The changing face of Indian media

What do the coming ownership changes at Star and Zee mean for the Indian entertainment market?

MEDIASCOPE

VANITA KOHLI KHANDEKAR

The Indian media market will look and act different by the end of this year.

By September this year at least a fifth, if not more, of the Rs 7,126 crore Zee Entertainment would have been bought by a strategic investor. The Rs 13,448 crore Star India would be a fully operational subsidiary of the $59.5 billion Walt Disney Co. The Rs 5,207 crore Network18 which owns Viacom18 is already part of the rapidly swelling media portfolio OF Reliance Industries which owns Jio Infocomm. The group that rarely responds to queries about its media business has been buying a variety of media assets including cable companies and film studios. The buzz is that it is along with Comcast and Tencent a suitor for Zee.

Zee, Sony, Star, Viacom18 and Sun account for over 74 per cent of all TV viewing in India. For those of you sneering because these are TV firms remember that TV is 45 per cent of the Rs 1,47,300 crore Indian media and entertainment industry. Of the top five, Zee and Star are by far the largest. Zee sits on a gargantuan 20 per cent of audience share across its 37 channels and is a cash machine running smoothly. Star, though not as profitable, is juggling a lot of balls with promise – Indian Premier League, *kabaddi*, cricket rights and Hotstar.

The two largest media companies in India are undergoing some radical ownership changes. What could it mean?

One, "By 2020, the landscape will change. There will be consolidation. But it will still be within the four players (Star, Zee, Sony, Viacom). Today nobody can do an electronic media firm of scale enough with 20 per cent market share," reckons Punit Goenka, managing director and CEO, Zee Entertainment Enterprises. Watch out then for some jostling from the ₹6,500 crore Sony and the ₹3,105 crore Sun. There was talk of a merger between the two ages back but nothing came of it. The buzz is that Sony is in the market looking to scale up. It has even been mentioned as a potential investor in Zee.

Two, it will accelerate the race to build online video assets. Remember that the growth of Netflix, Amazon Prime Video and others in the United States has shaken up the world's largest media industry. Netflix alone spent $8 billion on content last year. Sitting at the negotiating table to buy content against Comcast, Netflix, Amazon or Apple will get increasingly difficult for the traditional media firms. That, apparently, is one of the big reasons Rupert Murdoch chose to sell a bulk of his $30 billion Twenty First Century Fox to Disney last year.

India is far from that scenario. Television viewership rose by 13 per cent in 2018 over 2017. So did total number of viewers — 836 million from 790 million in 2016 going by Broadcast Audience Research Council data. The 447 million Indians with broadband connections spend about 50 minutes a day watching online video lower than the average 3 hours and 45 minutes (and growing) on TV. Films too have done well in 2018 the year when OTT (over-the-top video apps) took off. The growth of online then has been supplementary not cannibalistic.

Add in another fact. Netflix came in at $8-12 in the US where average prices were $40-$80 a month. India is still a $2-5 a month pay TV market. There is no price arbitrage that a video app has. That may change with the Telecom Regulatory Authority of India's new tariff order that forces consumers to buy à la carte and therefore pushes up PAY TV prices.

While pay revenues may take time to come in, advertising on online apps is perking up. "On an average OTT gives 4-5 times more in CPMs (cost per mille or thousand)," says Goenka. Now multiply that with the numbers that the big apps are hitting and you have a nice, new parallel business shaping up here. According to comScore data, YouTube reached 254 million unique users a month and Hotstar 79 million in July 2018. Zee5 claims 56 million monthly active users in December 2018.

There are about 35, largely well-funded, video apps from tech, media or telecom companies in India. It will be a long time before clear winners emerge, a la TV. This business will, therefore, soak a lot of money in the coming years. That means raising debt or equity and therefore more consolidation. There we go again.

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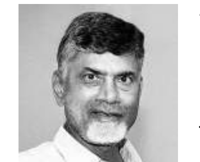
CHINESE WHISPERS

A portrait

President Ram Nath Kovind (*pictured*) on Tuesday unveiled a life-size portrait of former prime minister Atal Bihari Vajpayee in the Central Hall of Parliament House. It became an occasion for political point scoring. Prime Minister Narendra Modi said while people recalled the oratory skills of Vajpayee, his silence had more power than his words. The leader of the Opposition in the Rajya Sabha, Ghulam Nabi Azad, recalled Vajpayee's words that if India was not secular, it was not India. Vajpayee, Azad said, never had a bitter word for political rivals. Other former prime ministers who have a portrait in the Central Hall are Jawaharlal Nehru, Lal Bahadur Shastri, Indira Gandhi and Rajiv Gandhi. The last addition to the galaxy of portraits at the Central Hall was in 2003, when Vinayak Damodar Savarkar's portrait was added. Eminent painters such as S Roerich, NS Subhakrishna, Bikash Bhattacharjee and Chintamani Kar have made some of the portraits.

