Opinion

SATURDAY, JANUARY 19, 2019

ANOTHER REFERENDUM LIKELY

Nigel Farage, member of European Parliament

"I think, I fear that the House of Commons is going to effectively overturn that Brexit. To me, the most likely outcome of all of this is an extension of Article 50. There could be another referendum"

Can policymaking be coherent?

As the angel-tax episode shows, even clarifications by government don't address the issue, some make it worse

AFTER THE HUGE furore following every third start-up in the country getting a tax notice over their angel-funding, the finance ministry issued a statement saying it would set up a panel with experts from the IITs and IIMs to sort out the issue. So when a clarification was issued a few days ago, you would think it would have addressed all the issues. Turns out, it didn't. Apart from the fact that it imposed more restrictions on such investments, and that foreign investors continued to be able to invest without the investee firms paying a tax, the new rules didn't apply to cases where the taxman had already passed an order; the government acknowledges the rules are unfair and tries to fix them, but doesn't change the rules for firms where the tax order has been finalised! Media reports suggest another clarification is in the offing to take care of this.

Were this a one-off, it wouldn't matter as much, but there are too many instances of such inconsistencies. It was bad enough that the government decided to do a U-turn in its e-commerce policy after billions of dollars of FDI had come in, including $16 billion from Walmart—it makes a mockery of the improvement in the Ease Of Doing Business ranking—what followed was worse. The new rules, it turned out, made it impossible for firms with FDI to sell either their own labels—store brands are a preferred route to lower consumer prices—or retail food which has been something the government has been encouraging as a policy. When the issue was raised, a fresh set of clarifications were issued. Apart from the fact that few firms are going to go ahead with their food retail plans for now—who is to say when these rules are changed?—surely bureaucrats formulating policy need to look for inconsistencies? That apart, it is not clear whether anyone in the government pointed out that this was a big U-turn and betrayed investor faith.

In the case of the oil sector, where the prime minister's stated objective is to reduce import dependence, apart from very high levies and unfairly extracting more for extending contracts, such as that of Cairn India, the taxman decided two years ago to charge service tax, even on members of the consortium paying their share of the costs ('cash calls'), on 'cost petroleum' (the share of oil/gas the companies get to compensate for their costs), and even the royalty paid to the government. At one point, the government decided to go against the production sharing contract (PSC) and instructed oilcos to pay them the same royalties, even if their investments rose—under the PSC, as oilco investments rise, as is logical, the share of revenues that the government gets falls; after a hue and cry, this was quietly rescinded.

And, in the case of the election-driven hike in MSPs for crops last year, despite it being obvious the scheme wouldn't work since government procured just a few crops in a few states, the prime minister announced this as a game-changer. Within a few months of the announcement, an income transfer is being talked of though this was pooh poohed by the government till some weeks ago. At some point, prime minister Narendra Modi has to start asking his cabinet colleagues and bureaucrats how they are suggesting, and approving, plans/clarifications that make little sense.

Scrap sedition law

Sibal right, but Cong must recognise its own hypocrisy

CONGRESS LEADER KAPIL Sibal is right in demanding that the sedition law (Section 124A of the Indian Penal Code)—a colonial vestige—be scrapped. Its preponderance in cases where a political leader is critiqued or dissent is voiced makes it clear that the law is mostly abused by the political class. No wonder, thus, that only two accused, out of 18 against whom trial was completed between 2014 and 2016, were found guilty of sedition. As per NCRB data, between 2014 and 2016, 179 people had been arrested for sedition while, by the end of 2016, the police had not filed the chargesheet in 80% of the cases and trial was pending in 90% of them. The politics over the sedition law, however, is as ugly as the politicisation of the law. While Sibal's statement comes in the backdrop of the Union government-controlled Delhi Police filing a chargesheet in the JNU February 2016 matter carrying sedition charges against the accused and similar charges being slapped against an academic, a journalist, and an activist in BJP-ruled Assam over the protests against the Citizenship (Amendment) Bill, the fact is the Congress, and, indeed, regional parties have not shied away from using the law to crush dissent or further political agendas in the past. That the law to punish "disaffection" against the State was brought by the British Raj in 1870 to first crush the Wahabi opposition to its rule, and then India's independence movement, by using it against the movement's leaders seems to be a lesson from history that is completely lost on the political class today.

