

Who will rule India?

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INDIA'S GENERAL ELECTIONS will begin in less than a month, but last for close to six weeks, and the results will be determined on May 23rd.

That is a long process, conducted on a scale that is unparalleled in the world, and there can be many twists and turns along the way. There will be many more scientific predictions than I can offer, but it is hard to resist the temptation to extrapolate from studying various facets of the Indian economy and polity over several decades, to offer an immediate answer to the question, "Who will rule India for the next five years?"

The answer seems, to me, to be an easy one: the NDA will certainly capture a majority again, even if it is somewhat reduced from its current strength of 336 Lok Sabha seats. Recent opinion polls are less certain, projecting a loss of the NDA's majority in some cases, but all of the polls in the beginning of March project an outcome very close to a majority. What other information can one consider in making a forecast?

Despite some evidence of voter dissatisfaction with the NDA's performance, especially evidenced in the recent state assembly elections, opinion polls suggest that people are much more likely to think that this government's economic performance is better than that of its predecessor. Academic debates about the quality of economic data and the optimality of different economic policies may be important for improving the steering of the economy, but it seems that voters think the ruling party can still deliver better on this front. It is also important to recognise that voters can and do make very different choices at the state level versus national elections: This is likely to indicate stronger support for the NDA than the recent state elections might suggest.

Despite this observation, it is also true that the national election is also a collection of state-level contests, often multi-cornered. In particular, the 31% national vote share of the BJP, or the 38% vote share of the NDA, are not particularly useful by themselves in judging performance. As a rule of thumb, the further one moves away from the Hindi heartland, the greater is the importance of regional parties. Looking at the vote shares and seat outcomes of the 2014 election in states such as Tamil Nadu, West Bengal and Odisha, it seems unlikely that there will be much change in regional power balances: In any case, the NDA does not have much to lose in such states, and may make small gains. In western India, though not quite the Hindi heartland, Gujarat and Maharashtra seem to be relatively secure bastions of the ruling alliance.