Feasting after fasting



Andhra Pradesh Chief Minister N Chandrababu Naidu (*pictured*), along with his Telugu Desam Party Members of Parliament and legislators, marched from Andhra Pradesh Bhavan to Rashtrapati Bhavan in New Delhi on Tuesday afternoon. Naidu and others met President Ram Nath Kovind and reiterated their demand for special status for their state. Just the day before, Naidu had observed a daylong fast at Andhra Bhavan. Not just Naidu, most of his party colleagues had also observed fast that day. On Tuesday, he and his party colleagues were served sumptuous food from Andhra as they prepared for their march.

For Indian entreprenuers

The Republic of Estonia believes it has the perfect solution for budding Indian entrepreneurs. Estonia is the world's first country to introduce an e-residency programme that offers start-ups access to a government-issued digital identity, facilitating the opening of a global European Union-based company completely online, while working from India. E-residents have access to the EU business environment and can use public e-services with their digital identity. Estonia will launch an awareness drive on Wednesday in New Delhi. Firms set up through e-residency can be run remotely from across the world. The programme was launched in December 2014 and has over 50,000 e-residents from over 140 countries. According to the Estonian embassy, India will have the largest young workforce by 2020 with the average age of 29. Already more than 2,174 Indian citizens are e-residents and the Baltic nation expects this figure to grow in the coming years.

Data in a narrative-driven debate

In the first of a two-part series, the authors dispel misgivings about the methodology used by NSSO in its Periodic Labour Force Survey

P C MOHANAN & ALOKE KAR

The two-part article authored by the CEO of NITI Aayog (*Business Standard* February 6 and 7) raising questions on the report of the National Sample Survey Organization (NSSO) on employment-unemployment strikes at the fundamentals of this widely respected institution and the well-established process followed by it. The provocation for discrediting the NSSO arose because the data collected by NSSO in its latest labour force survey purportedly contradicted certain carefully cultivated narratives. Unfortunately, this has raised questions on the independence of statistical agencies. This short note covers two broad issues. The first concerns the questions raised on the methodology used by NSSO in its newly introduced Periodic Labour Force Survey (PLFS) and the second is about how the objectivity of the official statistical system nurtured over the years itself is questioned in this effort to protect the dominant narrative.

Labelling the PLFS estimates in question "half-baked" not only reflects a lack of confidence in the large section of Indian Statistical Service officials engaged in designing, conducting and data processing of the survey, but also a sheer disregard for the Standing Committee entrusted with the task of overseeing the statistical and operational aspects of the survey. The Standing Committee consists of reputed survey statisticians and other experts and is headed by Prof SP Mukherjee, one among the few senior statisticians of eminence with long experience in the country at present. The article in effect casts aspersions on the large-scale sample survey procedures followed by the NSSO. These procedures have evolved gradually over more than six decades and are held in high esteem internationally. The procedures followed are rigorous, set in the institutional setup of the organisation. These are, in fact, applications of sampling theory designed to suit the specific objectives of the survey. The theory dictates the estimation procedure, that is, the algebraic formulas for deriving the estimates from the collected data to be adopted for a survey and the procedure itself is invariably drawn up much before completion of the fieldwork for data collection. This leaves no room for the external experts — even those in the NSC — to modify the estimates derived from the collected data. Modification, if any, is permitted only on the commentaries on the estimates made in the survey report. Thus, the question of approving or disapproving a report because the estimates do not conform to expectations, hunches or gut feelings of individuals, groups or institutions does not arise.

On comparability

A survey is conducted to produce hundreds of estimates on different aspects of the study population. Whether or not the main results of two large-scale sample surveys on a given subject are comparable depends mainly on (i) the concepts, definitions and reference periods adopted for the surveys; (ii) how the sample of households are drawn; and (iii) how closely the set procedures are followed in fieldwork.

The question of approving or disapproving an NSSO report because the estimates does not conform to expectations, hunches or gut feelings of individuals, groups or institutions does not arise

As for the factor (i), there is virtually no difference between the last employment and unemployment survey conducted in 2011-12 and the PLFS. The factor (ii) also can be disregarded for the surveys in question. For its household surveys, the NSSO has been using basically the same sampling design over the years, with some fine tuning made every year with the objective of improving accuracy of important estimates. In the PLFS the main departure from the usual practice was that of repeated visits to urban households in the sample, with no basic change in the sampling procedure. The finetunings are not known to have brought about any significant change in accuracy of the estimates and thus do not make the results of two surveys "not comparable". The main outcome of a labour force surveys is undeniably the estimates of employment and unemployment rates. Whether these estimates are comparable depends mainly on the bias caused by the factor (iii), particularly in field operations. The issues relating to the existing field conditions raised in the article are indeed most pertinent, but the answers provided unfortunately can at best be said to be presumptuous.

