits means dictating trade patterns in a manner that goes against market principles. The US would want other countries to buy more of its goods and services, while forcing its own consumers to buy less of goods and services produced by other countries. Countries would, therefore, be 'forced' to buy American products when they might have access to other cheaper substitutes. On the other hand, American consumers would also be deprived from buying cheaper substitutes from the rest of the world. This peculiar reformation of trade might eventually push America's trade relations with its major partners to points where they reflect a completely non-market 'managed' character. And such a character, over time, might come to influence trade relations between other countries as well.

> India's data localisation policies and e-commerce regulations aiming to provide greater flexibility to domestic players are not amusing for US businesses. India can expect the US to keep hammering away at the need for relaxing these policies

India's case

India, however, does not have much to complain on the subject of trade deficit. Multiple analysts and experts in India have vented their ire and frustration over the trade deficit India has with China and several other countries. They fail to consider the fact that while some parts of these deficits might be corrected through greater market access for Indian products, the substantive parts of the deficits are market-driven. Correcting these deficits would mean depriving Indian consumers from buying cheaper global products, in pretty much the same way the US action on deficits would deprive its own consumers. Paranoia over imports has, time and again, forced India to adopt defensive postures in the free-trade agreements (FTAs) it negotiates. There has not been any shortage of outrage over the allegedly greater imports generated by India's various FTAs, while conveniently overlooking the fact that the usage rates of these FTAs are remarkably low in the first place. Such outrages continue to prosper opinions resisting India's participation in the 16-country Regional Comprehensive Economic Partnership (RCEP) and other potential FTAs.

India has finally met its match on trade deficit, with the US steadfastly pressurising it to buy more of its products. This is a new trade policy dilemma for India. Capitulating to the American pressure might mean it yielding greater market access to US imports of automobiles and food products—items on which India has been reluctant to lower tariffs for not just US imports, but those from anywhere. Going ahead, US pressures on greater market access are unlikely to be confined to goods. India is one of the rare trade partners of the US with which it runs trade deficits in both goods and services. India's data localisation policies and e-commerce regulations aiming to provide greater flexibility to domestic players are certainly not amusing for US businesses. India can expect the US to keep hammering away at the need for relaxing these policies.

India and the US have always been poles apart on the subject of trade. Both have learnt to live that way. Bilateral trade has continued to grow, notwithstanding differences. But for the first time India encounters a US trade administration that is determined to wipe out trade deficits. Such an attitude is much different from responding to challenges that are regulatory in nature, like intellectual property, and those on which India and the US have agreed to disagree for long.

Until now, India doesn't seem to have found a solution to responding to the US pressure. Contrasting strategies, such as threatening the US with retaliatory tariffs—which were never imposed—or inviting the US President to the Republic Day parade, have not worked. The strategy of playing a waiting game might not work with the current US administration that is keen on quick solutions. How India handles the US's 'nudges and pushes' will be interesting to watch.

Beyond the 'smoking room'

PRASHANT MATHUR & VISHAL RAO

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Today, 30.2% Indian adults are exposed to passive smoking at their workplaces

THE USE OF tobacco constitutes the single largest source of preventable deaths worldwide. Currently, in India, there are 266.8 million tobacco users aged 15 years and above, of which 99.9 million smoke tobacco (according to the *Global Adult Tobacco Survey, India report 2016-17*). Tobacco use is also a major cause of non-communicable diseases that account for about 62% of avoidable deaths in India. Widely prevalent smoking dates back to the 1930s, when there was a rise in the number of smokers globally, and was seen as in sync with the then modern lifestyle. There was absolutely no awareness about passive smoking (second-hand smoking) and it being injurious to health like first-hand tobacco smoking.

Passive smoking is the unintentional inhalation of smoke in the air or contact with its chemical constituents emerging from the burning end of a cigarette, *bidi* or any other means, and also the smoke breathed out by smokers. The *Global Adult Tobacco Survey* showed that all workplaces are not tobacco-smoke free yet. Today, 30.2% adults in India are exposed to passive smoking at their workplaces. Also, smoking is prevalent inside Indian houses—48.8% in all households and 45.5% in non-smoker households—with higher burden in rural India. A little more than one-third of non-smoking adults are exposed to passive smoking inside their homes. Prevalence of second-hand smoke inside homes is higher amongst females, due to obvious reasons. In addition, one in four of all adults are exposed to second-hand smoke in public places.

Even second-hand smoke can be lethal—it contains more than 7,000 chemicals, hundreds of which are toxic and over 70 of them can cause cancer. There is no risk-free level of exposure to passive smoke, and it is known to cause serious health problems among adults and children alike—in fact, there's an increased risk of developing heart diseases by 25%, lung cancer by 20%, and stroke by 20% due to passive smoking. Pregnant women exposed to second-hand smoke have increased risk of congenital abnormalities, still-birth, low-birth weight and respiratory illnesses in the baby.

> The law enforcing ban on smoking in public places was enacted in 2008 and modified in 2009. Despite stringent efforts, an alarming 5,500 new smokers are added every day in our country

Beyond the 'smoking room', tobacco smoke can permeate and settle into the hallways, stairways and the surrounding areas. Children are likely to be affected as smoke infiltrates into parents' hair, clothes, skin and in areas where children sleep or sit or play. If one can smell tobacco around, it implies that the chemicals present in tobacco are entering into your body and causing harm to you.

