

Behind the speech

Budget speeches conceal more than they reveal

There is one thing that all Budget speeches have in common. The finance minister delivering the speech may be interim or permanent; the poet quoted may be Tamil, Bengali, or North Indian; the emphasis may be on farmers, or on the middle class, or on government employees — but all Budget speeches conceal more than they reveal. It is not the purpose of a Budget speech to reveal and explain the details of the Union Budget, but in fact to conceal them. This is not because of a search for cheap applause lines — multiple such applause lines might exist in a speech, but unlike an American president's State of the Union address, they are not the point of the Budget speech. The

point of a Budget speech is in fact to guide the interpretation of the Budget, and specifically to guide the eye away from those clauses of the Finance Bill or entries in the Demands for Grants that actually matter.

In the interpretation of Budget proposals, what matters is understanding the trade-off that is made. As even a first-year economics student knows, budgeting is by definition an exercise in trading off one need against another, subject to a constraint. For governments, the macro trade-off is between fiscal rectitude, expenditure, investment, and taxation. Within this, there are multiple smaller trade-offs to make — who bears the brunt of taxation, who will benefit from extra spending, which social

and economic priorities will receive funding. Yet it is rare to discover a Budget speech that makes this trade-off explicit. Parliamentarians expect to hear a long list of things that are being funded, and not those that are being defunded or taxed. The sole exception was, perhaps, taxes on cigarettes, which multiple finance ministers in the past have been happy to specifically name. It is remarkably easy, on listening to a Budget speech, to be lost in admiration of the genius of the finance minister in question — any finance minister — who has somehow managed to provide something to everyone without apparently straining the finances of the government unduly.

It is only when the Budget papers are carefully scrutinised that the true picture emerges. The observer will discover then, for example, that defence expenditure might have been squeezed — even if a finance minister has pointed out in his

speech that the allocation is “the highest ever”. For example, the latest speech has told you the defence budget has crossed ₹3 trillion for the first time. But the actual allocation will show that the outlay has barely kept pace with inflation — as has been the case over and over again across governments.

When ministers have significantly increased the allocation to a department or a scheme, they are happy to tell the world how much higher the allocation is than the previous Budget estimates in percentage terms. If the increase is not significant, they will instead mention the difference in rupee terms. But when they have squeezed it, they will likely instead state in their speech just the allocation without mentioning the previous year's outlay. If, during the course of a financial year, the allocation for a scheme has been increased — as happens with NREGS frequently — then the minister will mention how much higher

the new allocation for the coming year is than the previous Budget estimates, and not how much higher it is than the Revised Estimates. If instead that ministry, department or scheme found that the finance ministry had not disbursed money over the year, then the speech will highlight how much higher the new outlay is than the Revised Estimates.

Sometimes, the most crucial aspect of the Budget — and the one that determines how the Budget is remembered or written about — is only discovered hours or days after the speech, because it is hidden somewhere in the Finance Bill. Such was the case, for example, with the famous Vodafone retrospective tax amendment — which startled observers noticed only several hours after then finance minister Pranab Mukherjee had stopped speaking. The truth is that a Budget speech is often terrific entertainment — but it is rarely useful.

How to build defence capabilities

India needs to move beyond being a licensed weapons producer, and acquire the capability of developing globally competitive weapons systems that meet its requirements



KHUTUB HAI

There has been considerable discussion about India's defence industry, including the ongoing debate in Parliament over the purchase of Rafale aircraft, connected offsets and the technical capability of our leading defence PSUs. It is a sad commentary that even 70 years after attaining independence, India is incapable of designing and developing its own MMRCAs, and there are doubts whether its premier aerospace company — HAL — is capable of manufacturing these aircraft under transfer of technology. This holds good for most other defence PSUs which may be required to manufacture other complex weapon systems.

Clearly, over the past seven decades, India has failed to put in place a robust defence industrial base capable of meeting the challenges of the 21st century. With the cost of imported weapon systems increasing prohibitively, we can no longer afford to acquire such systems from foreign states/companies that require a steady increase in defence budgets. The country has to move beyond being a licensed weapons producer and must rapidly acquire the capabilities and capacities to design and develop weapon systems that meet its requirement and are globally competitive.