From Kashmiri students of a Uttar Pradesh college shouting pro-Pakistan slogans after a cricket-match to Chhattisgarh-based doctor/human rights activist Binayak Sen (for alleged Maoist links), those charged with sedition in India across political dispensations seem to have been thorns in the eyes of the ruling party. Parties that now decry the sedition law have been quick to use it when in power. Indeed, Sibal's Congress has had no qualms in using it against cartoonist Aseem Trivedi in 2012 for highlighting corruption, or even against Amnesty International, an NGO, in 2016 for organising an event where some Kashmir families that allegedly lost members to military/paramilitary "encounter/torture" were airing their grief before fellow countrymen. The government—the present dispensation or the one that comes later this year—should indeed junk the sedition law. It is purposeless in an age where expression of dissent—that has become difficult to curb anyway, with the explosion of digital tech—should be used constructively to check for deficits in policy or governance. In 2016, the Supreme Court—citing its 1962 *Kedar Nath Singh* judgment—had opined that mere criticism of the government, however harsh or biting, would be "outside the scope of the section (124A)". While it had added an "incitement of violence" touchstone to determine valid charges of sedition, that is neither here nor there since there would always be someone to argue that a cartoonist's political cartoons could inspire a popular uprising. The only solution, perhaps, is to then scrap the law and allow dissent for a healthy democracy while keeping an eye out for agents of radicalisation.

LokpalBIND

SC action could push for Lokpal appointment, but is the extra layer of monitoring really necessary?

GIVEN THE LOKPAL and Lokayuktas Act was passed in 2013, and no Lokpal has been appointed since, the Supreme Court pressing the search committee to recommend potentials to the selection committee led by prime minister Narendra Modi by February 28 is not surprising. However, the desirability of such a crucial appointment this late in the present government's term—the prime minister and Lok Sabha Speaker are members of the selection committee as are the leader of Opposition, the CJI/his nominee and an eminent jurist—will be a ticklish issue that must be taken into account. That the government has delayed the appointment this long is surely problematic, but less so than the fact that the very idea Lokpal just adds one more layer to an already inflated government structure, in desperate hopes of spurring probity in the government.

The Lokpal legislation is so full of flaws that even if a Lokpal were to be appointed, there is very less likelihood of matters changing for the better. Both the Lokpal and the Centre having jurisdiction over central government employees creates room for administrative chaos. While the Act envisions freeing the "caged parrot" (the CBI) of its Union-government goad, the question is, if the CBI that is under the autonomous Central Vigilance Commission is nevertheless seen to be a political tool of the ruling party/coalition, what's to ensure that the it wouldn't be so under the Lokpal. The top tier of the bureaucracy was recently freed from the draconian Prevention of Corruption Act that had caused a policy paralysis as decision-making was avoided in the apprehension that decisions that didn't really work—even if taken in good faith—would invite probesand legal action. Against such a backdrop, the Lokpal will only bring back the chilling effect on decision-making. More layers of monitoring won't help transparency and accountability, effective implementation of the existing mechanism will.

TAXING TIMES

SECTION 56 OF I-T ACT WILL CAUSE DISASTROUS COLLATERAL DAMAGE TO INDIA'S ENTREPRENEURIAL ECOSYSTEM, GIVEN IT IS AN UNJUST LEVY ON GENUINE START-UPS

Angel tax throws out the baby with the bathwater

SAURABH SRIVASTAVA

Co-founder of NASSCOM, Indian Angel Network & TIE NCR

IF INDIA DOESN'T create 12 million jobs a year, our much touted demographic dividend will become a demographic disaster. And global data is conclusive that neither governments nor big business can make this happen. The respected Kauffman Foundation, based on data over a 40 year period, found that (except for 7 years in between), all net new job growth in the US came from start-ups.

The government's recognition of start-ups as a key engine of job creation and economic growth was therefore very welcome. The PM himself, DIPP, Niti Aayog, and even SEBI, have led from the front with a slew of measures to create an enabling environment for start-ups. This has unleashed unimaginable energy and today India is the 3rd largest entrepreneurial hub in the world with 26,000 start-ups. Besides creating lakhs of jobs and attracting billions of dollars of global capital, these start-ups are also creating innovative solutions for India's many challenges in affordable healthcare, education, agricultural productivity, clean energy, water, sanitation, etc.

But the Devil lurking in what could have been a Garden of Eden is the infamous "Angel Tax", which threatens to undo all the good work done by the government so far. Introduced in 2012, Section 56(2) (viib) of the income tax (I-T) act taxes as income any investments made by an Indian entity in an unlisted Indian company above fair market value (as determined by the assessing officer (AO)), giving India the dubious distinction of being the only country in the world to do so. Surprisingly, investments by overseas entities are exempt!

