Opinion

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SUSTAINABLE RESOURCE USE

Janez Potocnik, co-chair of International Resource Panel

Nobody is claiming that the countries which are on the lower level of development should not have the right to develop. The question is, is it possible to do it differently to how we have done it, with fewer consequences than we see today?

Farmers want Monsanto, govt continues attack on US firm

Govt orders further cut in royalties at a time when its focus should be on getting in newer generations of seed-tech

GIVEN IT WAS the Prime Minister's Office that got a body of experts—chaired by the co-chair of the Genetic Engineering Approval Committee (GEAC)—to do an on-the-spot inspection of cotton fields which, eventually, led to 14 seed companies losing their licences for selling illegal knockoffs of the next generation of Monsanto's Bt-cotton seeds, it was to be hoped that the Central government had a rethink on its policy towards Monsanto's seeds. Indeed, the news for the beleaguered US seed-tech major has been quite positive for the last few months. Not only did the Supreme Court restore its patent by overturning the order of the Delhi High Court's division bench—a full trial on the validity of the patent, though, will continue at a single-judge bench of the Delhi high court—an arbitration panel ruled in Monsanto's favour in its fight with Nuziveedu Seeds and ordered Nuziveedu to pay ₹138 crore of trait fees/royalty; and when Monsanto said it feared Nuziveedu's worsening finances would help it escape paying the amount, the Bombay high court ordered Nuziveedu to deposit the money within two weeks.

So, it comes as a surprise that the government has come up with a revised notification on the Cotton Seed Price (Control) Order (CSPCO) that further lowers the trait fees that Monsanto gets from its seeds. In 2016-17, the first CSPCO lowered the price of a bag of Monsanto seed from ₹830-1,030 to ₹800, and while doing so, it reduced the trait fees from ₹163 to ₹49. In 2018-19, the seed price was further lowered to ₹740, and Monsanto's trait fee to ₹39. The latest CSPCO reduces the retail price to ₹730 but, within this, it lowers the trait fee by ₹19—to ₹20 per bag—which ensures that the seed companies earn an extra ₹9 per bag as compared to what they did till now. Given many of the seed companies were refusing to pay Monsanto royalty—that is what the arbitration panel addressed—and were even illegally developing and selling the next generation of Bt-cotton seeds that were not even approved by the GEAC, such largesse is difficult to understand.

Instead of worrying about the price of Monsanto's current generation of seeds which are, in any case, getting obsolete, the government should have been focusing on taking action to ensure the next generation is brought in at the earliest—the fact that illegal knockoffs of these seeds are selling at much higher prices than the current Monsanto seeds is proof that farmers realise newer technology saves them a lot of time and manpower costs. Getting in new seeds, however, requires the government to scrap the CSPCO to convince the courts the Monsanto patent is legal when the larger hearing takes place—in the Delhi High Court, Additional Solicitor General Tushar Mehta had argued that the patent was illegal (*goo.gl/bgQUUR*)—and to ensure that other varieties of genetically modified seeds are allowed to go through the vetting process at the earliest; in the case of Bt Brinjal, despite it being cleared by the GEAC, the UPA's environment minister Jairam Ramesh had announced a moratorium on its commercial release. If Indian agriculture is to compete with the best globally, and this in turn will determine the competitiveness of downstream industries like textiles and garments, the government needs to move forward, not backwards, on technology.

Move carefully on FRA clearance

Late-stage *gram sabha* nod for projects a two-edged sword

THE GOVERNMENT DID well to dilute the requirement for *gram sabha* consent for projects on forest land on which tribals and other forest dwellers enjoy certain rights, but must move cautiously on this on ground. As per *The Indian Express*, the Centre has freed in-principle approval for projects of the need for *gram sabha* consent under the Forest Rights Act (FRA). Under the Forest (Conservation) Amendment Rules 2016, a project had to first receive clearance from affected *gram sabhas* before the forest department examined it for approval. While dispensing with the requirement for the *gram sabha* nod at the initial stage itself should prove a boon for cases like Coal India subsidiary Western Coalfield Limited's, with many of its proposals stuck at various levels because of the lack of FRA compliance certificates, the new protocol could prove a double-edged sword. Pushing FRA compliance to a later stage risks projects getting scuttled or stuck at the last moment, after having received in-principle nod and other clearances. At the same time, it gives proponents of the project the opportunity to negotiate particulars of rehabilitation and resettlement to the satisfaction of those who would be potentially affected by the project.

