

PoWs must be treated with respect, dignity



MAJOR RK BALI (RETD)
VETERAN OF 1962, 1965 AND 1971 WARS

VIDEOS of an IAF pilot, Wing Commander Abhinandan Varthaman, being roughed up and questioned in Pakistan have turned the spotlight on the treatment of soldiers captured in the enemy territory during a military confrontation. In a time when social media moulds public sentiment, it is easy for people to witness the events live, whether it is a terrorist attack or the way a soldier is being treated behind enemy lines.

It is heart-rending and regretful to see a valiant soldier not being accorded respect and dignity. The way a country's armed forces treat enemy soldiers speaks volumes about the ethos and traditions upheld by them. Varthaman's videos and TV coverage took me about 54 years back to another conflict and a prisoner of war (PoW), who surely has a different story to tell than the IAF pilot.

It was 1965, and the place was Rann of Kutch, the scene of the India-Pakistan war. I was a 27-year-old Major from 2nd Battalion of the Sikh Light Infantry in charge of the Vigokot and Sardar Post on the India-Pakistan border. With the confrontation between the two neighbours escalating into a full-fledged war, I and my men had the responsibility of taking on the enemy soldiers head on. While there were several direct encounters, too, which we repulsed effectively, the enemy would try to enter our territory stealthily. We had a minefield around our post to sabotage any such intrusion.

On the night of June 16, a Pakistani patrol led by Major Khurch Khan Afridi got trapped in our minefield, which had deadly bouncing mines. He and his two soldiers were



EXPECTATION: Hopefully, Pakistan will walk the talk on the release and safe return of Wing Commander Abhinandan Varthaman.

seriously wounded. But as they were armed, we couldn't risk approaching them directly. So, as a few of my soldiers diverted their attention, I manoeuvred through the minefield to reach the trio. I was followed by my *sahayak*-cum-runner, Kashmiri Singh, and wireless operator Amrik Singh. Both followed my marked footsteps to avoid stepping on a landmine, as we neither had any map of the minefield nor any mine lane. We surprised Major Afridi from the rear flank, and disarmed him of the loaded light machine gun (LMG), which he had been aiming at

my troops. We disarmed him of his weapons, including a pistol and some grenades. I still remember the interesting conversation with him in the minefield.

Me: Who the hell are you?
Afridi: I am Major Khurch Khan Afridi.
Me: What are you doing here?
Afridi: I came to provoke you.
Me: I am afraid it did not happen.

Given that all three Pakistanis were disarmed and wounded, it was my duty to show compassion towards the PoWs. I left my water bottle with them and returned through the live minefield once again to get medical help for

them. The medical officer bravely volunteered to accompany us. We again reached the wounded enemy soldiers. The medical officer examined them and administered first aid. He recommended immediate evacuation for all three as the condition of two of them was serious and warranted immediate medical treatment.

We first picked up Major Afridi and brought him to the MI (medical inspection) room. After leaving the officer with the doctor, I and my *sahayak* went through the minefield for the third time to pick up the remaining two wounded PoWs. By

that time, one of the soldiers had succumbed to his injuries. We picked up the Naik, but he didn't make it to the MI room and died on the way. All three of us had tears in our eyes on failing to save the man. Considering the risk we took to save them, we lamented that he did not live to enjoy his freedom.

According to the doctor's advice, Major Afridi had to be evacuated to a hospital to be treated by a specialist. A helicopter was required. My position was at a lower level and was within the range of Pakistani machine guns. Therefore, I requested the enemy commander to not fire on the chopper that was going to evacuate their fellow officer. He assured me that they would honour my request. The Pakistani Major was evacuated by helicopter and sent to Pune Command Hospital. When the Southern Army Commander, Lt Gen Moti Sagar, visited him in the hospital, Major Afridi requested him to convey his thanks to me for saving his life at great personal risk.

After the ceasefire, when we were busy clearing the mines at my post, Lt Gen Moti Sagar paid a surprise visit. He greeted me with a smile and hugged me, and conveyed Major Afridi's message. Having tea in a field cup with the General that day was an honour equivalent to a gallantry medal for me as it showed that I had upheld the glorious tradition of our Army of giving full honour to a PoW. I hope that our vengeful neighbour will treat our air warrior with respect and ensure that he returns safely as it is the responsibility of every soldier to honour and respect the uniform and the men in uniform irrespective of the army and the country they belong to.

The way a country's armed forces treat enemy soldiers speaks volumes about the ethos and traditions upheld by them. It is the responsibility of every soldier to honour and respect the men in uniform irrespective of the army and the country they belong to.

All is not well on the economic front



JAYSHREE SENGUPTA
SENIOR FELLOW, OBSERVER RESEARCH FOUNDATION

PRIME Minister Narendra Modi declared recently in South Korea that the fundamentals of India's economy were sound. That's true, but ignoring certain troubling signs for the economy may not be the right path for the government at this juncture. Globally, there are a number of stressed economies today; India, too, seems to be caught in a bind over some important issues. India may be seen as chugging along at a relatively high rate of growth of around 7 per cent, but looking at some core economic fundamentals, there is a need for immediate attention. With the elections approaching, the NDA government will, of course, claim credit for the sustained high economic growth over the past five years, but it needs to take action to avert the impending problems.