Hundreds of I-T notices have gone out to start-ups already battling the twin challenges of global competition and availability of funds. Some prolific and iconic angel investors have received scores of I-T notices as well, asking not just for the PAN number but also the detailed computation of income, full year bank statements for all bank accounts and various other documents normally provided to an AO for scrutiny. Rather than face such harassment for a ₹10-20 lakh investment in a start-up, many angel investors have stopped investing and several start-ups are locating abroad to raise monies from the same investors without this tax.

This has tragic consequences for India as angel investors are the first "non family and friends" investment in a start-up and provide the valuable mentoring and market access which often makes the difference between success and failure. In the US, in a typical year, VCs invest around $25 billion in 5,000 companies whereas angels invest ~$26 billion in 50,000 companies, creating the ideal entrepreneurial pyramid where 1 in 10 companies makes it to the next level but needs 10 times the money.

Section 56 is indeed a flawed legislation as its seeks to "lazily" tax (thus legitimise) an illegal transaction rather than prosecute it

The problem with "Angel Tax" is that start-ups generally have no profits, often no revenues and virtually no assets. Savvy angel investors value them based on the deemed value of the idea, the possible market size, the quality of the founders/team, their passion, etc. Rarely do two investors agree on a valuation. In this world, any prescriptive valuation norm is pointless. AOs, ill equipped to value companies with negligible/negative book, inevitably tax the investment as income which makes Section 56 the most entrepreneur-unfriendly legislation in the world, forcing start-ups to raise 50% more money than they need (to pay 33% tax) and suffer unnecessary, excessive dilution.

And all this for what? Angel investments, while creating the nurseries of thousands of start-ups which VCs and global corporates build into Flipkarts, Olas and Paytms, are barely a few hundred crores. Angel tax collections, if any, would be barely ₹30 crore, far less than the administration and litigation costs that would be incurred by the government and start-ups.

DIPP must be complimented for tirelessly batting for start-ups and the latest announcement by the commerce minister significantly improves the process and will help alleviate some of the stress being faced by start-ups and angel investors. However, in the highly frenetic pace of the start-up world, which needs laser-like focus on the business to compete with counterparts in China and other countries (which are doling out investments and incentives in contrast), start-ups will struggle with the time, energy and resources needed to deal with the bureaucracy and administrative overheads that any case-by-case method entails. The real solution is to relook Section 56.

Ostensibly, the amendment was put in place as some politicians were starting companies and raising money at a premium from people who benefitted from their largesse. But corrupt payments cannot be prevented using tax laws as the corrupt will find another way to pay.

It is the corruption act that needs to be tackled, not the payment mechanism. Section 56 is indeed a flawed legislation as its seeks to "lazily" tax (thus legitimise) an illegal transaction rather than prosecute it.

And, by being applied inappropriately and indiscriminately to genuine start-ups, it is causing unintended but disastrous collateral damage to India's entrepreneurial ecosystem. Jettisoning the age old Indian bureaucratic tradition of throwing out the baby with the bathwater by legislating for the 1% who abuse rather than the 99% who don't (killing everyone in the bargain), the CBDT must either scrap Section 56 or draft it better to exclude genuine start-ups and angel investors. It must recognise that this "angel tax", which it believes is its right (but is willing to exempt under certain conditions), is considered an unfair, unjust and illegal tax by all start-ups and investors in India, and in every country in the world. After all, no country in the world taxes angel investments and we don't live on another planet!

The government can take a leaf out of its own book. In 1991, when our fledgling $100 million software industry, comprising of 99% start-ups, was struggling to compete globally, with no access to angel investments, venture capital or bank debt, the government took the highly visionary step of providing 100% tax exemption (Section 80 HHE) to an industry which had only intangible products/services with a huge risk of abuse/fraud/black money. There were a handful of frauds, Satyam being the big one, but the payback changed the fortunes and the brand image of India. IT is now a $180 billion industry, paying billions in corporate and personal taxes, accounting for 25% of forex earnings and employing around 14 million people (directly and indirectly), making it the largest employer in the organised private sector. Start-ups will do all of what the IT industry did but, while the IT Industry still solves largely global problems, they will also solve Indian problems. It would be tragic if, for a few pennies and a lack of vision, we miss the best window we have had in a few hundred years to go back to being 25% of global GDP.

