Opinion

TUESDAY, MAY 21, 2019

IRAN & NUCLEAR THREAT

US president Donald Trump

"I just don't want them to have nuclear weapons, and they can't be threatening us. ... I'm not somebody that wants to go into war... But you do have situations like Iran, you can't let them have nuclear weapons"

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Decisive Modi, Balakot worked for the NDA

A raft of social welfare schemes helped the voter beat farm blues; for India Inc, prospects for economy trumped Hindutva discomfort

GOING BY THE exit polls, the NDA is set to make a big comeback. Even if its tally doesn't quite match what some pollsters have predicted, it looks set to get the numbers to form the next government. And as many commentators have pointed out, this victory for the BJP, led by prime minister Narendra Modi, would be far more remarkable than the one in 2014. After all, this time around, voters have taken a far more informed view of the PM and his team. And if they want him back at the helm, they are convinced there is no one better to lead the country.

Even if the NDA hasn't done all that it promised, especially in terms of creating more jobs, the voters believe the PM has tried. Importantly, they believe he is more capable of delivering the goods than any other leader. The short point: no one's willing to risk a *khichdi* cabinet, petty political squabbling and a prime minister with no experience in government. On the ground, many are impressed with the PM as an individual and his ability to work hard, his modest upbringing and concern for the under-privileged.

One would have thought the severe distress in rural India—first, due to two consecutive poor monsoons and, later, due to the collapse in crop prices—would have caused resentment in the farm community. The NDA did very little by way of agri-reforms and, while it did raise support prices sharply last year, little was procured. But, the ₹6,000 payment to farmers, most of whom received at least one installment in February, seems to have revived the faith and assuaged their concerns for the moment. Indeed, if the exit poll numbers are to be believed, even the pain of demonetisation and GST have been brushed aside, if not forgotten. Some say the poor appreciate the crusade against corruption and are content to see the better-off suffer.

Even the losses to farmers from the tens of thousands of straying cows—which have damaged the crop, and have required farmers to spend ₹10,000-15,000 on fencing their fields—doesn't seem to have angered them. It is possible this will cost the BJP a few seats, but, by and large, farmers seem to willing to forgive the government. If the exit poll numbers are right, the NDA is perceived to be a government that cares for the poor. The several social welfare schemes—Ujjwala, Swachh Bharat, Ayushman Bharat and the eleventh-hour Kisan Samman Yojana—have been appreciated. To be sure, these schemes may not have been the big success they are made out to be. But, the effort has been appreciated.

The NDA did very little by way of agri-reforms and, while it did raise MSPs sharply last year, little was procured. But, the Kisan Samman Yojana payout to farmers in February seems to have revived the faith

Also, the PM focusing the discourse on national issues has worked with the masses. To be sure, making the Balakot strikes an election issue and references to the army as Modi *sena* were strictly avoidable, as was the PM asking for votes in the name of the army. But, the tough-on-terror narrative, after the Pulwama attack in which 44 jawans were kille, seems to have struck a chord. Perhaps, what the recent military action between India and Pakistan has done is to make people more conscious of the problems on the border. There may be no real military threat at this point, but people want to feel safe and secure. Again, the exit polls suggest the electorate clearly believes Modi is a strong, decisive leader capable of protecting the country, even if he is considered to be autocratic.

The numbers also suggests that much of the electorate is ignoring the NDA's Hindutva agenda. While, in some parts of the country (West Bengal, for instance), the appeasement of minorities has upset the majority community—and could cost the TMC more seats than it may have anticipated—there seems to be little concern on Hindutva. It is possible that the lack of jobs and the general weak state of the economy is compelling people to be practical.

Even the corporate community in Mumbai, which is largely not comfortable with the NDA's Hindutva agenda, knows the economy needs to be in strong hands. So, they are setting aside their secular ideals and their discomfort with the BJP fielding the likes of a Pragya Singh Thakur, a terror accused, as a candidate. Of course, the business community is small. In general, though, the exit polls suggest the electorate is not overly concerned about issues that other have highlighted—for instance, the devaluation of institutions.

One can't really say that the Modi government has done a great job on the economy—there has been very little progress or none at all in reforming labour laws and a lot more could have been done to attract foreign capital where the approach has been unduly conservative. Despite all the noise on MUDRA loans, it doesn't look like small businesses are flourishing. Growth is decelerating, demand is weak and there is little private investment. But, there is little doubt the IBC has been a game-changer, without which the banks would have remained riddled with bad assets with the promoters continuing to take them for a ride. If the markets have rallied and the rupee has rebounded, it is evident India Inc wants a second NDA innings.