Globally, the US economy is slowing down. Most importantly, China is showing signs of an intractable slowdown which will affect all, including India, because of its size and importance in the global economy. Germany, Italy and Britain are also showing signs of slower GDP growth.

In India, agriculture remains stressed as food inflation stays low; as a result, the earnings of farmers are smaller than before. The promised doubling of farm income is a distant dream. Farmers generate demand for industrial goods. Their requirement for two-wheelers, mobile phones, agricultural machinery, consumer goods and gold is important for resuscitating industrial growth.

Low demand has remained a prob-



CHALLENGE: Meeting the fiscal deficit target will help India retain a good ranking by the international credit rating agencies.

lem for the economy and the government has rightly reduced interest rates by 0.25 per cent to 6.25 per cent on the grounds that the rate of inflation has remained low over an extended period. It will act as a stimulus that the economy needs, especially in boosting private investment. A low level of private investment is responsible for the slowdown in industrial growth.

The government has offered an income of Rs 6,000 per year to farmers in the interim Budget. However small it may be, people in the villages would welcome it because farmers suffer from the 'money illusion'.

Cash in hand makes them feel richer and buy more goods.

Apart from agriculture, India Inc is not doing well. *Business Standard* reported that the declared corporate results had been unusually poor. The third quarter (Q3) profit results for the current financial year show a pattern of slowdown being experienced by other countries, marked by falling margins. In India, the moderation in economic activity manifested itself in lower air passenger traffic, low vehicle sales, smaller capital goods' production and, in general, deceleration of industrial growth. IIP (Index of Indus-

trial Production) growth and export growth have both been lower than before recently. Export growth is likely to face hurdles because according to a recent report by the World Trade Organisation (WTO), international trade has been shrinking mainly due to the trade disputes between the US and China. India is also likely to face problems in its pharmaceutical exports to the US as the latter is preparing to impose various barriers on its trade with India.

In the corporate sector, the combined net profit of 2,338 companies was down by 28 per cent year-on-year compared to Q3 in FY2018. The combined net profits of 2,005 companies (excluding gas and non-banking finance companies) were down by 39.7 per cent to Rs 47,500 crore, which is the worst performance in the past three years. Many famous names such as Tata Motors, Vodafone Idea, Punj Lloyd and Adani Power suffered losses because of slow growth of revenue compared to expenditure.

Fortunately, the service sector has remained buoyant and the IT industry clocked reasonable net profits of 6.7 per cent. Globally, India is competing with IT companies from other countries in markets abroad. The depreciation of the rupee has cut into their margins.

The banking and finance sector remained under duress, though there has been recovery; profits of banks in the last quarter were Rs 900 crore. But many public sector banks posted net losses. Since China's slowdown, there has been a downswing in commodity

prices as its demand for metals and other raw material has fallen. Hence, our metal and mining industries may not do well in future. Rise in crude oil prices is also an imminent threat to India's current account deficit, which may widen if imports of oil become costlier.

On the fiscal front, the offer by the Reserve Bank of India (RBI) to the government of its surplus funds of Rs 28,000 crore has been a welcome boost to bringing about macroeconomic stability in the economy as the money will help in bridging the gap in the fiscal deficit target of 3.4 per cent of the GDP, which the government could not have met otherwise, especially with bleak prospects of a big GST revenue collection. Meeting the fiscal deficit target will help India retain a good rating by the international credit rating agencies. It will help India raise capital in the international capital markets to bridge the infrastructural gap vis-a-vis China. Poor infrastructure makes us a third-world country.

Foreign investors will wait and watch for the election outcome before making fresh commitments. The FDI (foreign direct investment) flows have already decreased as some FDI has been put on hold. A stable government after the Lok Sabha elections is important for the economy. An assurance of reformist policies by the new government will help investors make up their minds.

Rising government expenditure has played a key role in recent times to keep the economy rolling. The elections will witness a substantial rise in government expenditure, which may further boost demand.