Taxation troubles faced by India

A collection of essays edited by Parthasarathi Shome is an illuminating read on some of the tax challenges we face today—from digital taxation to India's experience with tax treaties and multilateral instruments

MUKESH BUTANI

Partner at BMR Legal

***CHALLENGES IN DOMESTIC** and International Taxation: Emerging Indian Experience*, edited by Parthasarathi Shome, is third in its series of research papers (essays rather) from International Tax Research and Analysis Foundation (ITRAF), a Bangalore-based independent and exclusive forum for tax policy research and analysis to ensure superior tax policy and effective tax administration in India, and published by OakBridge Publishing Pvt. Ltd.

The essays principally debate topics ranging from digital taxation, Indian experience with tax treaties and new multilateral instruments, which India is signatory to as part of OECD and the G20-lead BEPS, the digital taxation challenge for India extending to taxation of bitcoins/cryptocurrencies as emerging trends become reality in the near future. The essays also contain couple of interesting chapters on taxation of charitable trusts and not-for-profit endowments and an emerging topic, taxpayers' rights.

Shome, in his opening chapter, pointing out the traditional principles of tax policy, acknowledges the need for a 'straight forward and easy to interpret tax system', which should not adversely affect market confidence. Wishful thinking, though the reality becomes an insurmountable task for governments, which he acknowledges in his experience at the North Block. Given his engagement with the erstwhile empowered committee on GST, he has passionately discussed origins of GST and challenges, not hesitating to add that the Centre, in its rush to install a GST, accepted demands of the state. He has pointed out that the current GST base covers only 40% of GDP, given the exclusion of real state and petroleum products. On international tax, Shome is skeptical about India's position in improvement of mutual agreement procedure (MAP) for resolving treaty related disputes. The chapters on digital taxation by KR Sekar make an interesting read, pointing out the imperfections in the tax policy, given plethora of cases analysed in the chapters.

Similarly, Meyyappan's well researched chapter on cryptocurrencies points towards a need for revisiting various provisions under the extant law, given features of regulations in other countries, particularly in US, UK, Australia and Japan. He points out that, given advancement in block chain technology, the backbone of a secure digital technology, it is worthwhile for countries such as China and India to regulate it instead of ban it all together.

Indraneel Choudhury's chapter on India's experience with tax treaties has thrown up historical perspectives pointing to India's commitment towards double taxation treaties dating back to pre-independence days with the 1922 Act, extending its benefit to the UK and thereafter to Pakistan, post-independence. Interestingly, it was the Finance Act of 1953 which carried an amendment empowering the executive to enter into a treaty and, way back in 1973, India committed itself to the exchange of information and tax recovery as counter tax evasion measures.

Rohit Roy's chapter on India's commitment towards multilateral instrument, signed in June 2017, points out intensive work in progress for policy-makers (and tax payers) to deal with the nuanced principle of 'principal purpose test', a new concept for availing tax treaty benefits or, rather, a new instrument for tax administration to deny treaty benefits. This test would apply alongside domestic General Anti Avoidance Regulations, which are taking shape in India.

The KR Girish chapter on taxation of charitable contributions tends to shed light on the complexity of this arm of law and how unwieldy it has become in light of current realities. It does not hesitate in pointing out how charitable institutions have become new avenues to aid tax evasion and money laundering, including how tax jurisprudence has evolved in this area.

The most interesting chapter, by Padamchand Khincha, is stored for the end, which deals with taxpayers' rights, bringing it at par with fundamental rights, specifically with reference to exchange of information under the treaty. Padam points out the noble objectives enshrined in OECD's BEPS global transparency forum, and that it should be read with fundamental rights as laid down in the Constitution and interpreted by the Supreme Court. He points to right of confidentiality, protection from fishing expedition and need for administration to demonstrate 'foreseeable relevance', in the context of invoking such exchange clauses under the treaty.

All in all, it made an interesting Christmas and New Year weekend read. I am sure the essays covered shall attract intense debate in the years ahead as, besides tax payers and tax practitioners, tax administrators and tax tribunals/courts would find the analysis interesting.