On reliability and sample size

Here the author falls into the error, common among non-statisticians, of believing that the accuracy of the estimates is determined by the sampling fraction, which is the ratio of sample size to population size, such as "3 out of 1,000" cited in the article. Though counter intuitive, the theoretically established fact is that the accuracy actually depends on the sample size, with the sampling fraction having virtually no role to play, as long as it is small, say, under 1 per cent. This implies that a sample of 55,000 households drawn from a population of 200 million households produces results as reliable as a sample of the same size drawn from a population of only 2 million households. Like the other household surveys of NSSO, the PLFS is designed to provide reliable estimates at the state-level. The minimum sample size worked out for estimating a ratio reliably applies to all the states — whether as large as Uttar Pradesh or as small as Goa. The sample size on which national-level estimates of the PLFS are based are, in fact, much much larger than the minimum sample size required to produce reliable estimates of unemployment rate.

Further, the author, noticing the higher-than-proportionate allocation made in the sample for households with members educated above a certain level, jumps to the conclusion that the data reported by these households will have a disproportionately large effect on the estimates. This is a common misapprehension among those unfamiliar with survey sampling methods — actually this does not happen because when some population groups are over-represented in the sample, correspondingly low blow-up factors are used in the estimation formula for households from these groups.

The issue of survey estimates of the population being lower than the known population figures have been examined by experts in the past and are well known to NSSO data users. It is one of the reason why the NSSO provides only estimates of rates and ratios that are known to be free from this problem. In fact, experts in the Indian Statistical Institute Kolkata have already developed a procedure to calibrate the survey estimates with the population data that will address this problem.

Having said this, the need for increasing sample sizes to produce estimates at lower levels of aggregation like regions, districts, population groups etc cannot be over emphasised. The manpower resources of the entire national statistical system including the NSSO has remained the same since the eighties. Commensurate with the increase in population and expansion of the economic activities this requires to be urgently augmented and the reliance on temporary investigators minimised. While technology can address the question of data recording, transmission and processing, the actual survey data collection remains a task best performed through personal interviews with the respondents.

Tomorrow: Autonomy of statistical agencies

Mohanan was a member of the National Statistical Commission and resigned his position recently. Kar is a survey statistician and member of the Standing Committee for Labour Force surveys that guided the Periodic Labour Force Survey. He is currently associated with the ISI Kolkata.

OCCASIONAL ASIDE

How to benefit from cross-border listing

AMIT TANDON

The expert committee for cross listing submitted its report to Securities and Exchange Board of India (Sebi) in December. Cross-listing is when equity shares of companies incorporated in a country (India) are listed directly on foreign stock exchanges or of companies incorporated outside India, on Indian stock exchanges. For the record, a direct listing is legally and technically different from depository receipts that are currently listed.

This is less straightforward than it appears. First, which are the jurisdictions that Indian shares can be listed? Given the reciprocity involved, that is, you need to allow companies in countries where regulators want Indian shares listed, to list in the Indian exchanges, and I will come back to this, it implies *Côte d'Ivoire* is out. For that matter most countries won't make the grade. Put this the other way, there are very few countries that make the cut.

How to then go about building this list? The committee has used a 'principles-based approach' for identifying these jurisdictions and exchanges. In this they have weighed in favour of jurisdictions where there is a "treaty obligation to share information and cooperate with Indian authorities in the event of an investigation". It has then filtered for members and signatories to the Board of International Organization of Securities Commissions (IOSCO) and membership of the Financial Action Task Force (FATF), with focus on anti-money laundering and combating the financing of terror.

Based on this the committee has identified USA, China, Japan, South Korea, United Kingdom, Hong Kong, France Germany, Canada and Switzerland. If a company is good enough to be listed in these markets, Indian bourse will accept them. Surprisingly neither Australia nor Singapore find their way in this list.

While Indian companies want to list off-shore, the country's strategic interests are better served if it encourages companies incorporated outside India to list on Indian exchanges

To achieve this, there are changes needed to local regulations and tax laws. The committee has identified changes needed to both the Foreign Exchange Management Act, the Companies Act and Sebi regulations, and this is the meat of the report. The report makes clear that even as the listing framework of the foreign jurisdiction will apply, the Companies Act too will apply. Some other recommendations relate to the permissible jurisdictions KYC requirements and records of beneficial ownership — that have tangled Indian companies — will prevail. Two, that tax issues have always been intractable, and the committee suggests a dialogue with the department of revenue. Three that companies will report accounts based on both jurisdictions. For offshore companies listed in India, the requirements of a minimum issue size (₹1,000 crore) and investors (200) and removal of the requirement of an identified promoter or a promoter group.