NIRVIKAR SINGH

The author is professor of Economics, University of California, Santa Cruz

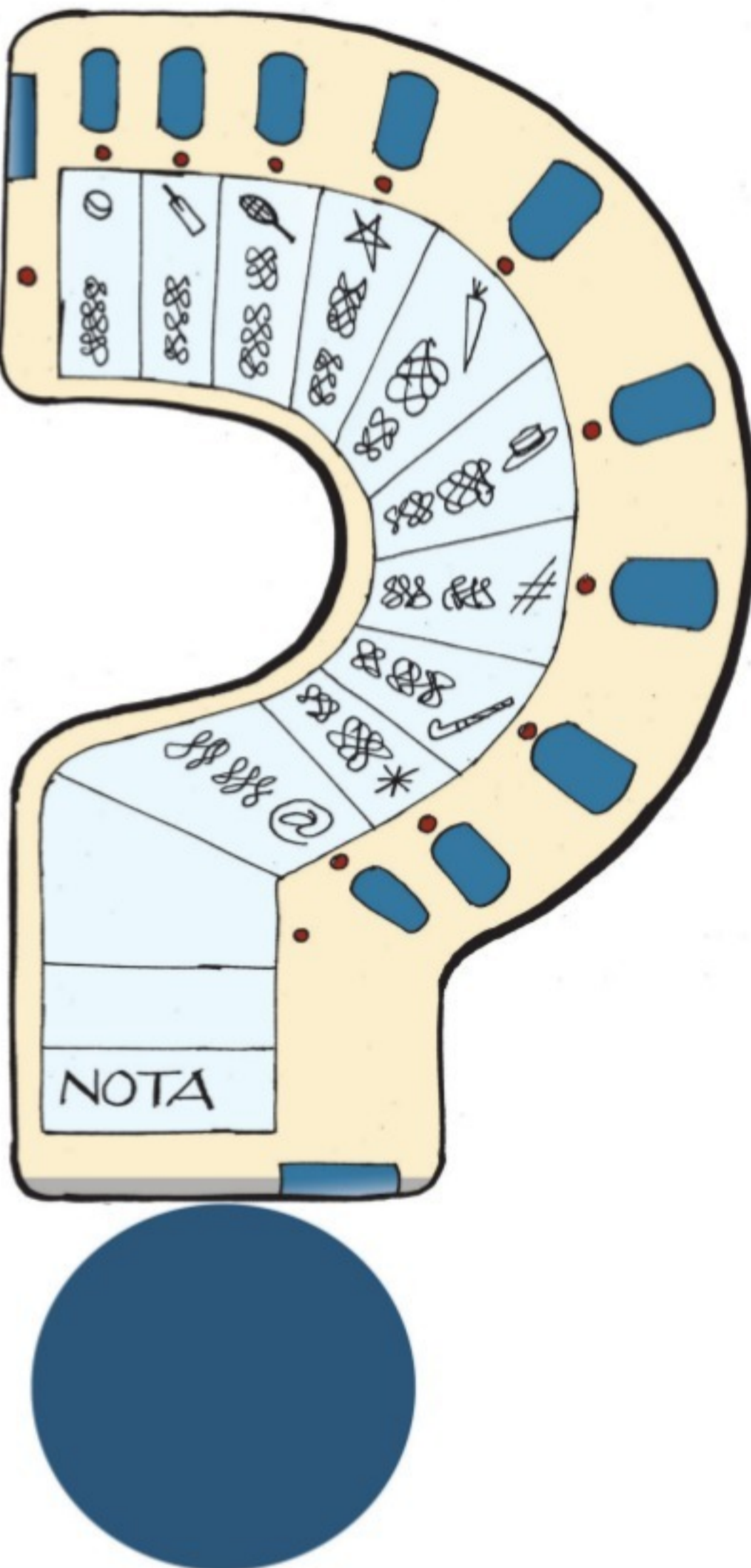


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The states of Madhya Pradesh and Rajasthan, where the swing in the state assembly elections compared to the 2014 national election was enough to displace the BJP, may not display the same behaviour in the general elections, as argued earlier. Aside from voters generally viewing national elections from a different lens, the recent events involving Kashmir and Pakistan are easy for the BJP to make into a salient issue. Uttar Pradesh, which was critical in giving the BJP its majority on its own, by delivering 71 of its 80 seats, may be a tougher proposition this time, simply because of the alliance between the SP and the BSP, which was absent in 2014. In this state, however, the BJP still controls the state government machinery, and that, along with the nationalist sentiment, is likely to help it retain a good number of seats.

A final factor is the technology of campaigning. In 2014, the BJP showed that it could conduct an election campaign that was more sophisticated than anything India had ever seen before. Narendra Modi, despite a blemished record in Gujarat, was marketed as a national leader in an impressively orchestrated effort. Now, incumbency, money, a friendly media, lessons from previous success, and boots on the ground all favour the ruling alliance. My view is that these considerations mean that one cannot translate opinion polls into seats won in a straightforward manner—unequal resources and technologies will tilt the outcome towards the incumbent Prime Minister.

I have provided these observations while being well aware that there are many who have much greater expertise on India's elections. But it is hard not to offer some opinion on an exercise that is vital for India's future. I would argue that the difference will not lie in economic policy. Any ruling party or coalition will pursue some version of what is generically referred to as "economic reform," namely, trying to change India's economic policies to promote sustained high growth, while also providing increasingly sophisticated and better designed safety nets, to ensure political feasibility.

The real difference will be outside pure economics, in human rights, protection of diversity, and various kinds of freedoms. In that sense, a prediction that the ruling alliance is guaranteed another five years in power is also an indictment of those in opposition, who have failed to offer a compelling alternative that includes material and non-material aspects of welfare, and includes all of India's citizens without discrimination. India's citizens deserve better.

How to manage water better

RG AGARWAL

The author is chairman, Dhanuka Agritech Ltd

Water management is key to sustainable agriculture growth in India

INDIA IS FACING A WATER crisis, attributed to its burgeoning population, lack of adequate planning, increased corporatisation, and industrial and human waste. According to a study by the National Geophysical Research Institute, the largest depletion of groundwater in the world is happening in north India, with Delhi as the epicentre. According to estimates, water scarcity can lead to loss of up to 6% of GDP by 2030. Experts say groundwater is being pumped out 70% faster than was earlier estimated. Efforts to conserve water have been negligible, as the country lacks both in advocacy and implementation.

This water crisis poses a serious challenge to agriculture, with unmonitored water wastage causing a huge loss to farmers who face increased production cost and poverty in drought-prone areas. India ranks second in the world in farm output, and agriculture contributes 17% of the nation's GDP. Still, irrigation systems in most states are centuries old. There is over-dependence on the monsoon. The irrigation infrastructure—canals, groundwater, well-based systems, tanks and rainwater harvesting—has seen substantial expansion over the years, but is clearly not enough.

About 78% of the fresh water is consumed by agriculture. The inequity in irrigation water allocation among crops, with more than 60% being diverted for the cultivation of two water-guzzling crops (sugar cane and paddy), adds to the distress. These two crops are being cultivated widely in some of the most water-stressed regions of the country. These must be shifted to regions that have a higher water table. Instead, cultivation of less water-consuming crops like maize, pulses and oilseeds should be encouraged in water-stressed regions.