LETTERS TO THE EDITOR

Squaring the circle in Europe

Brexit has become a conundrum .The UK-EU relations have been fractious. The dichotomy has only been growing since, as has been the lack of UK's clarity of purpose matched only by its indifferent leadership. The first referendum for staying in the EU came in 1975 and 67% voted in support. This ended up in a split of the Labour party. The second one, in 2016, led to those wanting to leave EU voting 51.9% in favour. A simple choice between a square and a circle, in two muddled years, has been laboriously transformed into a paradox worse than the famed one of "squaring the circle"! It now threatens to segregate regional components of the kingdom itself. The sad take away from this all, besides British ineptitude, is that the hegemony of a few in the EU that resisted the entry of Britain three decades earlier, is proving as intractable now, in its exit. The consequences of any third referendum in UK on Brexit cannot be for the faint hearted

— Janaki Narayanan, Navi Mumbai

No bar on bar dance

The apex court's ruling for putting the right to livelihood above the so-called morality and for recognising bar dancers as individuals in their own right and restoring their freedom of choice and dignity of their labour should be lauded. The 'no' to installation of CCTV cameras in dance bars is justified, when looked at from the angle of the need to protect the right to privacy. The re-opening of dance bars will restore bar dancers, mostly from impoverished backgrounds, their means of livelihood

— G David Milton, Maruthancode

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Providing 24x7 power for all Indians

SANJAY BANGA

The author is CEO, Tata Power-DDL

THE YEAR GONE by has been a really happening one for the Indian power sector, and it also managed to draw global attention. India jumped up to 77th position, up 23 notches, in the World Bank's Ease of Doing Business report among 190 economies, and to be ranked 24th in Getting Electricity clearly demonstrated its improved performance in providing a conducive environment for businesses to operate. In 2018, some major milestones were achieved and a foundation was laid to build a robust future roadmap covering the entire value chain of the power sector—generation, transmission and distribution.

Generation

On the generation front, the issue of more than 34,000MW of financially-stressed assets continued to concern the conventional generation sector in 2018, especially with the RBI circular issued in February giving banks a six-month deadline to identify non-performing assets (NPAs), initiate resolution proceedings and start bankruptcy proceedings against the holders of NPAs. To address this issue, the government had initiated the Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India (SHAKTI) to ensure coal linkage to power producers based on an auction and tariff-based bidding.

In April 2018, the government also started a pilot scheme to facilitate aggregation of procurement of power (2,500MW for three years) from commissioned coal-based power plants through competitive bidding, wherein the discovered tariff was Rs 4.24 per unit and projects with aggregate capacity of 1,900MW were declared as successful bidders.

While actions were taken to address the concern of stressed assets, 2018 also witnessed a continued focus towards addition of renewable energy—the year saw the addition of approximately 11GW of renewable generation mostly on account of solar (8GW) and wind (2GW).

The proposed Draft on Terms and Regulations issued last year by the Central Electricity Regulatory Commission (CERC) for the period 2019-24 attempts to minimise some of the inefficiencies in the value chain. The concept of quarterly availability linked to peak and off-peak availability for recovery of fixed charges also came as a welcome step to ensure availability of power during times of need.

In addition to the SHAKTI, far more is needed to transform the under-utilised/stressed assets, including availability of domestic coal and its equitable distribution across plants. In addition, the government should consider the recommendations made by the High Level Empowered Committee regarding allowing existing fuel linkages to be used for short-term power purchase agreements (PPAs), giving flexibility to generators to terminate in case of default by distribution companies (discoms), and retiring old and inefficient generation plants and replacing PPAs with unutilised capacity of stranded assets.

Another critical ask for the future is a model where renewable sources can replace conventional sources of power, and provide 24x7 supply. For this, it is critical to explore hybrid models that can handle the infirm nature of solar and wind to provide consistent supply to the consumers. Storage systems, gas-based peaking plants offer such flexibility, and policies to harness their capabilities need to be put in place. The government also needs to finalise the hydropower policy for supporting projects that can provide immediate support to infirm power in times of need.

The CERC Draft Regulation for Tariff Determination failed to address the issue of grade slippage and the inefficiency observed in the transfer of coal from the mines to generating stations. There is an immediate need to specify normative gross calorific value (GCV) loss between "as billed" versus "as received" to prevent passing of inefficiencies in the supply value chain to end-consumers.

Transmission

On the transmission front, the country is catching with the concept of 'one nation, one grid', as the disparity in prices of power purchase among regions is thinning, as is evident from spot exchange prices in 2018. India is also developing the Green Energy Corridor—to connect renewable-energy-rich states to states that lack renewable energy generation potential. The project is under implementation in eight states.

Distribution

While the distribution sector still continues to be weakest link in the value chain, last year saw tremendous work done by the government in providing energy access to all the households in the country under the Pradhan Mantri Sahaj Bijli Har Ghar Yojana, or the "Saubhagya" scheme. In fact, the Saubhagya dashboard stands testimony to the government's efforts, with 25 states achieving 100% electrification, and only 10.48 lakh households across four states yet to be connected, as on December 31, 2018.