RainbowRUNNER

Dutee Chand coming out as gay must be celebrated as that will drive greater acceptance of LGBTQI rights and expression

INDIAN SPRINTER DUTEE Chand's is a singular story of struggle. Born in a poor family in one of India's poorest states, surviving in athletics—much less making her mark—should have seemed impossible. But, Chand did much more than make her mark. She took on the International Association of Athletics Federations (IAAF) over its hyperandrogenism rule. "Hyperandrogenism" is a sanitised, impersonal term—Chand's was a deeply personal fight for dignity, one in which her gender and, by extension, her achievments as an athelete were questioned. She emerged from it stronger, in her own words, although she had felt unfathomable vulnerability while the controversy was unfolding. That experience and the strength that it left her richer with is perhaps what has helped her now to come out as gay, looking forward to a life together with her soulmate, a girl from her village. Chand will be running into walls of opposition not just from the deeply conservative society of her home state but also her family—her mother has reportedly refused to accept Chand's homosexuality.

Though homsexuality is no longer illegal in India, it is still taboo. This is why pushing acceptability of homosexuality and LGBTQI individuals in India will require more public figures to support LGBTQI rights—and if they are themselves part of the rainbow collective, all the more better. In the last few years, a handful of people in public life, including business leaders, Bollywood figures, writers, etc, have come out of the closet. That has helped move the conversation along. Chand's coming out is, however, unique because, though she has received fame and international exposure as an athlete, her growing up years—when most LGBTQI individuals have to grapple with painful questions pertaining to their sexuality—were spent in a milieu that is antagonistic to LGBTQI expression and rights. To have overcome that, and battled questions on gender, is what perhaps arms Chand with a nuanced understanding of the fears and anxieties of LGBTQI individuals from the economically weaker sections. Chand's coming out, therefore, must be celebrated. It will go a long way in making LGBTQI rights a part of the mainstream conversation and, eventually, help drive their acceptance.

● NO PROOF REQUIRED

IF THE EXIT POLLS ARE RIGHT, THEN THEY RIGHTFULLY MARK A STRUCTURAL CHANGE IN INDIAN POLITICS—THE END OF CONGRESS DYNASTIC RULE

2019 election: The beginning of the end?

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AT THE END of Exit Poll night, my co-panellist and political scientist/psephologist at *CNN-IBN*, Rahul Verma, turned to me and quipped, "Congratulations, You got the Exit Polls right"! By the strangest of coincidences, the election forecast (for BJP and Congress alone) contained in my book *Citizen Raj* (and reproduced here), the exit polls seemed to centre around 270-280 seats for the BJP and around 50-60 seats for the Congress. My attempt (and forecast made in February-Mach) was 274 and 57 seats respectively for the BJP and Congress.

It is no "triumph" to forecast correctly the exit polls. What matters is the real McCoy which we will all know on May 23rd. Until then, we can speculate, and update as I do below. And we can begin to discuss what Election 2019 may have all been about (as needless to say, we have all been doing for the last six months.)

The first point to be made is that this election was different as witnessed on the major English TV networks. Briefly, we have been told that this election was about voting your caste; that, unfortunately, it was not about economic development and what matters to the poor; that it was not about unemployment, job losses, and farmer distress; unfortunately, it was not about the palpable fear among Indians, especially among intellectuals and those belonging to the minorities and the scheduled castes; that it was not about data suppression, manipulation of data, and not about fudging of data (as claimed by the political opposition to Modi).

I travelled to Karnataka in April 2018, to MP and Rajasthan in November 2018; to West Bengal and UP in May 2018. I have talked to many a taxi driver and non-elite voter. Indeed, constantly, the discussion with voters has revolved around economic issues. Farmer distress was often talked about in UP, though unemployment discussion was spotty. In UP, the one state where the polls are suggesting the BJP will lose only 10-15 seats from the record 71 level in 2014, almost every rural voter, young, and old, and even those too young to vote, mentioned the menace of the holy cow. And no one seemed fearful of expressing any opinion, and doing so openly.