Most states provide subsidised or free electricity to help farmers pump out water for irrigation. This has led to declining groundwater tables. It is estimated that Indian farmers use 2-4 times more water to produce a unit of a major food crop than in China or Brazil. With the fall in water table, there is an increase in the cost of pumping, salination, heavy metals, etc, raising questions about the cost of crop production and the quality of the produce. Such systems must be reviewed.

Clearly, we need to adopt water-saving technologies such as sprinkler and drip irrigation systems. States must

also work on water conservation on a priority basis, govern local irrigation systems, encourage its efficient use, and promote conservation through building dams, reservoirs, etc. Lessons can be learned from Israel, where the penetration level of micro-irrigation technology is 99%, as compared to India, where it is 13%.

Some states are taking action. The NITI Aayog has reported that Rajasthan has strengthened its water-management practices. States such as Gujarat, Madhya Pradesh and Andhra Pradesh have also shown improvement. However, 60% of the remaining states (15 out of 24) have been classified as low performers in terms of water conservation.

Private companies can play a critical role in building robust water infrastructure at the grass-roots level. PPP model can be a game changer. The good news is the government is developing integrated micro-irrigation networks through PPPs to integrate common infrastructure that provides water from canals to the farm gate with on-farm micro-irrigation infrastructure. But the call of the time is more involvement of private companies, devising their own means to develop solutions for water conservation in rural/agriculture belts.

Sustainable water management has huge role to play in doubling farmers' incomes, a goal set by the government. It will contribute to improving crop yield and enhancing crop quality, and crop quality can fetch higher returns to farmers. The reform must begin now, and it should start by first changing our mindset. Water-related issues have often taken an ugly shape in the past. It is critical that we make the best use of the available technologies and resources to increase water-use efficiency. Conserving water is the only way to secure our future.

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Complying with the Large Exposures Framework

DEVENDRA RAGHAV

The author is a Harvard alumni and a senior banker. Views are personal

IN EXPOSURE NORMS, THE loss or failure of a single counterparty is not captured by the risk-based capital standard issued by the Basel Committee on Banking Supervision (BCBS). In 2014, the BCBS replaced the large exposure guidelines released in January 1991, with a measure on risk-based capital requirements and limit large exposure in relation to banks' Tier 1 capital. To align with the BCBS guidelines, RBI issued the Large Exposures Framework in December 2016, to come into effect on April 1, 2019.

The Large Exposures Framework

revolves around a limit of 25% of Tier 1 capital, identifying a group of connected counterparties and specific treatments to credit risk, trading book position, and qualified central counterparties.

It is a relief to banks, as the norms are not applicable to banks' advancing to governments (central and state), state-owned firms and those carrying state guarantees. Further, intraday interbank exposures, too, are excluded. Any bank having a strong capital base with a high capital ratio may fail, if it faces significant loss on account of a largely exposed counterparty or a group of connected counterparties. The concept of "too big to fail" will not hold well in the given scenario.

The Large Exposures Framework will change the current limit of 15% of capital fund for Single Borrower Limit (SBL) and 40% for Group Borrower Limit (GBL). It will

change SBL to 20% of banks' available eligible capital base at all times with an exception of board approval to an additional 5%. To GBL, it is narrowed to 25%. Lending to NBFC group companies is going to be impacted negatively, as the overall limit will reduce to 25% from 40%.

The new framework requires a bank to report largest 20 borrowers irrespective of their SMA rating and credit risk. This will help the regulator to closely perform off-site monitoring. The handling and implementation of large exposures could provide strength to the Indian financial system in a number of ways (by close monitoring). Further, implementation of the Legal Entity Identifier (LEI) for large corporate borrowers will help tag large corporates and improve the quality and integrity of financial data processing for better risk management.

Currently, a bank can extend credit facilities against guarantees issued by another bank without any limit; this is deemed an exposure on the guaranteeing bank and attracts appropriate risk weight. With the introduction of Large Exposures Framework, exposure assumed by a bank against the guarantee of another bank is deemed as exposure on the guaranteeing bank and falls within the definition of interbank exposures with the large exposure limit of 25% of bank's tier 1 capital.

To comply with the BCBS guidelines, RBI has given two-years' time to the banks to reduce the exposure to large clients, and banks that have disbursed loans and guarantees at slowing speed may face a teething problem in reworking down and must work on remedial measures to comply with the Large Exposures Framework before March-end.