QUICK CROSSWORD

ACROSS
 1 Largest Mediterranean island (6)
 4 Violet-blue gemstone (8)
 9 Elaborately decorated (6)
 10 A prehistoric period (5,3)
 12 A cooking fat (4)
 13 Hushed (5)
 14 Depressed (4)
 17 Retract what was said (3,4,5)
 20 Contentment (12)
 23 Prevalent (4)
 24 Light meal (5)
 25 Doglike predatory animal (4)
 28 Abusive harangue (8)
 29 Fondle (6)
 30 Put at risk (8)
 31 Ghost (6)

DOWN
 1 Take responsibility for (8)
 2 Deeply sorry (8)
 3 Much (4)
 5 Unimaginative (6-2-4)
 6 Melody (4)
 7 Annual (6)
 8 Wobble (6)
 11 Open to suspicion (12)
 15 Constantly available (2,3)
 16 Decree (5)
 18 Breach of the peace (8)
 19 Really (2,6)
 21 A card game (6)
 22 Frightened (6)
 26 Southwest Asian country (4)
 27 Dull heavy blow (4)

YESTERDAY'S SOLUTION
Across: 1 Clasp, 4 Politic, 8 Owl, 9 Orang-utan, 10 Digress, 11 Tabby, 13 Return, 15 Engulf, 18 Egret, 19 Empower, 21 Bald eagle, 23 Age, 24 Wrestle, 25 Elect.
Down: 1 Chowder, 2 Alligator, 3 Prone, 4 Praise, 5 Lighten, 6 Tot, 7 Canny, 12 Blue whale, 14 Retreat, 16 Ferment, 17 Meagre, 18 Elbow, 20 Piece, 22 Lee.

SU DO KU

6			9			5				7
	1									5
	3	5		2		4				9
	4		8		6					2
			6							8
	5		7		1					3
	6	3		1		7				4
	8									6
1			6		3					2

EASY

CALENDAR

MARCH 1, 2019 FRIDAY

- Vikrami Samvat 2075
- Shaka Samvat 1940
- Phalgun Shaka 10
- Phalgun Parvishite 17
- Hijari 1440
- Krishan Paksh Tithi 10, up to 8.40 am
- Sidhi Yoga up to 10:42 am
- Purvashadha Nakshatra up to 5:55 am
- Moon in Sagittarius sign

YESTERDAY'S SOLUTION

7	2	4	1	8	5	9	6	3
3	9	8	2	4	6	5	7	1
1	5	6	3	7	9	4	2	8
2	6	5	4	9	8	1	3	7
4	8	1	7	5	3	6	9	2
9	3	7	6	2	1	8	4	5
8	4	9	5	3	2	7	1	6
5	1	3	9	6	7	2	8	4
6	7	2	8	1	4	3	5	9

FORECAST

SUNSET: FRIDAY 18:20 HRS
SUNRISE: SATURDAY 06:49 HRS

CITY MAX MIN
 Chandigarh 23 06
 New Delhi 23 07

PUNJAB
 Amritsar 21 08
 Bathinda 23 06
 Jalandhar 21 07
 Ludhiana 22 07

HARYANA
 Bhiwani 23 09
 Hisar 23 07
 Sirsa 23 07

HIMACHAL PRADESH
 Dharamsala 15 03
 Manali 10 -01
 Shimla 14 02

JAMMU & KASHMIR
 Jammu 21 11
 Leh 01 -10
 Srinagar 10 01

UTTARAKHAND
 Dehradun 22 06
 Mussoorie 08 -02

TEMPERATURE IN °C

Helping young Indian entrepreneurs

While efforts to improve business environment, reduce corruption, and increase efficiency of public spending are important, they are no substitute for investment in physical and human infrastructure



EJAZ GHANI
Lead economist at the World Bank

ENTREPRENEURSHIP HAS ATTRACTED a great deal of attention from the policy-makers, given its importance to economic growth, job creation, and development. There is strong evidence that start-ups provide strong foundations for macroeconomic stability, create jobs, enhance productivity growth, reduce poverty, support climate change agenda, and much more.

Multiple studies have examined the links between entrepreneurship and growth in developed countries, but this work is still scanty for developing countries, which has restricted the effectiveness of public policies. Why are entrepreneurship rates—entry of new and young firms—low in the developing world? Do entrepreneurship rates differ across industries, organised and unorganised sectors, and across gender? What are the similarities and differences between India and the US? Is India's entrepreneurship rate good enough to achieve double-digit growth rates, and create 10 million new workers every year, to benefit from its demographic dividend and young population?

We examined drivers of entrepreneurship rates in 20 major states, which account for more than 90% of employment in manufacturing and services sectors—see Ejaz Ghani, William Kerr, Stephen D. O'Connell, *Spatial Determinants of Entrepreneurship in India* (Harvard). Many studies have devoted attention to national attitudes to explain the variation in entrepreneurship across countries. But there are also significant differences in levels of entrepreneurship within individual countries. Given the disproportionate degree to which Indian entrepreneurs locate businesses in their home areas, we focused on the local area traits of

entrepreneurship at the district level. The list of local traits selected is comprehensive including demographics, education, quality of local physical infrastructure, access or travel time to major Indian cities, stringency of labor laws, and household banking conditions. We also examined other drivers of entrepreneurship including a district's caste population, conflict, trade levels, and general development levels (leading/lagging designations at the state and district level). Several studies on the US have linked entrepreneurship to education and skill levels, given that entrepreneurship requires a degree of creativity and handling of many tasks, which education prepares one for. But physical infrastructure is as important. Basic services like electricity are essential for all businesses, but new entrants, especially in the unorganised sector, are particularly dependent upon local infrastructure. We also examined other factors including a district's caste population, conflict, trade levels, and general development levels (leading/lagging designations at the state and district level).