The government must keep the considered opinion of ministry of tribal affairs (MoTA) in mind as it goes about implementing the new norm. In a meeting with the ministry of environment, forests and climate change, the MoTA stated that, given how, on many occasions, projects got stuck because FRA clearance was applied for at a later stage in the approval process, the project proponent should move on FRA clearance in the Stage I of FCA clearance. The MoTA also flagged that pushing *gram sabha* clearance under FRA clearance to a later stage makes it a *fait accompli* for the affected people. As per *Down to Earth* (*DTE*), many mining projects obtained clearances without settling rights of the project-affected people under FRA. The forest clearances for the mines then became a tool to reject forest land rights of tribals and other forest dwellers that they could have got under FRA. Claims already given under FRA in the Parsa East coal block in Chhattisgarh were later rejected, citing the grant of clearances to the mining project granted before the land rights were recognised under FRA.

The fact is that India has managed to recognise a very small proportion of the community forest rights claims made—after 13 years, under 3% of the community forest rights claims raised have been recognised, compared to a China's 55% and Brazil's 13%, both enjoying vastly larger forest cover than India's. While tripping a Niyamgiri-like project with FRA hobbled India's industrial growth, the fact is that India has struggled to improve its forest cover meaningfully—as per the 2017 State of the Forest report, it continues to be under 22% of the total area of the country—even as it targeted a 33% cover for decades now. The rapid deforestation in recent years can be squarely pinned to industrial projects—23,716 projects, as per the government's own data, stripped 14,000 sq km of forest cover in the last 30 years. The problem is exacerbated by the fact that India has focused on tapping carbon markets in its reforestation strategy rather than ecology and biodiversity. Therefore, whatever compensatory reforestation has happened has largely been monoculture. At the same time, the government has sat on large reserves of compensatory afforestation funds, losing lengths of time crucial for developing real forests.

MeetingGoals

Ganga clean-up progress unimpressive even as the highest monitoring body has failed to meet in three years

THE NATIONAL GANGA Council (NGC), which is headed by prime minister Narendra Modi, has never met since it was constituted in October 2016, as per *The Wire*. Given it was the highest level of monitoring in the Ganga clean-up command chain, this should be deeply embarrassing for a government that promised unprecedented action on saving the river. The Union ministry of water resources, river development and Ganga rejuvenation (Ganga ministry) had notified the Council on October 7, 2016, even as it dissolved National Ganga River Basin Authority (NGRBA). The Ganga ministry also came out with a five-level command-chain at the national, state and district levels for the cleaning and sustainable management of the river. While there has been some progress under the Namami Gange programme, the fact that the NGC hasn't met even once since inception brings the government's commitment to cleaning up the river under a cloud.

Apart from the National Ganga Council, the October 2016 notification also spoke of the formation of an Empowered Task Force headed by the Union water minister. On the website of the National Mission for Clean Ganga (NMCG), no minutes of meetings are available of the Empowered Task Force as well. The NMCG's executive council, however, met on March 8. But, the efforts of this body, in which the Namami Gange programme is housed, have been unimpressive—a CAG report from December 2017 highlighted delays and non-implementation of projects related to the cleaning of the river, installation of sewage treatment plants, and construction of toilets in households along the course of the river. Further, the Central Pollution Control Board found in a study that, of the 39 places that the Ganga passes through, the river was clean in only one after the monsoon in 2018. And in a reply to a question in the Lok Sabha this year, it was also revealed that, under the Namami Gange programme, out of the 131 approved sewage treatment projects for the river, only 31 had been completed as of November 30, 2018. The river's continued degradation jeopardises the lives of the millions of humans and flora and fauna that depend on it. The government therefore needs to get its act together.

THE REAL MAINSTREAM

SWEEPING WASTE UNDER THE CARPET IS A MYOPIC WASTE MANAGEMENT APPROACH—SUSTAINED EFFORTS ARE REQUIRED, AND IT IS THIS THAT THE SURVEKSHAN SHOULD RANK IN THE FUTURE

Swachh Survekshan disappoints again

Deputy director general of Centre for Science and Environment. Twitter: Bh_Chandra

BILLED AS THE world's largest cleanliness survey, Swachh Survekshan 2019 was recently released by the ministry of housing and urban affairs (MoHUA). Indore was awarded the cleanest city and Chhattisgarh the cleanest state in the country. Despite being critical of its methodology and results in the past, I have been a big supporter of Swachh Survekshan because I have witnessed, on ground, the real impact of the Survekshan in increasing awareness and involving citizens in sanitation and waste management issues. It, therefore, pains me to see how such an important programme, instead of being strengthened, was diluted this year because of political expediency.