The acceptance of these recommendations, as well as the ability to pragmatically deal with regulatory and tax issues as they surface will only partly determine whether the objective is met. For it to be a success, the user case too needs to be compelling. This is where the bigger challenges are.

For Indian companies wanting to list overseas, the argument for tapping 'pools of liquidity' exists but is weak: any institutional investor that wants to invest in Indian equities, is registered as an FII and can buy their shares. Moreover, the large global brokerages are present in India, and have coverage on stocks that investors track. A tangential benefit that these companies have more robust governance standards hence might enjoy premium valuations, is also not true. As governance focussed regulations have tightened in India, there is very little evidence to support this argument today. Today, company practices are also more closely aligned with regard to disclosures and more frequent interaction with investors. Companies then need to ask themselves if the marginal benefit they hope to get is worth the (compliance) and other costs associated with cross-listing.

India's domestic market is open to foreign investors, the reverse is not true. Today the more compelling need is of foreign companies listing in India. All this while the global investors have ridden the Indian equity upside. True the Indian investors have done so as well, but there is a need to start to diversify their holdings. Such listings will help internationalise our currency, give us economic heft, compel best in class regulations and further develop the professional-services ecosystem. All this has a positive impact on the local market — in which case it is worth extending the list of jurisdictions to include emerging markets as well. And they are, initially, more likely to turn to India, than companies in the US or the UK. Having said so, as India starts to account for a greater share of an MNC's business and as Indian savings and pension funds accumulate, there is more compelling case for foreign companies even in these countries to seek Indian listings — even if it is through depository receipts. True India cannot replace New York, London, Tokyo or Hong Kong as a financial centre, but only if we start to export capital to a broader swathe of countries, will India stand and be counted as a significant financial power.

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LETTERS

Foolproof system needed

Apropos "Genuine start-ups can breathe easy" by Arup Roychoudhury and Indivjal Dhasmana (February 12), Finance Minister Piyush Goyal's assurance certainly comes as a breather for our "genuine" start-ups. Here's hoping that verification powers for proving themselves being genuine would not lie with the infamous income tax inspector. We are surely not seeking a return to the dreaded "inspector raj" with all its associated ills of rent seeking and hush money. Our start-ups are not only almost always short of funds, they also don't have the manpower to deal with inspectors. The finance ministry will have to put in place a foolproof system, overseen by honest senior officials, to decide the genuine status of struggling start-ups. The department must separate those indulging in wrongdoings like laundering money through fake companies and deal with them in the strictest possible manner but they must allow the genuine ones to work peacefully.

Krishan Kalra Gurugram

Changing with the times

This refers to Anup Roy's report, "Central bank moots Re intervention overseas" (February 11). It is heartening to see that media and analysts have started taking cognisance of the multiple ingredients of the bi-monthly policy review exercise the Reserve Bank of India (RBI) has been doing ritualistically as part of its mandated responsibility. Usually, the post-review debates hover around the repo rate and inflation. This change is a welcome by-product of the forced exit of Urjit Patel which made stakeholders think about the effectiveness of the RBI in taking forward economic reforms.

The 25 basis point reduction in the repo rate works out to just 4 per cent reduction in the rate. The banking system, at present, is availing of a negligible percentage of their resources from the RBI. The myth that the monetary policy committee has two teams representing the government and the RBI has also been broken this time, as one GOI nominee and one RBI deputy governor on the monetary policy committee did not go with the majority decision to cut rates. The RBI's efforts to get external professional advice to improve its functioning should become a guidance for other supervisory and regulatory bodies in India.

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Effective regulation

Rules for social media platforms must be thought through

A draft of The Information Technology Intermediaries Guidelines Amendment Rules, 2018, was issued in December last year by the Ministry of Electronics and Information Technology and put up for public consultation till January 31, 2019. The draft sought to replace the existing rules, framed in 2011, for governing "intermediaries" — a term that includes all information technology (IT) and IT-enabled services (ITeS) platforms and content aggregators including network service providers, internet service providers, search engines, online payment sites, and social media platforms. The draft amendment was formulated to increase the accountability of social media platforms. The new guidelines ensure that major global social media platforms comply with local laws. Any platform with over 5 million users in India, or any platform specifically notified by the government, must be incorporated under Indian law and have a registered office in India. Such an entity must appoint a nodal compliance officer in India for coordination with law enforcement agencies and monitoring compliance under Indian law. In short, big technology companies must be regulated properly and effectively, given the tendency to misuse social media to spread fake news and rumours.