India has historically been a nation of great entrepreneurs. But India's entrepreneurship rate is low compared to other countries at a similar stage of development, although it is improving. Entrepreneurship entry rates are a lot higher in services at 20% compared to manufacturing at 15%. Several enterprise surveys have shown that the new firm density—new enterprises created per 1,000 working age (16-64 years) individuals—in India is dismally low, and we create 288 times fewer number of corporations per 1,000 working age individuals compared to Hong Kong.

What explains low entrepreneurship rates in India? Two factors stand out as discouraging entrepreneurship in organised manufacturing: high population density and greater distance to the ten biggest cities. While manufacturers avoid the high costs of urban areas, they also avoid the most remote areas of India in favor of settings that are relatively near to large population centres to access customers directly or

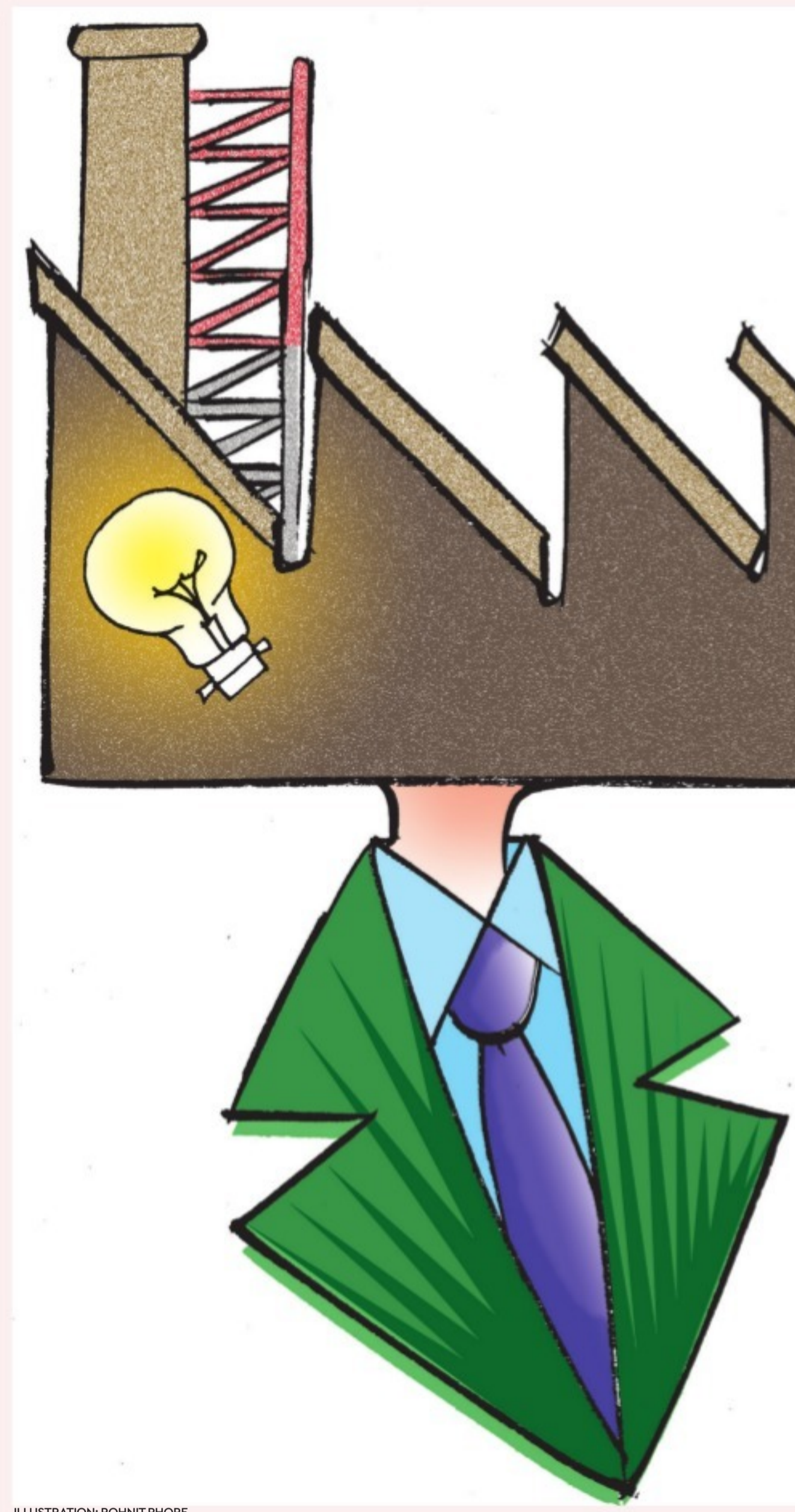


ILLUSTRATION: ROHNIT PHORE

to connect to shipping routes. While India's industrialisation and urbanisation grew together in the 1990s, the two trends have now dispersed, as new entrants are attracted to less dense districts.