Survey compromised

Swachh Survekshan was started in 2016 by MoHUA to rank and recognise the performance of cities on sanitation and solid waste management. The idea was that such a ranking would instill a sense of competitiveness amongst cities and thus improve waste management practices across the country. Over the last four years, the number of cities covered under the survey has increased manifold—from 73 cities in 2016 to 4,237 in 2019. The methodology has also been modified to give more weightage to sustainable waste management practices instead of mere cleanliness. But, as I will explain later, the result of the survey has again awarded cleanliness over sustainable waste management. But my main concern this time is the manner in which the survey was diluted to expedite the release of the ranking.

During the 2019 survey, data on cities was collected from four separate sources and each source was given a 25% weightage. The first source was data on sanitation and waste management, provided by the cities themselves on an online portal. The second was a 'star rating' given to cities by a third-party certifier on the progress they have made towards being garbage-free and open-defecation-free cities. The third source of data was from on-field direct observation by surveyors from a survey agency. Lastly, all the above were supplemented by a process of citizen feedback. The feedback was collected from citizens directly either through phone calls or through the Swachhata-MoHUA app/Swachh Manch. A minimum of 0.1% of the city population was supposed to be surveyed for the feedback.

As can be seen, during the 2019 survey, 75% of the score was dependent on information collected through a third-party certifier, from a survey agency and from citizen feedback. In general, this is a good methodology to ensure that verified information is captured on the performance of cities. But this methodology also demands a strict protocol to ensure best practices are followed during survey and certification. Unfortunately, this was not ensured during the 2019 Survekshan.

Firstly, Swachh Survekshan 2019 was completed in just 28 days to ensure that the results were declared before the announcement of the election dates. For comparison, the 2018 Survekshan was done in 66 days, which the MoHUA had then termed as "record time". Such a short period for a survey is fine as long as the survey agency is able to put together a large number of qualified surveyors/certifiers to visit cities for data collection and observation. But this was not the case. The assessment by my colleagues at the Centre for Science and Environment (CSE) indicates that the survey was carried out in a shoddy manner. Not every city assessed was visited by the surveyors. For instance, site visits were made in only six to seven of the 20 cities that were rated in Bihar. The remaining cities were asked to share documents and pictures on the online portal. The quality of surveyors was also questionable. Many state urban departments and cities, on condition of anonymity, complained of corruption and incompetence of surveyors. The mayor of a city informed us that the certifier who came to assess the 'star rating' was "not even a graduate and had no clue about waste management in general". Overall, the quality of survey and third-party assessment was poor and this is clearly reflected in the overall results and rankings.

> **Many cities that work year-round towards household-level segregation and decentralised recycling were given poor rankings**

Questionable results

While releasing the results of the Survekshan, MoHUA claimed that the country-wide segregation of waste-at-source has increased to 60% and waste processing has gone up to 52% (compared to a low 18% at the start of the Swachh Bharat Mission). Both these claims are over-exaggerated. An assessment by CSE indicates that segregation levels have reached about 40% and waste processing is not more than 30%. In fact, in the top 50 cities, only Indore, Mysuru and Ambikapur have segregation levels of over 80%. Other top cities like New Delhi, Visakhapatnam, Wardha, and Pune have segregation levels between 20-39%. Some of the other top cities like Rajkot, Vijayawada, Ghaziabad, Jamshedpur, Chandigarh, Karnal, Jabalpur, Raigarh, Satara, Ranchi, Neemuch launched the segregation campaign just a few months before the Survekshan and have segregation levels of below 20%. Jaipur and Sagar have no source segregation practice at all.

Similarly, sustainable waste processing was missing from most of the top-rated cities. Ujjain, ranked fourth, dumps the majority of its waste at the Gondiya trenching ground, where a major fire incident occurred recently. New Delhi, which bagged the fifth spot, has the majority of its waste going to the Okhla waste-to-energy plant; Ahmedabad, which secured the sixth spot, has a huge issue of waste dumping at the highly contested Pirana landfill site; Ghaziabad (ranked 13th) has only recently started composting and still dumps over 80% of its waste collected. Coimbatore, Ghaziabad, Chandigarh, Rajkot, Tirupati, Bhopal, Visakhapatnam, Greater Hyderabad, Jaipur and Greater Mumbai continue to dump the majority of their waste collected in dumping grounds.