But the draft has some disquieting aspects that may make things difficult. It tightens the web of surveillance and censorship, bringing private parties into the Act. This implies a loss of privacy and anonymity for social media users. It also uses very broad, undefined terms to describe content that is to be taken down. It may be noted that India still has no privacy laws and no explicit protection for digital speech and privacy. The amended guidelines have asked intermediaries to "trace" content creators within 24 hours upon receipt of such a demand from the authorities. This is technically difficult to do without breaking encryption, which, in turn, implies a complete loss of both privacy of content and anonymity. Secondly, the amendments also require intermediaries to set up technology to proactively identify and remove content of various kinds. This could usher in private sector censorship along with private sector surveillance. Such content is described, using highly subjective, undefined terms such as "disparaging" and "harmful". Moreover, "blasphemy", which is not a crime, is cited as a cause for a takedown.

The role of IT intermediaries is contentious in most jurisdictions. Social media platforms which allow commentary will receive anonymous content. Enlightened democracies, which have both privacy laws and free speech protections, treat that content on the basis of two broad provisions. One is a "safe harbour" provision, where the intermediary itself is not blamed if the content created by some anonymous poster turns out to be unlawful or slanderous. The intermediary is required to take down such content within a certain time frame once notified by authorities. Secondly, content created by anonymous persons is treated on the same basis as offline content (in printed media and books), and online content generated by known parties. If the content is lawful, it should not be taken down even if it's created by anonymous posters. These common sense guidelines are missing in the draft. Private sector intermediaries should not be asked to perform censorship and surveillance. Any takedowns should be on the basis of court orders, or orders by senior officials in the government departments concerned. Moreover, there should be a provision for appealing against a takedown.

Reduce trade tensions

Govt should not let the US crack down on Indian exporters

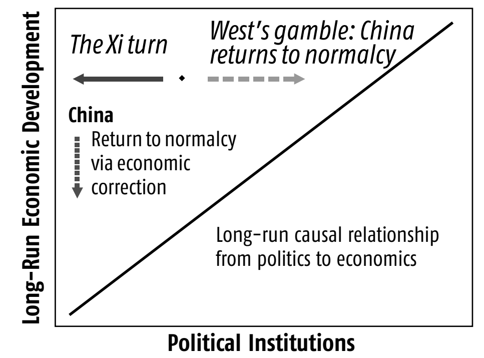
United States Secretary of Commerce Wilbur Ross will be in India this week amid growing tensions that threaten to destabilise trade relations between the two countries. Many are concerned that India will have to go the extra mile to placate an increasingly protectionist US if it is to retain its privileges as a developing country. Mr Ross' visit comes amid reports — not yet confirmed officially by the Indian commerce ministry — that the US is considering removing India from its "Generalised System of Preferences" trading plan. Under the GSP, India — as a developing country — gets the opportunity to export several kinds of goods tariff-free to the US. The system was put into place in the 1970s, and India is one of the biggest beneficiaries of it as it now stands — by some estimates, about a quarter of the revenue foregone under the scheme is on account of Indian exporters. The importance of zero-tariff lines can be judged from the fact that Indian apparel exporters, for example, struggle to export to the European Union, where they receive no such benefits, in comparison to countries, such as Bangladesh, that do.

The United States' concerns about Indian trade practices may be somewhat overstated because of the political climate in that country, given that its trade deficit with India is relatively small in absolute terms. The trade deficit is barely $22 billion, as compared to the $566 billion deficit with the People's Republic of China. But India's clumsy trade practices have made the situation worse. Restrictions on stents, for example, have led to complaints in the US about the medical devices sector becoming closed. The dairy industry in the US has also complained — and President Donald Trump has specifically referenced Harley Davidson motorcycles, which are made in an electorally significant state. These irritants had led to 50 trading lines being taken out of the zero-tariff GSP mechanism last year.

However, since then the disagreements have intensified. Recent policy changes in the digital space have reportedly been particularly problematic in the US' eyes. For example, the Indian government and regulators have come down hard on the side of data localisation, forcing international companies in the digital space to store some data within India, which they see as a commercial disadvantage. In addition, recent moves in the e-commerce sector have been widely seen as protectionist. E-commerce marketplaces that depend on foreign direct investment have been told they cannot even run specific promotions or hold inventory or invest heavily in sellers on their platforms.

These changes are seen as favouring Indian firms and removing a level playing field. It would be unfortunate if such changes were taken without the larger picture in mind. The US-China trade war was supposed to open up opportunities to increase Indian exports. Creating a robust exports ecosystem has been priority for the government, and removal of the GSP would be a severe blow to attempts to create jobs in export-sensitive sectors. The government will have to give Mr Ross a patient hearing and see if there are compromises that can be worked out that serve the Indian national interest. Protectionism is not in anyone's interests — but certainly not in India's.