At the same time, and in direct contrast to the expectations of Delhi-Lutyens-Liberal-Khan Market media, the delivery of social services to "poor" individuals (those belonging to the bottom 70 % layer of the income pyramid) was often talked about. List the benefits—roads, toilets, LPG gas, houses, health insurance, bank accounts, bank transfers. A lot of individuals claimed they had never been "touched" by government policies, except now. Another aspect often mentioned was the absolute quality of leadership provided by PM Modi (i.e. not just that he was much better than the rest). They trusted him, and despite several faults, wanted to vote for him. Give him another chance, and maybe another. And yes, and somewhat surprisingly for me, the rural voter often mentioned that Mr. Modi had enhanced India's standing in the world. I say surprising because I belong to DLLK, and we elite find it difficult to understand why a rural voter should be worried about India's standing in the world.

That is a cardinal mistake, and vividly illustrates why DLLK got this election so wrong (again, assuming exit polls are right—I believe they will be). This is a changed, educated, aspiring, middle-class India. Those who are not yet truly middle-class (about 50 % of the population) want to get there, and want to know the means to get there.

These are some of the fundamental reasons for why to me a Modi victory was not a surprise. There is a major "technical" reason why those expecting a genuine fight-back by the political opposition were likely to be disappointed. One important factor behind the "structural change" Modi election of 2014 (some disparagingly, and dismissively, called it an exceptional "Black Swan" election) was the margin of victory in some key states. In Gujarat, in 24 of 26 seats, the BJP won by a margin of more than 10 %. In Madhya Pradesh, 22 of 29 seats; in Maharashtra 22 of 23 BJP wins were with 10+ margin; and in Rajasthan 20 of 25 fights. All these states there was no alliance to consider—they were straight fights between the Congress and BJP. I also conjectured in Citizen Raj that perhaps the most unfortunate even to befall the Congress (and DKLL members) was that the Congress won three states in December 2018. This lulled them into thinking that they had a good chance of making a come-back in these states, and therefore all India. Congress supporters were serious in believing that they could get within inches of their long term post-1991 median of around 140 seats it helped that the DKLL media was dominantly on their side and they did not have to counter questions about the basis for the Congress mustering a ten percentage point swing in head-to-head competition with the Modi led BJP.

There was something else that hurt the Congress besides hope. It is that the odds of a dynast from the freedom-fighter era would still work charms. I have said it before many times (even when Manmohan Singh was PM, and before) the Congress needs to shed the dynasty tag. That won't guarantee them a revival—but it is an absolutely necessary condition. Understanding this may have been the major reason why I got the exit polls right. In the inside flap of *Citizen Raj,* I state, "Will the Rahul Gandhi led Congress emergs as the single largest Opposition party; or will it become irrelevant and be relegated to electoral history? Most likely, and in the same order".

There will be time to consider the future in the future. The table below provides my "last-minute" adjustments to my over two month old forecast. Not much change for the BJP except for West Bengal and Odisha. In West Bengal, the bet has to be that Hindus from the TMC move towards the BJP; they have a mountain to climb in terms of margins, and movement from the TMC will have a two to three times larger effect on the BJP chance of victory than a movement from the Left or the Congress (unless they en-masse move towards the BJP). I believe that West Bengal will reflect the deep polarisation induced by the so-called secular Mamata Banerjee's Muslim appeasement policy.

Odisha is the other major change in my forecast—an increase from 6 seats in *Citizen Raj* to 13 seats now. There is a 50-50 chance that the BJP wins both the Assembly and the Lok Sabha election. If this happens then the BJP could proceed towards the 300 mark.

For the Congress, it is difficult to identify a silver lining. In my book, I had speculated that Karnataka might be the only state in the country where the Congress would reach double-digits; it now appears that there will be no state where Congress is able to achieve that status. If this doesn't herald the beginning of the end of the Congress as we have known to love, and hate, over the last 50 years, then I frankly do not know what will.

Election 2019: Does BJP do better than the exit polls?