The year gone by also saw some forward-looking draft regulations and policies being issued, such as the Draft Amendments to Tariff Policy and amendments to the Electricity Act. The former proposed to cap the aggregate technical and commercial (AT&C) losses of discoms at 15%, while determining the average revenue realised (ARR) from the next financial year onwards. It also provided for movement to prepaid meters in the next three years, and the rationalisation of tariff categories and slab promotion of e-mobility and rationalisation of tariff slabs are welcome steps. The latter aimed at ushering in competition through segregation of carriage and content. The amendment also provided for 24x7 supply of power as an obligation. Further, generation and supply of renewable energy has been kept out of the ambit of licensing, and stiff penalties for non-compliance of renewable purchase obligations by discoms have been proposed. The amendment also provides for direct benefit transfer (DBT) of subsidy to the beneficiaries.

In December 2018, the government notified the guidelines and standards for electric vehicle charging infrastructure to ensure seamless adoption of electric vehicles by all. The power ministry has categorised charging batteries of electric vehicles as a service, removing the requirement of a licence.

While a lot has happened in 2018 in the power sector—which holds the potential to transform the sector in the coming years—there are some issues that need to be addressed while leapfrogging in 2019.

■ The need for loss reduction in the wake of rural electrification in far flung areas assumes great significance. Also, 100% metering, auditing, billing and collection needs to be ensured from both urban and rural pockets to achieve the targets of 10% within the next three years by all discoms after the achievement of 15% levels. While the Draft Amendments to Tariff Policy has proposed conversion to smart prepaid meters for large consumers and normal prepaid meters for small consumers over the next three years, it may also consider implementation of smart meters across more customer segments as it will aid in remote metering and billing, implementation of peak and off-peak tariff, and demand-side management, all of which will surely make utilities more efficient.

■ Separation of carriage and content has been deferred consistently so far, with no clear roadmap. The amendments to the Electricity Act should take cognisance of the same and provide an immediate timeline for the implementation of the same by all state electricity regulatory commissions (SERCs). Smart cities could be the first ones to go in for such separation. Areas such as Delhi, which already have multiple private players, can also be considered.

■ Implementation of DBT and reduction of cross-subsidies is another lingering issue in the power sector. The Make-in-India initiative can only be successful if we allow our industries to be competitive in the global market, and free them from subsidising other consumer categories.

The role of the private sector needs to be enhanced in the distribution space to improve efficiencies in the last mile. If not through public-private partnership models that face resistance on multiple counts, the role of private players can be infused through outsourcing modes such as passport model in key elements such as revenue cycle management, operations and maintenance management, or technology deployment. With the increasing IT and OT convergence—information technology and operational technology—it is now possible to explore various remote servicing models as well for providing accurate reading and billing, data analytics for maintenance and commercial revenue enhancement.

While it seems that the government is on track to providing power 24x7 for all, the desired outcome lies in conversion of progressive regulations and Acts from the draft stage to implementation stage.

> The issue of 34,000MW of financially-stressed assets continued to concern conventional generation sector in 2018. On the transmission front, India is catching with the concept of 'one nation, one grid', as the disparity in prices of power purchase among regions is thinning. And while distribution continues to be a weak link, last year saw a lot of work done by the government in providing energy access to all the households in the country under the Saubhagya scheme