ILLUSTRATION BY BINAY SINHA



Losing steam: The coming China shock

Its internal debts are mounting to unsustainable heights, and domestic investment levels have passed the point of diminishing returns

In September 2018, we argued that China's economic and foreign policies were defying the "laws" of economics and geopolitics, and warned that the situation could not last. Since then, our assessment has been borne out, and our concerns have deepened.

Until recently, China had been able to pursue a unique development path, owing to the government's far-reaching control over the economy (and society more generally). But those days are over. The country's internal debts are mounting to unsustainable heights, and domestic investment levels have passed the point of diminishing returns and are veering toward negative territory.

ARVIND SUBRAMANIAN & JOSH FELMAN

Moreover, China's strategy of fostering exports, promoting industrial "national champions," and expropriating foreign technology has crossed the threshold of what the West, especially the United States, is willing to tolerate. Chinese President Xi Jinping's Belt and Road Initiative is showing all the signs of imperial overreach. Not only does the BRI's lending far exceed participating governments' borrowing capacity, but its loan terms have become increasingly onerous — indeed, usurious — as Harvard University's Ricardo Hausmann recently observed.

Back in September, we saw some discontinuity in China's economic performance as inevitable. Even if the country was not heading for a full-blown crisis, we believed it would almost certainly experience some combination of rapidly decelerating growth and a sharply depreciating exchange rate.

That prognosis has since become even more likely. With global economic growth and exports declining, China's economy is on track to slow further relative to the 6.4 per cent growth recorded in the fourth quarter of 2018. The double-digit average achieved from the 1980s until recently has never seemed more distant.

In response to the current global slowdown, the Chinese government has decided to loosen restrictions on private and public borrowing. But this will merely aggravate the country's debt and overinvestment problems. Or, as a famous Chinese saying goes, it is akin to "drinking poison to quench one's thirst."

Even without these macro developments, China's defiance of well-established findings in development economics was never going to last forever. The economists Douglass North, Daron Acemoglu, and James A Robinson have shown that long-run economic development tends to rely on strong state institutions and open political systems, because these are necessary to foster competition, investor confidence, dynamism, and innovation.

In the chart above, the upward sloping line represents the positive relationship between political and economic development. As the notable exception to an otherwise robust relationship, China has long posed a problem for this theory. With its closed political system, it should not be anywhere near as rich as it is.

In the 1990s and 2000s, the West made a gamble that China would cease to be an exception and would veer toward normalcy by adopting more open and democratic political institutions (as indicated by the dotted blue arrow). As a practical matter, that bet translated into Western policies to facilitate China's rise, and decisions by US firms to transfer manufacturing capacity there.

But under Xi's leadership, China has instead become less open (as shown by the red arrow). And, as Nicholas Lardy of the Peterson Institute for International Economics shows in a new book, its economy has also shifted back from a private-sector-driven growth model to state capitalism.

In other words, systemic political and economic changes are making China even more of an exception, thereby increasing the odds that its return to normalcy will come in the form of a sharp deterioration in economic performance (the downward dotted black arrow). There is no telling precisely when that correction will happen. But the more China defies the rules of economic development, the more likely it becomes.

Unfortunately, any discontinuity in China's economic performance would have a seismic effect on the rest of the world, because it would lead to a significant weakening of the renminbi. In fact, China itself might engineer a depreciation of its currency in order to promote its exports and cushion the inevitable fall in domestic demand, particularly its investment component.

Such a scenario would have a tsunami-like impact on global currencies. Other major Asian countries would respond by pursuing their own devaluations to maintain their competitiveness, and Europe and the United States would experience sharp deflation as their currencies strengthened in kind.

For a historical comparison, consider that in the 1930s, the US dollar and British sterling depreciated by about 40 per cent over four years, while the French and German currencies remained broadly stable (measured against gold). Like the US and Britain in 1929, just before the Great Depression, today the major Asian economies that would be affected by a Chinese currency shock account for around 30 per cent of world trade.

Making matters worse, trade is much more important to the global economy today than it was 90 years ago. In 2017, merchandise exports accounted for 20-25 per cent of global GDP, compared to just 8 per cent in 1929. That means a depreciation in Asian currencies would have a significantly greater global impact than the dollar/sterling devaluation of the 1930s. Thus, a China shock could potentially dwarf the competitive currency depreciations of the early 1930s — one of the darkest economic periods in recorded history.

One way or another, China's continued defiance of the "laws" of macroeconomics, geopolitics, and economic development will hasten its inevitable return to normalcy. When that happens, the world had better brace itself.