Among the challenges that arise in setting up a modern defence industrial base, three factors stand out. First and foremost is the requirement to have a large reservoir of research talent in advanced technology disciplines. Without sustained availability of a quality technology base, no country can be globally competitive in the defence sector. Sadly, India lacks advanced technology human resources capable of quality research work. A recent report by Clarivate Analytics that lists 4000 of the world's most influential researchers is most depressing. Only 10 Indians are mentioned in the list (the US tops with 2639, UK has 546 and China 482).

While there are many reasons for this poor performance, one of the most important aspects that promote a deeper understanding of the research work required for complex weapon systems is systems sciences, or systems engineering. This crucial aspect of technological competence is missing from the syllabi of our IITs and engineering colleges. Most leaders and programme managers of high-end technology projects are graduates of

systems engineering (MSc/equivalent), while in India, our scientists tend to learn on the job, leading to time and cost over-runs and poor quality. The country needs tens of thousands of systems engineers if we aspire to be self-contained in our research for design and development of weapon systems.

The second attribute of a defence industrial base is a high-end technology infrastructure that enables research work for design and development. To be fair, at the time of independence, India had no defence infrastructure in place, strange for a country that had a robust defence manufacturing capability even in the 16th century. The Mughals developed advanced capabilities for manufacture of heavy and light cannon, and the Marathas set up a thriving ship-building industry towards the end of the 17th century. During British rule, this manufacturing capability was suppressed and later demolished.

A concerted effort was put in place in the 1950s and 1960s to set up capacities for research and manufacturing through the creation of the DRDO, Ordnance Factories and Defence PSUs. Crucially, the private sector was ignored, a grave mistake that even 70 years later the country is struggling to rectify. In later years, no effort was made to modernise this infrastructure to respond to the challenge of the 21st century. The result: The weapon systems produced in the country have failed to satisfy our own armed forces, leave alone attracting global attention for exports.

The third and most important requisite for a defence industrial base is the presence of an R&D system that is self-sustaining and economically rewarding. The current system of a state-controlled and monopolistic R&D stifles motivation and is a constant drag on the need for innovation and modernisation of systems and procedures. Up to the end of the Second World War, most defence R&D was state-funded and high-end defence technologies enabled a wide variety of civilian technologies to ride piggyback, especially in the fields of aerospace, electronics and telecommunication. Today the roles have been reversed, with defence technologies borrowing heavily from advances made in the industrial sector. The technologies of today contained in a cell

phone may well be used to provide a vital function in a missile system.

By definition, a defence industrial and technological base incorporates the industrial and technological assets of a country that are of direct or indirect importance for the production of defence equipment and war-fighting capability. It is obvious therefore that the defence sector's needs should be coordinated with other technology-intensive fields such as space, civil aviation, telecommunication, electronics, atomic energy and ship-building. The Indian defence industry must shift its current R&D, which is focused on a “product strategy”, to a broader investment and focus on a “capability strategy” around the various disciplines that comprise the defence industrial base.

At a conservative estimate, India imports over \$50 billion worth of telecom and electronics products every year. A broader engagement and investment in R&D projects will enable economies of scale, reduce financial risk in R&D and incentivise private sector participation in the design and development of weapon systems required by our armed forces. This R&D model, also known as “convergence strategy” for its union of technology in defence and industry, is a vital requirement to respond to the wide range of technology applications in the 21st century.

The three attributes of a defence industrial base are connected and heavily dependent on each other. A sustained availability of skilled researchers with access to modern and high-end infrastructure can be harnessed to work on a convergence strategy of R&D that is globally competitive. To achieve this, India needs to lay out a roadmap with clear-cut executive action plans for implementation, to ensure that in 10 years we have an adequate pool of quality research scientists and systems engineers, modernised infrastructure through the setting up of research institutes in collaboration with the private sector, and an entrepreneurial system of R&D in place based on a convergence strategy. A frank and open debate in Parliament is needed and a political consensus arrived at to provide continuity to the implementation of the programme of modernising our defence industrial and technology base.