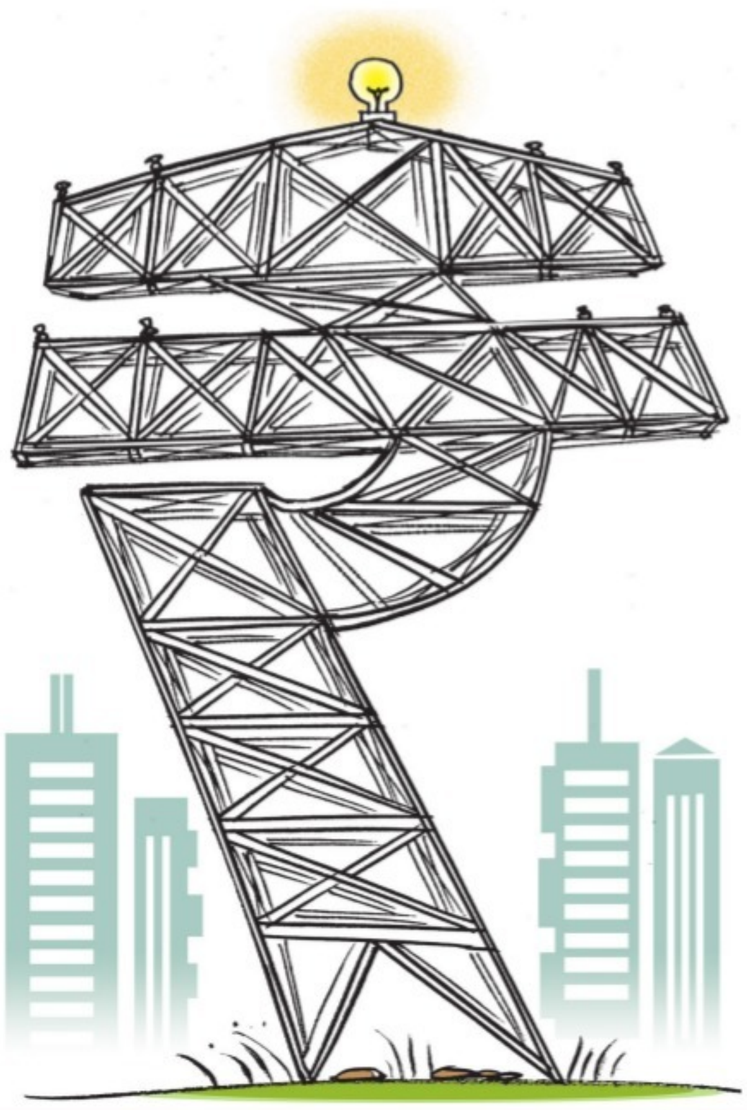


ILLUSTRATION: ROHNIT PHORE

> It appears the government is on track to providing power 24x7 for all, but the outcome lies in conversion of progressive regulations and Acts from the draft stage to implementation stage

DATA DRIVE

Turning a new chapter?

THE LEARNING OUTCOME of students at the elementary education level in rural India is showing gradual improvement. The latest Annual Status of Education Report 2018 shows that the decline in learning levels in government schools after 2010 is slowly reversing. Also, enrollment in private schools, which grew from 18.7% to 30.8% between 2006 and 2014, has stagnated at around 31% since then.

In government schools, the percentage of students in class V who can read class II level text fell from 53.1% in 2008 to 41.7% in 2012; but, this has improved to 44.2% in 2018. However, the gap between private school learning standards and that at government schools has worsened. In 2008, 53% of Class V students in government schools could read Class II level texts vis-a-vis 68% in private schools, a gap of 15 percentage points; by 2018, this gap had widened to 21 percentage points. The variation on learning outcomes between states, however, seems to suggest that uniform policies on education may not work and there could be a need to reimagine pedagogy. The implementation of the Right to Education (RTE) Act in 2010 could be linked to falling levels of learning at both government and private schools as it created a 'no detention until class VIII' regime. The Centre has now scrapped the provision. Though the learning outcomes are gradually improving in government schools in the foundation level, learning outcomes in later years still remain an area of concern.

Attendance of teachers and students on the day of the survey

Primary schools

(Class I to IV/V; % schools with)

2010 2014 2016 2018

% Enrolled children present (Average)

% Teachers present (Average)

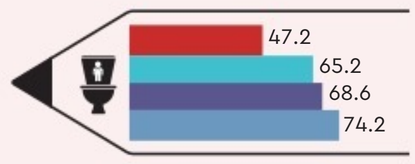
School infrastructure improves

2010 2014 2016 2018

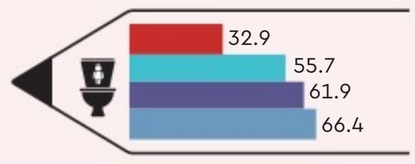
Mid-day meal served in school on day of visit

Drinking water available

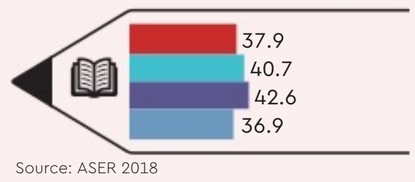
Toilet usable



Separate girls' toilet, unlocked and useable



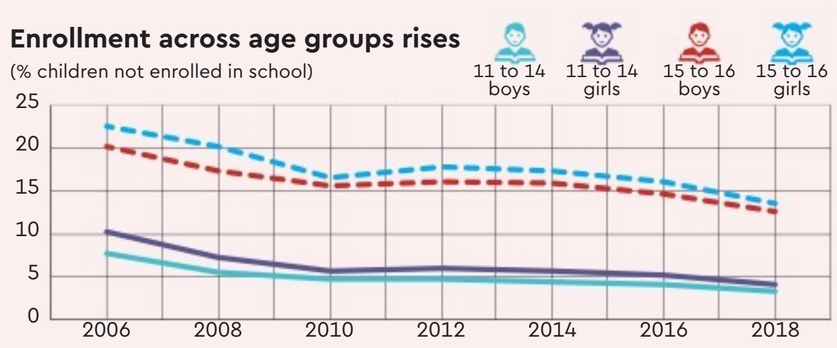
Library books being used by children on the day of the survey