In contrast, many cities in Kerala, Tamil Nadu, Goa, Sikkim and Bihar are doing commendable work on sustainable waste management, but were relegated to the bottom of the ranking. Alappuzha, Thiruvananthapuram and Panaji, who have invested in decentralised waste-processing approaches, were ranked below 300. These cities are making money from recycling and reusing rather than spending crores in collecting and transporting waste.

The Swachh Survekshan 2019 has rewarded cities that implemented a cleanliness drive during the Survekshan. Many cities that work year-round towards household-level segregation and decentralised recycling were given poor rankings. But this cannot be the way to incentivise and recognise cities for waste management. We cannot sweep waste away and hope to manage ever-increasing waste in our cities. The bottom line is there are no quick fixes for sustainable waste management. Sustained effort is required by cities and citizens to segregate and process waste. This is what the Swachh Survekshan should assess and rank in the future.

E-com FDI flows likely to be interrupted

Does the new FDI e-comm policy answer all the questions and provide the clarity needed for companies to comply with both the letter and spirit of law? Perhaps not

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AS 2018 DREW to a close, the year-end vacations had begun as also the customary celebrations, but a last-mile twist was still in store. Against the backdrop of litigation, enquiries by Enforcement Directorate and impending general elections, the government issued a press note in December to provide more clarity on foreign investments in e-commerce. While the press note certainly provides more clarity, it also shook up the status quo in a number of ways. And after the customary furore, the government issued a clarification earlier this month to reiterate that the press note was necessary given instances of policy violation and circumvention. For the market, the press note introduces new variables in a number of ongoing deals and calls for significant restructuring efforts.

While players in the e-commerce sector operate using complex structures, they are all household names thanks to the huge investment in this category and the high number of touch points (via customers, merchants, ads, jobs). Some of the e-commerce companies are fervently revisiting existing structures, but some others don't need to change a thing. Either way, the government set a deadline of February 1 2019, for compliance, meaning that decisions had to be made quickly. So the obvious questions arise—would sophisticated investors and the largest companies in the world commit billions in investment with scant regard for the law of this land? Are the existing structures and arrangements employed by e-commerce companies fundamentally inimical to the interests of the Indian market (notwithstanding consumers' affection for discounts and freebies)?

To understand more, one should see that the policy on foreign investment in e-commerce has three broad pillars—policies on e-commerce, B2B wholesale trading and what counts as foreign investment and what doesn't. While it is perfectly okay for foreign investors to own 100% of e-commerce 'marketplaces', there is a specific bar on owning inventory, B2C sales and influencing product prices directly or indirectly. It is probably a safe bet to say that no company worth its salt will engage in business practices that blatantly flout these guidelines. However, the challenge seems to be that e-commerce players comply with the letter of the law, but not necessarily with its spirit. So, what has the press note done to cause concern?

It introduces a new restriction on vendors (no vendor can purchase more than 25% of its stocks from a marketplace or its group companies) and deletes the old one (no vendor group can comprise more than 25% of sales on marketplace). It introduces a new ownership condition: no vendor can have equity participation by marketplace or its group companies. It introduces a test of fair, non-discriminatory and arms-length principles into arrangements between the vendors and the marketplace/its group companies, apart from a ban on exclusive sales arrangements. To build checks and balances, it requires a certificate/report from the statutory auditor confirming that the company complies with the regulations.

So, does the press note answer all the questions and provide the clarity needed for companies to comply with both the letter and spirit of law? Perhaps not. For example, an e-commerce entity is defined as one which is owned and controlled by foreign companies—does this mean that a company with 49% of foreign investment and board representation doesn't need to comply with any of the new guidelines? The press note uses terms such as 'equity participation', 'group companies', 'direct or indirect equity participation', 'common control' etc, some of which are defined terms while others are not. Who decides whether a certain practice is par for the course or discriminatory? What stops a disgruntled vendor or competitor from alleging malpractices? How would a partner of an audit firm certify compliance of every business practice? There are many questions left to be answered.