There is also the risk of third-hand smoke, i.e. harmful toxins of tobacco that remain behind on the walls, clothes, hair, toys and upholstery in public places, or in places where people have previously smoked and left. The dose and exposure to second-hand smoke is higher at public places such as hotels, clubs, bars or restaurants.

The law enforcing ban on smoking in public places was enacted in 2008 and was modified in 2009. Despite stringent efforts made by agencies across the country, an alarming 5,500 new users are added every day in our country. This brings in the question: Why should non-smokers suffer due to the deeds of smokers? The government of Karnataka, in a landmark decision towards making the state tobacco-free, has banned smoking in hotels, clubs, bars and restaurants. Accordingly, bars, pubs, restaurants and hotels should only have standing rooms for smoking, wherein no food and beverages can be served. Such steps can ensure safety of employees working in these establishments, guests who visit these places who are otherwise just mute spectators to the deprivation of their fundamental rights, and help in saving many lives and reducing healthcare costs. The victims of second-hand smoke have been empowered to seek justice. This could serve as a model for the rest of the country.

To make this and similar laws effective, citizens need to be part of full implementation, as we owe a brighter and safer place for our future generations.

MANAGING E-WASTE

Making cash from electronic trash

Electronic appliance companies need to treat e-waste management not as regulatory compliance, but an an opportunity

KALYAN BHASKAR

The author is assistant professor, XLRI Jamshedpur, and a member of IFC's stakeholder advisory panel for the 'India E-waste toolkit.' Views are personal

ELECTRONIC WASTE (OR E-WASTE) REFERS to waste arising from end-of-life electrical and electronic appliances (EEA) such as computers and mobile phones. The total value of all the raw material present in e-waste generated in India in 2016 has been estimated to be about ₹2 lakh crore. So, whose responsibility is to manage e-waste in our country? It's not central, state or local governments, but producers of electronics who are responsible for environmentally-sound management of e-waste under Indian e-waste rules, introduced in 2012.

E-waste is one of the fastest growing streams of waste in India and the world, and is a complex combination of several precious metals (gold, silver, etc), toxic metals (lead, barium), rare earth metals (lanthanum, cerium), ferrous and non-ferrous metals (copper, steel), plastics and wood. This complex composition of e-waste, its sheer economic value, the growing consumption of EEA, and the resulting growing volumes of e-waste and the potential health and environmental hazards due to its improper management were key drivers to introduce the 2012 rules. The rules, based on the principle of extended producer responsibility (EPR), were revised in 2016 and contained several new provisions. Producers of EEA were now required to collect a certain percentage of their EEA sold in India. The collection target, 10% now, increases gradually and is set at 70% from 2023 onwards. The revised rules also contain a penalty provision for non-compliance and suggest a number of options for producers to pursue in order to meet the collection targets.

The rules have been in place for more than six years now, and it is worth asking as to how has the producers' response been all these years. The response was very slow to begin with. In the first couple of years, only a handful of producers took any action mandated as part of EPR. Even among those who took some action, the response was mostly limited to making information available on their websites without any meaningful change on the ground, like informing and incentivising customers for proper e-waste management and tying up with authorised recyclers. The response has increased after the 2016 revised rules, and almost all major producers of EEA have sought and been granted EPR authorisation by the regulators. Some producers have started collecting e-waste on their own, using their retail channels, some have tied up with government-authorised formal e-waste recyclers that were set up after the introduction of rules, and others have tied up with third-party producer responsibility organisations (PROs) to fulfil EPR responsibilities and meet their e-waste collection targets.

There are many challenges for producers to collect and manage e-waste. These include absence of a proper and cost-effective business model to channelise e-waste from consumers into the formal sector, complexities involved around working with the informal waste management sector that manages 95% of India's e-waste, and the absence of cost-efficient technologies to recover and recycle the numerous metals present in e-waste.

Given this response and these challenges, what more can be done to improve management of e-waste in India? A trend that is being witnessed the world over is that, increasingly, consumers are becoming more aware about environmental and social issues like climate change, air pollution, water pollution, etc. In many countries, faced with pressure from stakeholders like consumers, companies like GE and Google have either changed their practices or adopted new practices that are environment- and society-friendly. In India, too, we are witnessing increased demand for eco-friendly alternatives to plastics and other materials. The recent ban on plastics in Maharashtra was driven by demand from civil society, and just like e-waste, the plastic management rules in Maharashtra are based on EPR. There is currently lack of consumer awareness about e-waste and the ill-effects of improper e-waste management in India. As a result, there is not sufficient demand from consumers yet that could result in increased and better response from producers. However, as consumers become more aware in the future, producers of EEA will need to improve e-waste management and make changes in product design level to reduce use of toxic metals, and allow for easier disassembly and recycling of e-waste. For example, in *Guide to Greener Electronics 2017* report published by Greenpeace, companies like Dell and HP have been singled out for designing products that are easy to repair, upgrade and disassemble for recycling.

Globally, there are many initiatives by governments and civil society that are causing producers of EEA to address issues like sustainable design, use of recycled materials, and elimination of hazardous chemicals from EEA. These suggest that producers of EEA in India will need to treat e-waste management not as an issue of regulatory compliance that is a burden on them and that can be avoided. Instead, they should consider it as an opportunity to contribute to society and environment, and meet the evolving consumer demand and future governmental norms.

After all, businesses don't operate in a vacuum and are part of the society, and businesses that don't meet societal demands cease to be in business.