The writer is Managing Director, Firmbase Consulting, a defence consulting company

Right to inherit land a myth for Indian women

AKANSHA DUBEY

The World Economic Forum's Global Gender Gap Report 2018 ranks India 108th out of 142 countries, with no improvement over 2017. India ranks lower on all pillars of the gender gap — economic participation and opportunity, educational attainment, health and survival ranking, and political empowerment. We see significant economic disparity between genders in India.

There is a drastic difference between genders in the right to inherit land. More than a decade has passed since Hindu laws that govern succession were amended. Termed as a moment of triumph in 2005, daughters were recognised as co-partners in a joint Hindu family and were made joint holders of family property. Until 2005 only Hindu males could rightfully hold a share in family property. Now daughters are entitled to a share in ancestral family property after their father's death under section 6 of the Hindu Succession Act, 1956 (Act). However, in a 2013 study Landesa found that even eight years after the 2005 amendment only one in ten women inherited agricultural land.

State-specific laws governing devolution of rights in agricultural land present a grim picture. Personal laws like the Hindu Succession Act, 1956 apply to devolution of rights in agricultural land only in a few states such as Madhya Pradesh, Chhattisgarh and Rajasthan. In Punjab, Haryana, Himachal Pradesh and Jammu and Kashmir, daughters and sisters do not inherit agricultural land. These states give limited rights to widows and widowed mothers where, in case of remarriage, their right of inheritance is lost. Local laws in these four states prefer male relations (through the male line) in the order of succession to agricultural land. Only male descendants primarily inherit family agricultural land.

Widows of male lineal descendants are preferred in Jammu and Kashmir but are given low preference in the order of succession. Low preference leads to very low chances of inheritance for women in the family. Delhi gives inheritance rights to widows over agricultural land, but not daughters. In Uttar Pradesh and Uttarakhand, daughters and sisters do inherit agricultural land, though married daughters have a lower preference. At least UP gives an unmarried daughter a primary right of inheritance to a male Hindu's property, but in Uttarakhand an unmarried daughter is quite low in the order of succession. Besides, many states are silent on whether personal religious laws apply to agricultural property. This silence can be interpreted to mean either recognition or thwarting of women's inheritance rights.

The Indian Constitution demarcates

the legislative domain of the Centre and states. “Wills, intestacy and succession” and “transfer of property other than agricultural land” (entries 5 and 6) are part of the Concurrent List and can be legislated upon by Parliament and state legislatures. “Rights in or over land” and “transfer and alienation of agricultural land” (entry 18) are state subjects and cannot be legislated upon by Parliament. Under the Indian Constitution these subjects are the exclusive domain of states. Following this most states in independent India enacted local laws that govern devolution of tenancy and succession rights in agricultural land.

Here the 2005 amendment creates a strange scenario. Under the Hindu Succession Act, 1956, Parliament recognised a daughter's share in family property along with another controversial and less noted change. Prior to 2005 the Act did not apply to any law related to fragmentation of agricultural land, fixation of land ceilings and devolution of tenancy rights in agricultural land. The 2005 Amendment repealed this provision in section 4(2) of the Act with the aim of encouraging women's rights to agricultural land. Since matters relating to agricultural land were considered a state subject under entry 18, repealing section 4(2) of the Act creates confusion among states.

Does this removal extend the Act to all aspects of agricultural land? Or does it throw the ball back to the states?

Recently, in *Archana vs Deputy Director of Consolidation and Others*, the Allahabad High Court upheld that the Hindu Succession Act, 1956 does not apply to agricultural land in UP. Agricultural land was considered an exclusive domain

of the state legislature, where Parliament has no power to legislate. The court asserted that repealing section 4(2) cannot lead to an automatic application of the Act to agricultural land. Existing state laws and Parliament's lack of clarity on repealing section 4(2) of the Act create an avoidable gap.