Are the drivers of entrepreneurship rates in small enterprises different? Yes. First, local population and market size plays a much greater role in the unorganised sector than in the organised sector. Unorganised manufacturing conforms more closely to the overall contours of India's economic geography. The other two district traits that are associated with strong entry rates in the unorganised sector are the strength of local physical infrastructure and the strength of local household banking environment. This contrasts with organised manufacturing entry, where education stands out. An intuitive explanation is that these patterns and their differences reflect the factors on which each sector depends most. Organised manufacturing establishments have broader resources that reduce dependency on local physical infrastructure and household finance. Likewise, the unorganised sector depends less on educated workers than the organised sector. The strength of the household banking sector is very important for the unorganised sector.

India's entrepreneurship strength is in small enterprises. They account for over 95% of establishments and 80% of employment in the manufacturing sector. They have also become much more productive. A great deal of job growth in the manufacturing sector has come in the form of small establishments in the tradable sector, while small enterprises have contracted in the non-tradable sector. This suggests that the growth in traded industries in India, unlike in China, is not due to plants achieving larger economies of scale, and shipping goods at a distance, as is often imagined. Instead, global supply chains have integrated small enterprises in India.

What about women headed enterprises? The share of women-headed enterprises has increased in small enterprises, but entrepreneurship rates are still low. Female enterprise ownership shares are 2% or less in industries related

Entrepreneurship and the Indian dream of more jobs and development go hand in hand. Entry of new and young firms is low, but starting to improve, and further growth in entrepreneurship is an important stepping stone for India's development

to computers, motor vehicles, fabricated metal products, and machinery and equipment. In the service sector, female ownership rates in major cities tend to be higher. Among service industries, female ownership shares exceed 30% in industries related to sanitation and education. The states with the highest female service sector ownership rates are Kerala and Tamil Nadu, and the lowest rates are marked for Bihar and Uttar Pradesh.

A better infrastructure and higher female-to-male ratio are most important drivers of women entrepreneurship. Transport infrastructure and paved roads play an important role. In addition, better electricity and water access reduce the burden of women in providing essential household inputs for their families and allow for more time to be directed toward entrepreneurial activities.

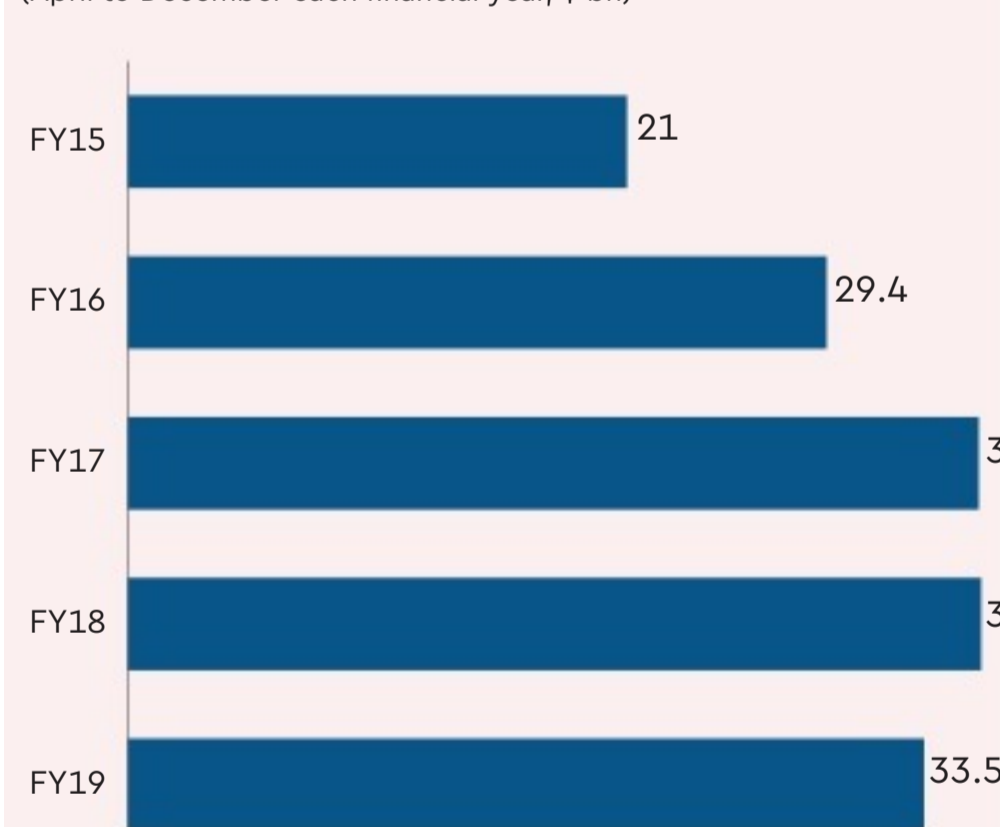
The similarities in the spatial locations of enterprises observed for India and those in the US are surprisingly large. Their differences are also instructive. First, the importance and role of education and physical infrastructure in promoting entrepreneurship are much greater in India than in the US. By contrast, other dimensions like population density and regional age structures behave very similarly.