THE YEAR 2019 MARKS 50 years of Neil Armstrong's landing on the Moon in 1969, which made the US victorious and the USSR lose the space race. Back in the 1960s, the Soviet space programme was growing and expanding rapidly. After Yuri Gagarin's landmark achievement of becoming the first man to travel to space, the USSR had nothing more to prove that it was the most potent space power in the world. Although the US was catching up fast, still it was no match to the Soviets. This became apparent when US President John F Kennedy accepted the Soviet dominance in outer space activities when he was announcing his decision to send a man to the Moon. Also, the time-frame for sending a manned mission to the Moon was deliberately kept around a decade, because the US knew that before that they had no chance to overtake the Soviets in the space race.

Meanwhile, the USSR sent the first woman to space, on June 16, 1963. Valentina Tereshkova was the first female Soviet cosmonaut to go to space. This was another landmark because it opened an entirely new avenue for women to pursue a career in space engineering and astronomy. The next year, 1964, brought another milestone when the Soviets launched the first ever multi-manned spacecraft called Voskhod 1. Three cosmonauts were sent into space as the USSR was trying to experiment more with respect to manned space

The man behind the curtain

How Sergei Korolev took the Soviet space programme to great heights

MARTAND JHA

Senior research fellow at the School of International Studies, JNU



missions. The idea must have been to stretch the limits and see what all is possible in setting new records in space missions. This is precisely why the crew in Voskhod 1 contained a pilot, a physician and a scientist on board.

The Voskhod programme was short, with only two space flights, i.e. Voskhod 1 and Voskhod 2. The Voskhod 2 space flight had left everyone in amazement when Alexei Leonov (a Soviet cosmonaut) did the first 'spacewalk'. His 12 minutes and 9 seconds spacewalk happened on March 18, 1965. This was a big scientific achievement as new barriers were being crossed by the mankind in its endeavour to explore the space. The flip side to it was the daredevilry and risks taken by the Soviets to

accomplish these tasks. Due to this, many of the Soviet missions also failed, and many fatal as well as non-fatal accidents happened. Before 1975, four Soviet cosmonauts died during their space flight. The reasons for these fatalities ranged from parachute failure to decompression in the crew cabin. Despite these setbacks, the Soviets were gaining more than they lost. The biggest lost they (the USSR) had was the death of Sergei Korolev.

Korolev, whose name has been synonymous with the Soviet Space programme, was a man who largely worked behind the scenes. His identity was kept a secret to the world, and it was only after his death in 1966 that the world got to know about the genius of Korolev. Under his leadership,



the Soviets managed to stamp their authority in the field of outer space. The many 'firsts' that the world saw as a result of space race were due to the sheer dedication and efforts of Korolev and his team of engineers. Other than space programme, Korolev oversaw the USSR's missile programme and rocketry. A rocket engineer by profession, Korolev took the Soviet space programme to great heights. Until his death, he was formally designated as Glavny Konstruktor, or the Chief Designer, to protect him from possible Cold War assassination attempts by the US.

Although rocketry and space programmes of Russia/USSR had origins in the late 1800s with the far-sighted and at times far-fetched writings of a deaf, self-

taught school teacher named Konstantin Eduardovich Tsiolkovsky, it was Korolev who took the Soviet space programme to the next level. The Soviet efforts in outer space after the Second World War were ironical. This is because, despite emerging as one of the two superpowers, the country had incurred tremendous loss of life and property. At that time, it was no less than a miracle for anyone to think to spend in the costly affairs of outer space technology. But the young engineers of Soviet Russia, which included Korolev as the head of the operations, were in a 'mission mode'.

Korolev set hard deadlines for himself and his team. This made the USSR achieve many things as the first country on the planet to do so. For instance, sending the

first artificial satellite (Sputnik in 1957), sending the first man to space (Gagarin in 1961), etc. His death halted the Soviet space programme to an extent that the USSR couldn't manage to be the first country to land a man on the Moon. Many space historians attribute the victory of Cold War space race to the US because Korolev's death impacted the USSR's space programme negatively. A large portion of the glory, prestige and national honour of Soviet Union goes to Korolev as he made the Soviet leadership understand the importance of spending hugely in a space programme. More than anything, Korolev had great managerial skills. This aspect of his nature was highlighted by the fact that one after the other from 1957 till his death, every year the USSR was setting new benchmarks in the field of outer space.

The Soviet space programme was interlinked with their 'five year plans'. This ensured constant supply of finances. Unlike NASA, the Soviets didn't have a centralised space agency. The space programme had a 'dual character'. On one hand, things like Soviet space capabilities in the arena of telecommunications and meteorology were publicised, but other part of the programme that dealt with spying, radar calibration, covert communication, navigation, geodesy and satellite interception were masqueraded as a part of scientific research.

Korolev was to the USSR what Wernher von Braun was to the US.