		Congress alone			BJP alone		
	Total seats	Won in 2014	Citizen Raj	Updated	Won in 2014	Citizen Raj	Updated
Big states	**502**	**39**	**54**	**41**	**256**	**244**	**258**
Andhra Pradesh	25	2	2	0	2	3	2
Assam	14	3	2	2	7	9	9
Bihar	40	2	1	1	22	19	17
Chhattisgarh	11	1	6	4	10	5	6
Gujarat	26	0	3	0	26	24	26
Haryana	10	1	1	1	7	7	9
Jharkhand	14	0	1	3	12	8	10
Karnataka	28	9	10	6	17	12	21
Kerala	20	8	6	9	0	2	2
Madhya Pradesh	29	2	4	5	27	25	24
Maharashtra	48	2	2	2	23	23	23
Orissa	21	0	0	0	1	6	13
Punjab	13	3	4	8	2	4	2
Rajasthan	25	0	5	2	25	20	24
Tamil Nadu	39	0	0	0	1	3	3
Telangana	17	0	1	0	1	2	2
Uttar Pradesh	80	2	4	2	71	62	55
West Bengal	42	4	2	0	2	10	15
Small states	**41**	**5**	**3**	**2**	**26**	**30**	**30**
Total	**543**	**44**	**57**	**47**	**282**	**274**	**293**

Source: ECI; authors database on Indian Elections as used in Citizen Raj
Notes: The Congress forecast is reported on page 197 Of Citizen Raj and the BJP forecast on page 211

GST & INTER-BRANCH TRANSACTIONS

Fraught with potential litigation

The lenience on valuing inter-branch transactions allowed in GST could lead to litigation if businesses adopt a nil or a drastically reduced value, prompting disputes with the taxman

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IT IS IMPERATIVE that businesses obtain a registration in each state where they have an establishment or any business activity is undertaken even if such activities are only provided to the head office of such businesses. Here, we discuss some of the key issues surrounding the valuation to be adopted for taxing such support services under GST.

With the levy of tax on inter-branch/office transactions, every supply of goods or services or between the establishments of the same business, but located in different states or having separate registrations, would now be required to be tracked by the businesses for the purpose of payment of tax.

As these transactions are within the same legal entity, it would typically not involve any consideration and thereby carry no value to estimate the GST liability. Consequently, there arises a need for attributing an appropriate value for these transactions. This is for the purpose of arriving at the amount of tax liability to be discharged thereon.

With regard to this, the GST law has prescribed the following values to be adopted for such transactions, in the following order, as mentioned below:

- 'Open Market Value' of such supplies; or
- Value of supply of goods or services of like kind and quality; or
- 100% and 10% of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services; or
- Value determined using reasonable means, consistent with the principles and provisions under the GST law.

In addition to the above, the provisions also state that wherever the recipient is eligible for full input tax credit of the GST applicable on such inter branch/office transactions, the value declared in the invoice raised by the supplying branch/office, shall be deemed to be the 'Open Market Value' of the goods or services. On a conjoint reading of these provisions, it can be understood that where the recipient/receiving branch/office is eligible for availing the full credit of the GST chargeable on such supplies, whatever value is charged in the invoice by the supplier/supplying branch shall be considered to be the 'Open Market Value' of such supply.

Also, as the supplies undertaken at the branch locations are essentially input services provided to the receiving branch for the furtherance of business, such supplies shall be eligible for the full credit of the GST discharged on the value of these supplies. Accordingly, as the full credit is available, businesses can adopt any reasonable estimate of the costs of as the value for payment of GST.

Interesting to note is, as the above provisions provide a certain amount of lenience in the value to be adopted, businesses may choose to adopt nil or values which are far lesser than the costs of such supplies. This could then be disputed by tax authorities, leading to litigations in some cases. Further, such practices could also result in the supplying branch/office locations not being able to make use of the Input Tax Credit of the goods or services or both received by them from third parties.

For instance, if the cost of goods procured is ₹100 and the GST paid thereon is ₹18 (i.e., @ 18%), and these goods have been transferred to another branch of the entity for a value of ₹50 with GST of ₹9 (@ 18%), then the receiving branch would only be able to avail the credit of GST of ₹9 declared in the tax invoice by the transferring branch. The balance credit of ₹9 shall remain with the transferring branch and not be available for utilisation by the receiving branch towards the output of GST on the subsequent supply of the said goods. This declaration of lower values in the invoices, more often than not, could lead to accumulation of credits at the transferring branch. On the contrary, a declaration of higher values in the invoices, could result in accumulation of credits at the receiving branch in the absence of any substantial output tax liability.

In order to avoid such scenarios leading to possible litigation and unutilised credits, it would be advisable for businesses to consider adopting appropriate valuation mechanisms, based on evaluating the facts on a case-to-case basis.