Entrepreneurship and the Indian dream of more jobs and development go hand in hand. Entry of new and young firms is low, but starting to improve, and further growth in entrepreneurship is an important stepping stone in India's continued development. Policy makers can scale up start-ups by investing more in both people and places. While the efforts to improve business environment, reduce corruption, and increase the efficiency of public sector spending are important, they are not a substitute for scaling up investments in physical and human infrastructure.

DATA DRIVE

FDI equity inflows slow

(April to December each financial year, \$ bn)



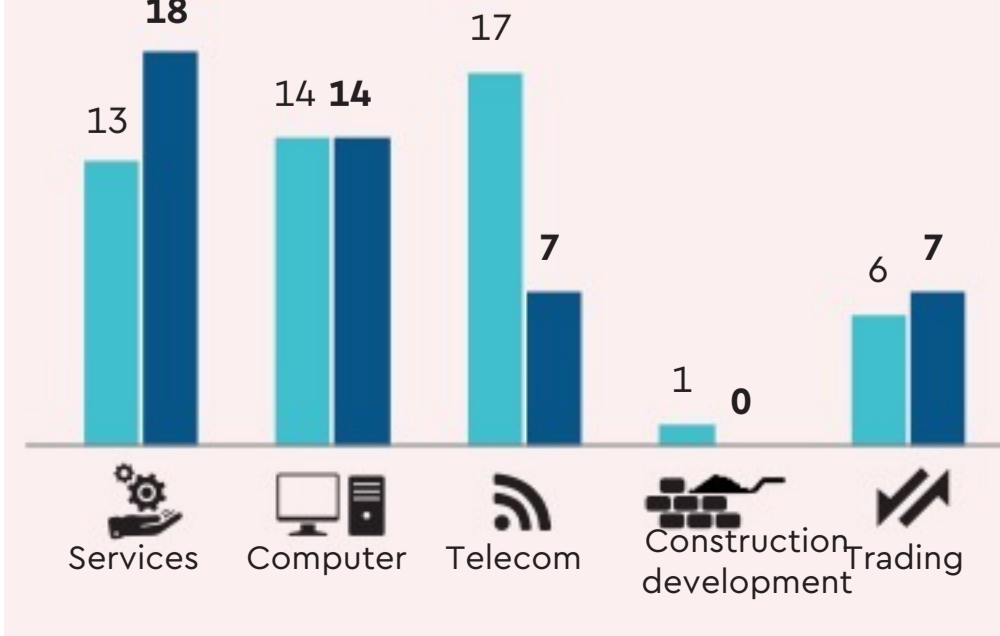
Total FDI flows moderate

(\$ bn)