Source: ASER 2018

Enrollment across age groups rises

(% children not enrolled in school)



State-wise students' learning outcome

(% class V students who can read class II level text)

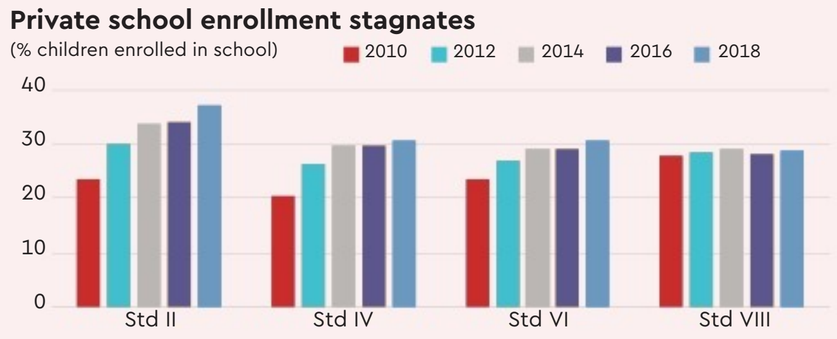
Top 3 states		Bottom 3 states	
Kerala	77.2	Jharkhand	34.4
Punjab	71.6	Arunachal Pradesh	37.1
Hayana	69.1	Assam	40.1

(% of class VIII students who can do division)

Top 3 states		Bottom 3 states	
Manipur	72.5	Meghalaya	28.1
Mizoram	71	West Bengal	28.7
Haryana	63.2	Tripura	30.7

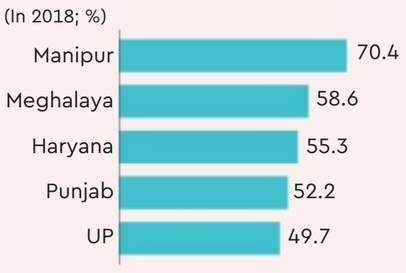
Private school enrollment stagnates

(% children enrolled in school)



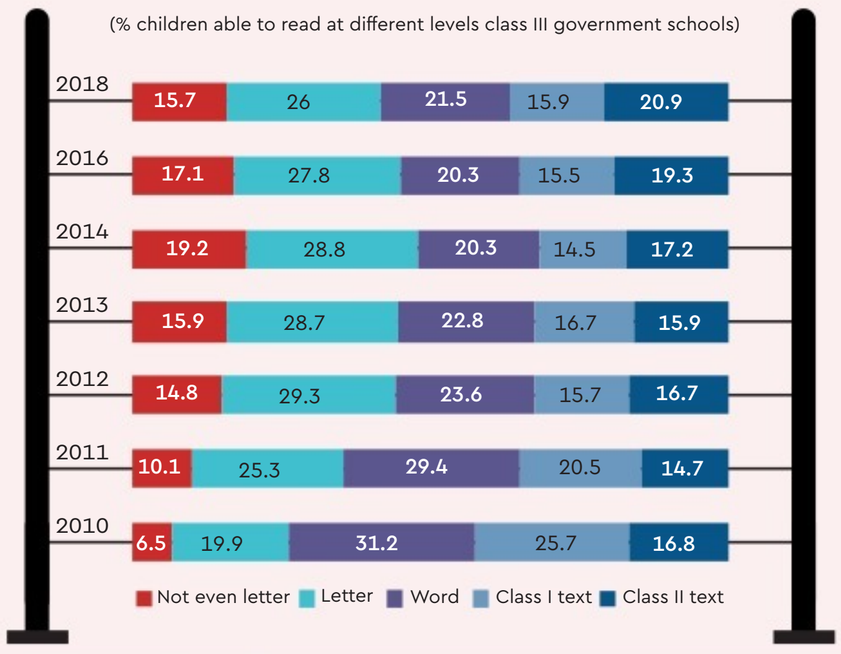
Top 5 states sending students to private schools

(In 2018; %)



Learning outcome improves in government schools

(% children able to read at different levels class III government schools)



Learning levels show marginal improvement

(% children in class V who can read class II level text)