This gap creates a lack of uniformity in inheritance rights even within a religious sect (Hindus). Varying interpretations by state high courts limit the reach of this welfare amendment. Such loopholes fuel orthodox mindsets of a male-dominated agricultural sphere. Right of inheritance and subsequent ownership of agricultural land further women's empowerment and financial independence. Inheritance rights to agricultural land are instrumental in elevating women in rural areas. There is a dire need to push for state amendments to local laws. Women are equal representatives of the family legacy. No primitive law or customary interpretation can take this away.

The writer is a Stanford Fellow, Landesa. These views are personal

▶ OTHER VIEWS

Chanda Kochhar case raises systemic governance issues

The bank's board first gave her a clean chit, so regulators must up their game

The inquiry by former Supreme Court judge Justice BN Srikrishna into the allegations against former ICICI Bank CEO Chanda Kochhar has taken eight long months to confirm what seems apparent - that she did not conduct herself as she should have in relation to conflict-of-interest issues. It was only last week that the Central Bureau of Investigation filed an FIR against Ms Kochhar, her husband Deepak Kochhar, head of the Videocon group Venugopal Dhoot and ICICI Bank executives for sanction of credit facilities in violation of rules, that caused a loss of ₹1,730 crore to the bank. But clearly, Ms Kochhar erred, and badly at that, in not disclosing to the bank's board her husband's business connections with the Videocon group, which was a client of the bank.

The inquiry report holds her guilty of violation of the bank's “code of conduct, its framework for dealing with conflict of interest and fiduciary duties, and in terms of applicable Indian laws, rules and regulations.” The bank's board has accepted the report and decided to treat her voluntary resignation from the bank in October as “termination for cause”, also deciding to claw back all bonuses paid to her since April



option entitlements. These are strong penalties, but the question is: How did the board give her a clean chit as recently as March last year? Clearly, regulators need to up their game.

The Hindu, February 1

Obfuscation solves nothing

Sanctity of data should be respected

The resignation of two non-governmental experts of the National Statistical Commission, including its acting chief, in protest against the National Sample Survey Organisation (NSSO) withholding or delaying the release of its jobs data, report points to blatant political intervention in the work of autonomous bodies that do crucial data-gathering tasks. Leaked data from the Periodic Labour Force Survey 2017-18 suggests a major crisis over unemployment, much of which can be traced back to the disruptive force of the November 2016 demonetisation exercise. The stalled report is said to have revealed that unemployment — at 6.1 per cent in 2017-18 — has been at its highest in the past 45 years, according to

NSSO figures. The comparative figures for 2012 are 2.2 per cent. The youth unemployment rate, which is probably more relevant to today's troubled times, is now at “astronomically high levels” of between 13 to 27 per cent. There is something sacrosanct about gathering data, which loses credibility if there is government intervention. Data helps not only governance but also private enterprise in a country with a burgeoning population. An ostrich-in-the-sand act is obviously not going to help in the face of what is a huge national challenge of finding jobs for hundreds of millions, even as millions more youth join the workforce every year.

The Asian Age, February 1

BJP falls back on mandir

It's a bid for electoral victory

The leopard never changes its spots. The Bharatiya Janata Party-led government at the Centre, headed by Narendra Modi, has proved that old adage all over again. It is back to the Ram mandir construction issue. Building the Ram mandir is one sure way of satisfying the devotees of Ram, as well as the restive Rashtriya Swayamsevak Sangh, the Vishwa Hindu Parishad and its ideological siblings. The BJP-led government has asked the Supreme Court's permission to return the “non-disputed” part of the government-acquired land to its original owners, a claim that is being contested. These include a trust formed to monitor the construction of the temple. The BJP's request is being cheered by members

of its government as well as its sibling outfits as a step towards temple-building.

The government is going by the measurements suggested by the Allahabad High Court's 2010 verdict and the earlier 1994 Supreme Court ruling that restrictions would only apply to the “disputed” area. It is the 2003 Supreme Court verdict that *status quo* be maintained in the whole area that the government is politely pretending not to have noticed. The government's request seems to be a nudge in that direction as well as a reassurance to the *mandir*'s champions. The BJP has fallen back on its oldest theme in its bid for electoral victory.

The Telegraph, February 1