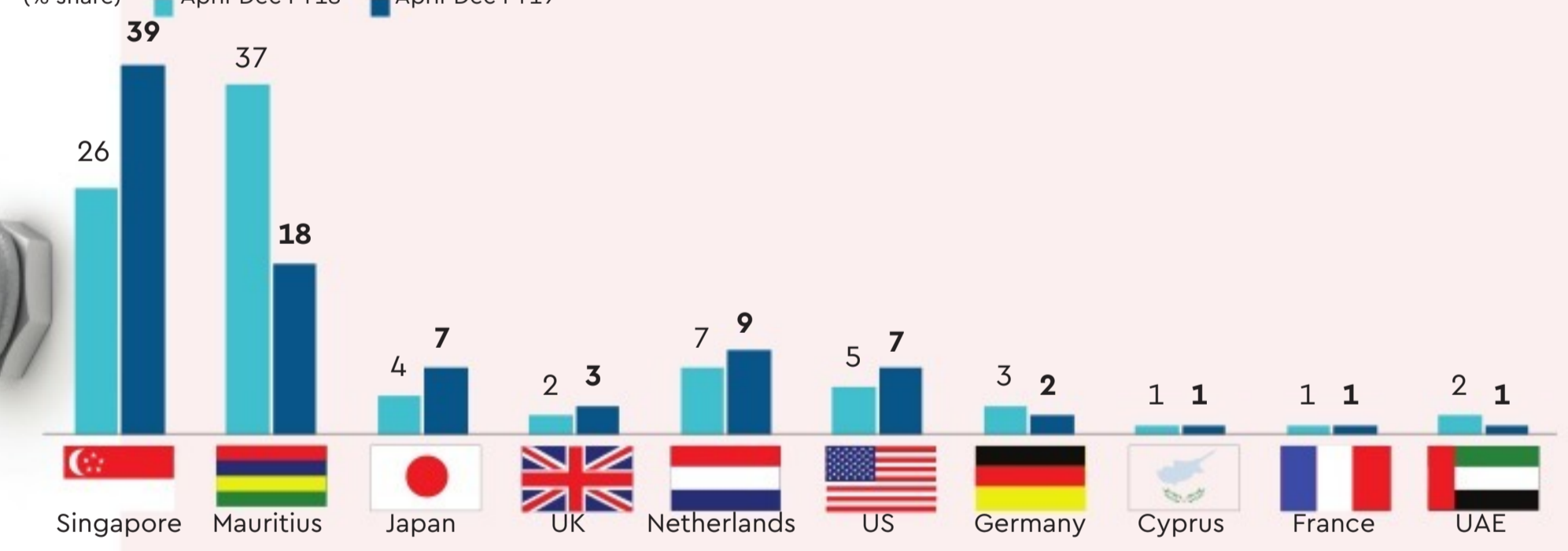
Sector-wise equity FDI inflows

(% share)



Singapore leads in FDI inflows

(% share)



Tackling the FDI slump

AFTER HITTING AN all-time high of \$35.94 billion in nine months of FY18, FDI equity inflow has contracted 7% in the same period in the current financial year—this has happened for the first time in the past five years. Falling FDI equity inflows will put strain on the overall investment climate in the country.

In fact, the growth in total FDI, which includes reinvested earnings, has moderated since FY17. As a proportion of GDP, FDI inflows have fallen from 3.4% of GDP in FY09 to 2.4% in FY18 and are likely to fall further to 2.3% in FY19.

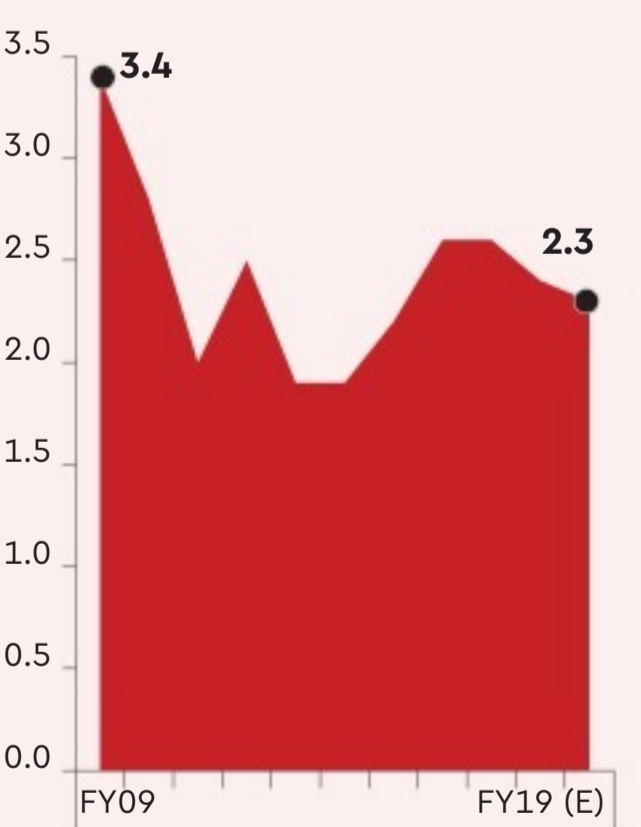
Slowing global economy, US-China trade war, concerns over Brexit have impacted FDI in emerging markets, especially India. Historically, Mauritius was the top source of FDI, accounting for 35.5% of the inflows in FY18. However, in FY19 till December, Singapore has surpassed Mauritius with a share of 39%.

The inflows from Mauritius declined 55% on a year-on-year basis whereas that from Singapore increased by 41% y-o-y. Higher inflows from these countries take place because of their tax haven status and India's Double Tax Avoidance Agreement (DTAA) with these two nations.

While services still account for the bulk of FDI, structural reforms undertaken by the government in the last few years saw FDI inflows to the industrial sector more than double to \$17 billion in the five years to FY17. The government should come out with a more investor-friendly FDI regime in manufacturing and multi-brand retail. Moreover, FDI will have to rise if it is to fully fund the widening current account deficit this fiscal.