A related question concerns grandfathering of existing players—there is a thought process that the policy should only operate prospectively with respect to fresh FDI inflows and, therefore, existing structures do not require change. While this is a welcome view for companies that have made significant commitments based on regulations prevailing at the time of investment, it is subject to two obvious challenges. Firstly, the press note is ostensibly clarificatory in nature and, therefore, there is no new rule per se that requires prospective compliance. Secondly, the need for a compliance certificate every year is an absolute condition for all players.

So, who gets to decide whether the compliance with the law is truly delivered in both letter and spirit; more importantly, where does this debate lead? On one hand, the short February 1 deadline and the modification of existing legal structures require multiple considerations/costs without explicit assurance on whether the revisions comply with the law or not. There is a strong case, therefore, to extend the deadline by a few months. On the other hand, we need to consider the philosophical issue of integrity and consistency of Indian policymaking, which is essential to attract capital to create infrastructure, benefits for consumers and job opportunities.

To conclude, one would argue that there are several solutions to comply with even the new guidelines. The question, however, is whether the new solutions are adequate licence for the continued commitment of large capital flows by foreign investors. In order to build confidence and certainty, it would be helpful if all concerned players are involved in a consultative process to evolve a clear policy framework. Meanwhile, fresh investments are likely to adopt a wait-and-watch approach even as restructuring kicks off in top gear.

LETTERS TO THE EDITOR

Tragedy in the skies

The tragedy that unfolded in the skies over Bishoftu, Ethiopia, as a brand new Boeing 737-800 MAX crashed six minutes after takeoff, killing all 149 passengers, including four Indians and eight crew on board has set alarm bells ringing. The second crash of the Boeing 737 Max aircraft in four months—an Indonesian airliner Lion Air's B737 Max went down into the Java Sea last October—raises many pertinent questions over its safety. The Directorate General of Civil Aviation (DGCA) has done well to direct private Indian airliners that operate similar aircraft to report any "abnormal issues"

— Ravi Chander, Bengaluru

IT is challenging

At a time when leading IT vendors are targeting a double-digit growth and digital governance is an emerging norm in the public sector now, the market is largely confronted with a skills gap in emerging technologies. Stagnant billable margins, increasingly lopsided work cultures on account of restrictive visa norms and mounting Brexit-shaped pressures are key impediments that ought to be surmounted. Revenue growth is largely backed by income from non-core operations. Despite a relatively weaker currency valuation, the growth rate is well short of industry standards. Income generating opportunities in product development and licencing are far from being realised due to greater infrastructural costs and digital security needs. Top management ought to develop a higher risk appetite, especially when legacy sources of consulting, outsourcing and application support and maintenance have diminished operating profits. Employee costs have also risen despite on-demand staffing and automation of bread-and-butter operations

— Girish Lalwani, Delhi

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GIG ECONOMY

In control of her life

In order to move towards a more equitable society, the newer gig economy ecosystem must be made less gender-biased. The numbers appear encouraging. Statistics reveal that 82% of female gig workers see their jobs as providing an opportunity for equal pay in the current gig economy

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THE GIG ECONOMY IS empowerment. This new business paradigm empowers individuals to better shape their own destiny and leverage their existing assets to their benefit," said John McAfee. Only that he missed being specific about women empowerment. The gig economy offers flexibility and satisfactory income, and has opened up a plethora of opportunity for women workers. The growing gig economy in India provides women the emancipation they so much require by way of work-life balance, choice of work and financial independence.

The UN Labor Report says that India has one of the highest unemployed population in the world, and the rate has increased from 17.8 million in 2017 to 18 million in 2018. According to the World Bank Report 'Jobless Growth?', published in 2018, more than 8 million jobs are required every year for India to keep its employment rate constant, as its unemployed number is increasing by 1.3 million every month. Moreover, in the rapidly changing business scenario with new technologies making foray into the way companies function across all sectors, organisations have to re-strategise their working model constantly to survive in the dynamic business environment. Keeping this grave scenario in mind, the gig economy has come as a boon. We have to accept that the charm of permanent jobs is gradually fading away as professionals, led by the millennial and women, look out for flexibility, challenging work with new learning. It also provides employment opportunities to unemployed students, experienced professionals, less-educated workforce, and those women who quit jobs for family responsibilities.