Subramanian, a former chief economic adviser to the government of India, is a senior fellow at the Peterson Institute for International Economics and a visiting lecturer at Harvard's Kennedy School of Government. He is the author of Eclipse: Living in the Shadow of China's Economic Dominance. *Felman is director of JH Consulting.* *© Project Syndicate, 2019.*

PSU resources: Future tense

How has the Narendra Modi government managed the financial and investment needs of India's public sector undertakings (PSUs)? The Union Budgets for the last five years tell us an interesting story. The popular narrative so far has been that the Modi government has squeezed public sector outlays and the total investments of PSUs grew at a tardy pace in this period. But take a look at the five years of the Modi government, the story looks a little different.

NEW DELHI DIARY

A K BHATTACHARYA

Total capital outlay for PSUs in 2013-14, the last year of the Manmohan Singh government, was estimated at ₹3.32 trillion. This was about 21 per cent of the Union government's total expenditure that year and a little less than 3 per cent of gross domestic product (GDP). In 2018-19, the last year of the Modi government, the total capital outlay for PSUs has risen by over 163 per cent to ₹8.74 trillion, accounting for about 36 per cent of the total government expenditure this year. Even as a share of GDP, PSU outlay has gone up to 4.64 per cent. The number of PSUs covered by these outlays has not declined significantly — their numbers have gone down from 146 in 2013-14 to 139 in 2018-19.

A similar trend is noticeable for the total resources that have been made available for PSUs during these five years. From ₹2.58 trillion in 2013-14, these have increased to ₹6.44 trillion in 2018-19. Thus, PSU resources have gone up from being about a sixth of the Union government's total Budget expenditure in 2013-14 to a little more than a fourth of the Union government's total expenditure in 2018-19. Their share in GDP has gone up from 2.29 per cent to 3.42 per cent in the same period.

The government's Budgetary support to PSUs, also, has increased significantly in these five years. It has gone up from ₹0.69 trillion in 2013-14 to ₹2.29 trillion in 2018-19. Its share in the total Budget expenditure has doubled from 4.43 per cent to 9.34 per cent. Similarly, the share of Budgetary support in GDP has risen from 0.62 per cent to 1.22 per cent in this period.

Budgetary support for the PSUs includes the government's equity contribution and loans. It is important to note that even by way of equity contribution, the government's allocation for PSUs has gone up from ₹0.64 trillion (4 per cent of total government spending) in 2013-14 to ₹2.12 trillion (8.64 per cent of total government spending). Even loans have risen at a similar pace from ₹5,497 crore to ₹17,100 crore in this period.

While the government has kept raising its allocations for PSUs through higher overall investment and Budgetary support, PSUs' internal ability to raise their own resources have taken a hit. This is a disturbing trend that could have adverse long-term implications for the PSUs. Internal resources of PSUs, which are generated from their profits and retained earnings, have grown at a much slower pace, from ₹1.72 trillion in 2013-14 to ₹1.98 trillion in 2018-19. Worse, as per cent of the government's total expenditure, the internal resources generated by PSUs have fallen from 11 per cent to 8 per cent in this period. Even as per cent of GDP, they have declined from 1.53 per cent in 2013-14 to 1.05 per cent.

A lower pace of increase in PSUs' internal resource generation would suggest a decline in their overall financial performance. However, the government has continued to secure for itself a decent increase in its dividend income from these PSUs in this period. This is yet another disturbing trend as far as the prospects of PSUs' long-term financial health are concerned. Dividends income for the government from PSUs (excluding financial sector companies like the public-sector banks) has risen from ₹25,921 crore in 2013-14 to ₹45,124 crore in 2018-19.

A bigger cause for concern emanates from the interim Budget's projections on the PSUs' finances for 2019-20. The total capital outlay for PSUs for the coming year will go down by 14 per cent to ₹7.48 trillion, compared to ₹8.74 trillion in 2018-19. Similarly, the government's Budgetary support for the PSUs would decline by a bigger margin of 43 per cent to ₹1.3 trillion in 2019-20, compared to ₹2.29 trillion in 2018-19. Not surprisingly, the government's equity contribution to PSUs will also drop by 47 per cent to ₹1.13 trillion in 2019-20.

But the PSUs' internal resources generation is expected to go up to ₹2.2 trillion, an increase of 11 per cent over the amount in 2018-19. And the government expects the PSUs to pay up a much higher dividend amount of ₹53,160 crore in 2019-20, an increase of about 18 per cent over the previous year.