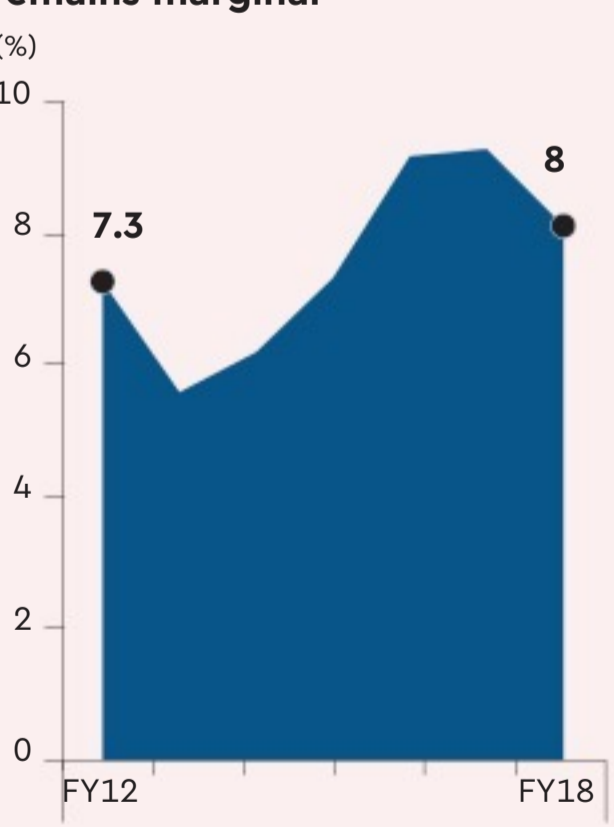
FDI as share of GDP contracts

(%)



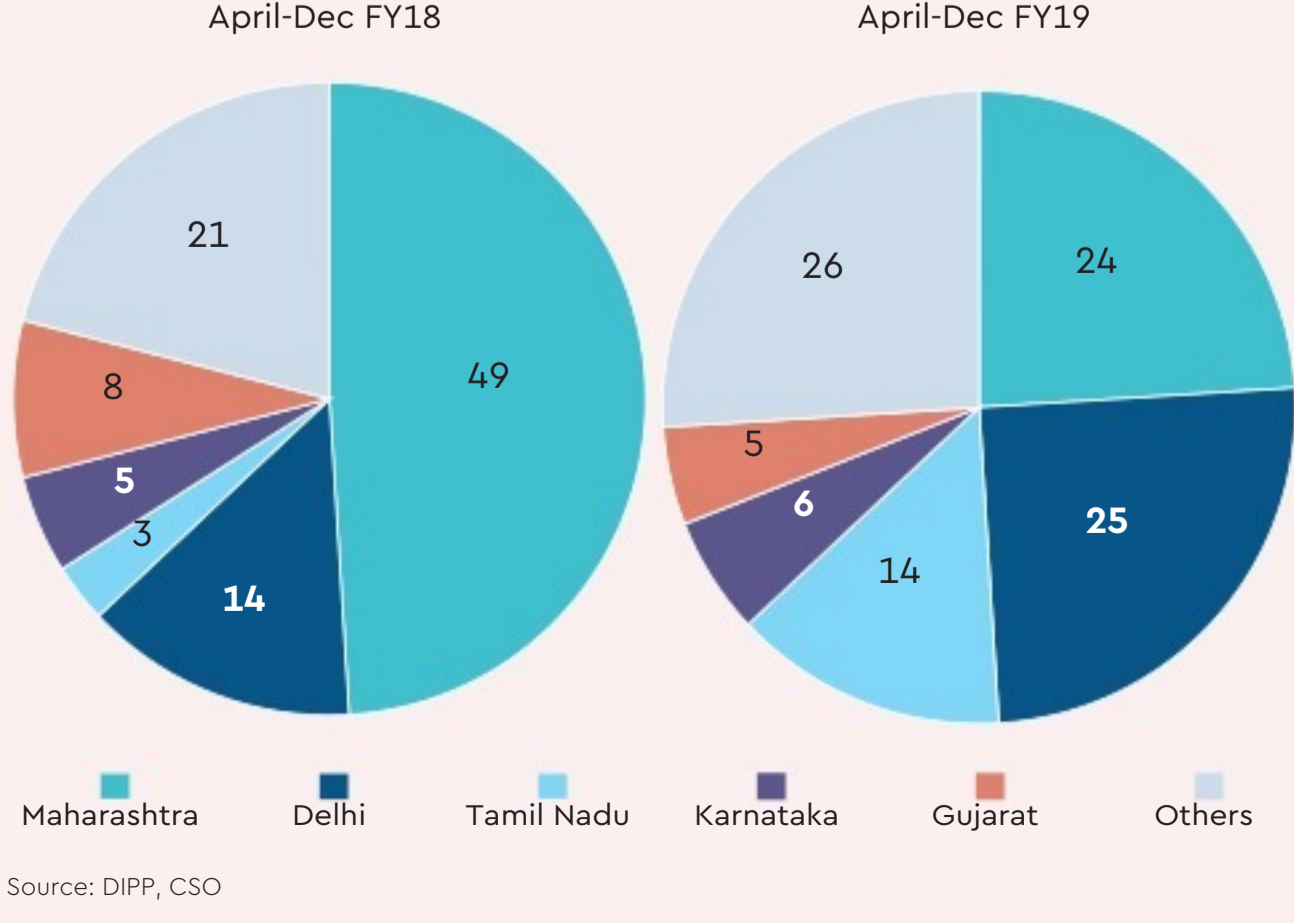
Share of FDI in total investment remains marginal

(%)



FDI inflows in top five regions

(% share)



Source: DIPP, CSO