The gig economy may have become a buzzword now, but it actually existed in the form of part-time jobs, side-business/hustle, whatever we may call it, and women have been known to be doing these. The most popular roles the gig economy offers in India are direct selling, part-time teachers, trainers, artists, content writers, translators, graphic designers, freelance recruiters, software development, legal work, medical transcription, health workers, counsellors, social work, etc, and a large section of domestic workers. Most popular gig works for women are professional freelance, direct selling, digital marketing, graphic designing, content management, legal works, recruitment, data analytics, among others. Many tour and travel companies also hire temporary workforce, mostly women, who work out of their homes during the peak travel months.

With a 26% workforce participation rate, Indian women drop out of the workforce at various stages, primarily during their mid-management phase when their work schedule becomes more challenging since most of them are primary caregivers for their families. After leaving the corporate world, they pick up short-term, part-time or freelance projects as independent professionals or turn into small-time entrepreneurs with limited capital investment, which is the only choice, as the corporate world will not provide them with the flexibility to balance the demands of both a career and family. While a lot of progressive organisations have put in place policies and practices that address some of these aspects, only a small percentile of working women benefit from it. Currently, the gig economy employs 15 million people in India and is set to grow 25-30% per annum. Gig workers are mostly in demand in metro cities like Mumbai, Delhi and Bangalore. There are approximately 5.2 million women in the gig economy. Women continue their careers as gig workers for various reasons, like: 48% say that gig assignments give them equal treatment, flexibility of work, good remuneration on the basis of assignment; 28% needed time to care of their family; 23% wanted a career change; 14% were being laid off from their permanent job; and 32% wanted to leave more stressful jobs. Most of the women gig workers are educated with 88% of them mentioning that they had completed at least graduation.

The Union government, too, has promoted the gig economy by extending the facility of hiring workers on fixed-term employment to all sectors for improving the ease of doing business for players intending to hire people for completing specified projects, tasks and orders. Earlier, it was allowed only for apparel manufacturing sector as per the Industrial Employment (Standing Orders) Act, 1946. Under fixed-term employment, working conditions in terms of working hours, wages, allowances and statutory dues of a fixed-term employee are at par with with permanent workmen. Traditional workplace gender clichés continue to stay intransigent even in the gig age as well. For women, etching out a career in the gig economy, work can be challenging in the absence of access to networks and financial capital. Low and uncertain income widespread in many gig sectors, compounded by a lack of employment rights, benefits and social security—such as paid maternity leave—mean many women are left in the lurch, worsening their travails further. Female employees can bring many strengths to a company. Just as in the conventional labour market, where women employees hesitate in asking for hike or promotion, in the gig economy too women benchmark themselves lower than their male counterparts.

In order to move towards a more equitable society, it is essential that the newer gig economy ecosystem be made less gender-biased. At present, the numbers seem to be encouraging. Statistics reveal that 82% of female gig workers see their jobs as providing an opportunity for equal pay in the current gig economy. It has simultaneously given a scope to employers to cut costs by hiring independent and short-term workforce. The gig era is here to stay, and women will continue to be the beneficiary of this system. How the organisations make use of this new category of workforce is for them to ponder upon.

How financial literacy can truly empower women

ANJALI MALHOTRA

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Financial inclusion can only be achieved through targeted literacy programmes

FINANCIAL INCLUSION AND gender equality have been important subjects of discussion in most developing economies. In a UN report, "gender equality and empowerment of women and girls" has been touted as one of the Sustainable Development Goals (SDG), integral for inclusive and holistic development. However, the gender disparity remains at large and calls for a global effort towards bridging the gap.

The theme of this year's International Women's Day signalled at the need of the hour—the right balance of power. The initiative #BalanceforBetter is a move to acknowledge the perils of the gender gap and highlights at the necessity of revisiting the policies to achieve an inclusive society. While there has been an increase in the adoption of pro-women initiatives by corporates, public bodies, social institutions, the change is just setting in and the journey has only begun.

Women make almost half of the population in India; therefore, to drive economic growth, it is imperative to empower them. However, according to a 2018 report by the World Economic Forum, India ranked 139th out of 144 countries, with a 66% gender gap, in terms of economic participation. One of the reasons for this impending gap is low financial inclusion across the nation and more distinctly in rural pockets. Financial independence is one of the important factors that would accelerate growth rate. While in the last five years, through awareness campaigns and initiatives around women empowerment addressing to their needs and safety requirements, implemented by public bodies and private enterprises, we have seen a decrease in gender disparity, but on a macro level the condition is still alarming.