In sum, while the five years of the Modi government have indeed seen a healthy increase in PSUs' outlay and the Budgetary support for them, the next year's numbers for PSUs reveal the squeeze in the government's own resources. Thus, total capital outlay for the PSUs has seen a drop, for the first time in the last four years. And even as the government has allocated less amount by way of equity support to the PSUs, it is expecting a much higher dividend income from them. These do not augur well for the PSUs in 2019-20 and the years ahead, unless these numbers are revisited and, hopefully, revised in the full Budget that will be presented later in July this year.

Whose goddess is it, anyway?

BOOK REVIEW

ARUNDHUTI DASGUPTA

The age-old annual autumnal worship of the Devi (Durga, Amba and other forms) has grown from strength to strength and in recent years, even turned into a colour-coordinated celebration of ethnic wear in workplaces, housing societies, *puja pandals* and other public spaces with each of the nine days of the festival assigned a unique and auspicious colour.

The Navaratra/Navaratri festival is riding the highs of a popularity wave. And while such forms of celebration and worship are far removed from the practices set out in the original texts and purists may frown, what is striking is that Devi worship is thriving. Even as the goddess disappears from the public altar in other cultures, both her form and her followers are expanding and evolving in the region.

In this context, a deep dive of the kind that this book provides, is invaluable. Structured as a collection of 15 essays that look at Navaratri through the ages and across the social spectrum, it traces the emergence of the festival in early Sanskrit texts, to the engagement with the goddess in popular culture, to her present-day politicisation. And thus opens a window into the socio-political and cultural evolution of people in the region.

The book also shows just how diverse goddess worship has always been in the region, from the Navaratra celebrations in parts of Uttar Pradesh to her invocation as part of Ramlila and to the Durga Puja in Bengal—the goddess undergoes many changes.

One of the essays ("Which Durga? Which Navaratra?") digs into the stark differences in ritual practices between two groups of followers in Nepal where the festival is celebrated as Dasain. The Newars and the Parbatiyas, who derive their traditions from the Malla and Shah dynasties that ruled over the Kathmandu region in the 18th century, worship the same goddess, but in very different ways. This is despite the fact that both the royal dynasties conflated political power with the goddess and followed the same Vedic text.

Such diversity is a sign of the flexibility that the worship of the goddess afforded her followers. To an extent, that is also probably why the goddess has continued to hold her place in the large and increasingly dominant pantheon of male gods in the region.

The Navratra/ratri (nine nights) festival has been co-opted by both the epics where the worship of the Devi heralds victory. In the *Ramayana*, Rama turns to Durga when he finds himself weakened against Ravana's might. This story is not part of the Valmiki *Ramayan*, but in later texts, especially the vernacular versions. In the Valmiki *Ramayana*, Surya, the sun god, is worshipped. When he is replaced by Durga, the prayers and rituals remain the same even as the presiding deity changes. Recycle and reuse has been an ancient Vedic mantra.

In the *Mahabharata*, the Pandavas worship the goddess before going incognito during their exile. They hide their weapons on a Sami tree (Prosopis Cineraria) and then sing praises of the goddess—the Sami tree has cult status in ancient Indian texts and was a part of the royal celebrations during Navaratri and Vijayadasami. Closely linked to the goddess, it follows her wherever she is worshipped.

The clout of the goddess is considerable even today, even if it has been modified to suit the growing influence and grip of Brahminical patriarchy and political needs. One of the essays ("Politics, religion and art in the Durga Puja of West Bengal") shows how the goddess and her worship has been appropriated and transformed within the political space in Bengal. From the artistry that marks the designing of the *pandals*, to the nature of the clubs that organise the festival and the invitation cards that go out at the start of the festival and to the deification of Mamata Banerjee, chief minister of the state, as Sakti—the Durga Puja has lent itself to the political theatre of the times.

The essay weaves the narrative around three case studies in the state to show how the image of the goddess has been used. First, there was a metaphorical representation of Ms Banerjee as goddess demolishing the demonic figures that symbolise the CPM (her opposition). In the second phase she turned into an artist who gives form to the goddess, painting an artistic Durga for a Puja organised by one of the influential clubs. And, finally, she becomes the one to breathe life into the idol, by painting her eyes.

Just as political exigencies have created a new idiom for the goddess, so has the changing economic profile of worshippers. In Benares, for instance, the Ram Lila that was once the most important and spectacular festival of the region has seen its allure dim as the economically powerful community of Bengalis has grown. There has been a more than 200 per cent increase in Durga Puja celebrations in the city, the essays ("Navaratri in Benares") records. It also documents the changing views about the festival among the people in the city. For those familiar with the loud rhetoric and shrill narrative of a militant urban class, the essay is a must read as it may well open the door to a new world.

NINE NIGHTS OF THE GODDESS: The Navaratri Festival in South Asia
Caleb Simmons, Moumita Sen and Hillary Rodrigues (Editors)
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