Financial independence of women is generally addressed as a secondary need for women development and is strongly prevalent across India, and most significantly in rural pockets, which accentuates the need to drive financial literacy programmes. Initiatives such as the Pradhan Mantri Jan-Dhan Yojana, Mahila e-Haat, Sukanya Samriddhi Yojana, and an array of campaigns focusing on supporting 'Sheroes' reiterate the significance of women's financial independence to achieve empowerment. To drive economic growth, financial inclusion is key, which can only be achieved through aggressive financial literacy programmes. Increased financial literacy will lead to better cash management at an individual level. Further, with women's augmented access to financial services like banking, insurance and other forms of investment tools, they are likely to achieve economic freedom with their household savings and further check for formal credit from financial institutions to safeguard their future.

> Female financial independence is considered as a secondary need; this accentuates the need to drive financial literacy programmes

Financial independence in today's scenario can no longer be identified as an option. It is imperative for women to free themselves from financial over-dependence on family members to guard against unknown emergencies like medical needs, sudden death, or losses due to natural or man-made calamities. An array of investment options are available, ranging from insurance products, health insurance schemes, flexible loans, etc, by public and private enterprises to boost financial independence amongst women.

The first step towards a secured tomorrow is acknowledging the need to invest in financial tools, followed by an understanding of the benefits offered by available options. An unplanned investment gets starkly visible on the returns and it often becomes a cause of de-motivation to further invest, especially amongst younger generation. There are a few factors that must be taken into account before making an investment choice, which starts with a clear understanding of the primary need of making an investment, evaluating the long-term objective and short-term requirements, weighing the benefits offered by the available options, and accordingly make a choice. With an aware approach, customers can multiply resources through smart investments.

Indian socio-economic environment is currently propitious to drive financial literacy programmes targeting focused communities to accelerate the rate of financial inclusion. The journey to install a just society with increased gender and economic parity is a collective responsibility of state actors, public bodies, private enterprises, and individuals in their personal capacity for a better tomorrow.

Recognising the rights of forest dwellers

JITENDRA VIR SHARMA

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THE NATIONAL FOREST Policy (1988) embodies the social, economic and ecological elements of sustainable forest management. Playing a pivotal role in the policy, the social element of the policy was implemented via notifications in 1990. These notifications address regularisation of eligible encroachments, and the involvement of forest-dependent communities for management, conservation and protection of forest resources, through the institution of Joint Forest Management.

Over 10 lakh hectares of eligible encroachments were regularised in 10 states, a majority of these were Fifth Schedule states. This process, however, was halted by a judgment of the apex court in 2001. Taking cognisance of the remaining land to be regularised, India's political leadership enacted the Forest Rights Act (2006) to undo the injustice done to forest dwellers by not recognising their rights.

The responsibility of implementing the Forest Rights Act is with the Union ministry of tribal affairs, and the tribal and social welfare departments in the states. Till November 2018, 42,24,951 claims have been settled, of which 40,76,607 were for individual rights and 1,48,345 were for community rights. Additionally, more than 90% of claims have already been disposed of. A total of 18,94,225 titles have also been settled, of which 1,82,216 are individual and 72,064 pertain to the community.

The apex court had delivered a judgment to evict, by July 2019, the encroachments whose rights had been rejected.

However, despite evidence to the contrary, many right holders have had their rights rejected, due to their own ignorance and ulterior motives of the officials and Village Level Forest Right Committee. Furthermore, there is evidence that parts of the rights recognised are against the provisions of the Forest Rights Act.

The court, however, stayed its own order to evict forest dwellers, and will hear the case after further deliberation and analysis of the facts.

State governments have also been slow on the uptake and have still not conducted third-party assessment for the implementation of the Act and the rights recognised so far. A study by Maharashtra found that 15,000 hectares of forest land has been recognised against the provisions of the Act. The recent order of the apex court exacerbates the injustice done to the people, whose rights have been rejected, despite valid evidence.

A large number has had their rights recognised due to external political pressure and ulterior motives. Thus, it is imperative to have a third-party non-government agency that can assess the claims that have been recognised and rejected, using geographic information system (GIS) and remote sensing technology. This will ensure that the economically underprivileged parties are not affected adversely, along with enabling the honourable court to decide the case on its own merit.

Improving credit rating framework

A strong credit rating framework is a must for a strong bond market

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DRIVEN BY RECENT INCIDENTS, rating agencies and their methodologies are under scrutiny. The RBI Governor has asked rating agencies to prioritise quality of rating over revenue and ensure that ratings are unbiased. This sends an important message about how serious the concern is.

But why is there such a serious concern on credit ratings?

Over the last few years, India has witnessed many high-profile credit failures such as Deccan Chronicle, Amtek Auto, Ricoh India, etc, whereby rating agencies have downgraded high investment grade ratings to default, suspended ratings where the instrument was in default, and done multi-notch downgrades in a short period. These incidents did not help bolster the confidence of local and global investors, especially at a time when the role of rating agencies in the Lehman crisis was being dissected threadbare.

It reached a climax when IL&FS—rated by ICRA, CARE and India Ratings—defaulted despite its AAA rating. Investors expect 0% rate of default over 1-3 years for AAA ratings, which means AAA ratings do not have any margin of error for getting downgraded to D in a short span of time.

The interest rates on these highest rated papers are very low because of very high safety. When that perception of safety in the risk-return equation is shaken up, naturally questions are bound to be raised and need to be addressed.

To be fair, the rating industry employs highly professional people. Together with SEBI and RBI, the industry has maintained high standards of disclosures and transparency. The industry is highly regulated in India, unlike in other countries. Generally, rating agency professionals are perceived to be of high integrity. Bringing 30,000 borrowers under the rating framework is no mean feat. But personal integrity and transparency of disclosures may not be sufficient to rebuild the confidence of investors.

So, should there be an enhanced standard for the criteria to assign AAA rating?

India has 276 AAA-rated issuers accounting for 77% of around ₹6 trillion bond issuances. India's domestic rating scale is not the same as the international rating scale. The domestic scale is narrower and the domestic AAA maps roughly to India's sovereign rating in international scale. However, it is supposed to provide finer classification of creditworthiness in an Indian context. SEBI may consider asking rating agencies to use the prefix 'India' to the domestic rating scale, to avoid confusion amongst investors.

In a supposedly finer domestic scale, ideally we should be able to see a bell curve across a range of ratings, which is not the case here. Effectively, almost all bond issuances are in AAA and AA buckets. Even for domestic AAAs, investors expect 0% default rate in short to medium term. When the rating of small and medium sized bank borrowers is included, the number of AAA looks like a small percentage. But investors prefer to look at bond market issuances of larger companies with a more powerful magnifying glass.

Bond market investment is dominated by the likes of LIC, EPFO, etc, who are only allowed to invest in highly rated papers. Thus, CFOs of bond issuing companies consider anything less than AAA, AA unacceptable. Given such dynamics existing in the market, and high dependence of large rating agencies on revenues from AAA and AA rated entities, rating agencies have to dispel the perception that some AAAs don't merit the badge of being the gold standard of credit.

How to enhance the standard of ratings?

Rating agencies should encourage their analysts to listen to market information, and speak to stakeholders in an informal setting. In the case of IL&FS, many market participants doubted the ratings in private conversations. Such a doubt should be enough to deny an entity AAA rating. Since a downgrade will be difficult on account of such information, the rating agency has to consider such factors right at the time of assigning a fresh rating.

Credit rating agencies must adopt an additional five-point evaluation, among other measures, when it comes to assigning AAA ratings. Under normal course, a standalone borrower/issuer may, at best, get assigned a AA+ rating. To get AAA rating assigned or reaffirmed, the issuer needs to be evaluated on the following:

- Simple group structure with limited number of subsidiaries and associates;
- No violation of regulations or law proved and/or fine imposed over the last 10 years across the group;
- Impeccable reputation of promoters in corporate governance;
- Aversion to debt in the group, negligible debt in promoter investment companies, negligible debt through pledge of shares in any group company;
- Steady value creation in the group; consistent returns to minority shareholders.

Further, it may be noted that rating analysis involves judgement and looking at soft indicators, not just hard data. This leaves a scope for issuer-rating analyst relationship clouding the judgement of the rating analyst. Hence, rotation of rating agencies for large borrowers under the supervision of the regulator shall be required to maintain independence and unbiasedness of the rating process.

Rating agencies are the most important players in creating a fair, transparent debt market. They have done a good job until recently. They need to introspect and improve their systems to ensure investors regain their confidence in ratings. A strong credit rating framework is a must for a strong bond market.