With contributions from
N Vijay Kumar, CA

LETTERS TO THE EDITOR

A much-needed respite

It is good that this impatient nation gets a few days to ponder over the ethos, evolution and the economy of the period that we are passing through. Nationalism can not be reduced to gross majoritarianism, nor liberalism the sole measure of a progressive democracy. Similarly, politics does have its genesis in confrontation, but the reverse would be the very antithesis of socio-political evolution. The "Us vs Them" needs to yield to the notion—We and the problem. As innovation and technology skew distribution of wealth and income, inclusiveness can not be sole mantra of a rewarding economy. As newer economic theories get misapplied, attempts at political correction follow and so would the opposite. It is to be hoped that while a strong opposition may be known to provide the checks and balances in informed governance, wisdom gained hard would not be easily swept away by a runaway majority either.

— R Narayanan, Navi Mumbai

Exit polls' reliability

Indian TV channels conducted their exit poll survey on only 2 lakh people across the country, whose voice extrapolate to predict the outcome of the Lok Sabha elections. This is laughable and proves that the exit poll prediction or survey cannot be trusted.

— Bhagwan Thadani, on e-mail

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Eliminating circular arguments around 5G

What is the clear path forward so that India doesn't fall behind? Digital India will have little meaning without 5G

THE NEW-AGE 5G technology has the potential for a major societal transformation in India." This visionary statement was presented two years ago at the Government High Level 5G India 2020 Forum. Since then, there has been much hype about bringing 5G to the country. At the forum, it was emphasised that this time India would not miss the boat on implementing advancements in communications, like the country did with 3G and 4G. This filled us with ebullient hopes of a truly Digital India at the forefront of the 5G revolution. However, the ground reality, as it relates to implementation, has been a different story—one fraught with conflicting stakeholder positions, and inability to trigger the huge investments required for 5G implementation.

Globally, 5G rollout has begun. As many as 211 operators in 87 countries have invested in 5G technology. As of March 2019, 15 operators around the world have been offering commercial 5G services. In India, not a single large live trial has been initiated, and the guidelines for the release of experimental or trial spectrum are still work in process. With a minimum of 6-12 months of intensive 5G live trials required prior to release, we are already over a year behind other nations.

The Department of Telecommunications (DoT) has laid out a 100-day 5G action plan that includes the commencement of 5G trials and policy surrounding this technology. While this is a welcome start, even if spectrum is provided readily and trials are completed rapidly, are we ready to introduce 5G? I'm afraid we are not, particularly with regards to critical infrastructure comprising of optical fibre, thousands of small cells and street furniture in a dense network, millions of public WiFi hotspots, as these have to be created. And what about investments? Deloitte estimates that India needs a massive ₹5 lakh crore ($70 billion) investment to bring in 5G. Where will this investment come from?

Let's look at one of the most important stakeholders—the telecommunications service providers (TSPs) who constitute the backbone of the sector. They are fighting to keep their heads above water. The collective debt of TSPs stands at ₹4.2 lakh crore (according to ICRA). Once at the forefront of global innovation, TSPs are now focused on survival in the face of challenges like the extremely high duties and levies they are subject to, astronomical spectrum pricing, outmoded regulatory framework and a fierce marketplace resulting in one of the lowest user tariffs globally. The will may be strong, but where would they find the business case for huge 5G investments?

So, what can be done to facilitate a more attractive business environment? Spectrum allocation and pricing play the most significant role—Indian spectrum prices are some of the highest in the world and the allocated quantity well below global best practices, while 40% of the spectrum is lying unsold. There is an urgent need to review the auction design and the setting of the reserve prices, as pointed out by expert research agency ICRIER. The spectrum issue needs to be immediately resolved, else our foray into 5G will continue to be very challenging.

> The road to 5G is full of obstacles. However, we do not have to embark on a voyage of discovery to figure our way out. The solutions are clearly defined in NDCP 2018

Here the government might also like to take a page from Singapore, which decided not to levy any spectrum fees in order to free operators and bring in advanced technologies. This is an excellent strategy to foster an ecosystem for innovation and, in the end, consumers, TSPs *and* the government will benefit.

The next major issue to discuss is infrastructure. To realise the potential of 5G, we require a dense, high-quality, bend- and pressure-resistant optical fibre network. This enables much faster and reliable speeds that empower 5G technology. Only one operator in India currently has a 4G network that can be upgraded to 5G fairly quickly. The rest, having started operations in 1995, run on legacy networks of 2G, 3G and 4G. While we pleasantly dream of a homogeneous Digital India, the unfortunate fact is that much of our infrastructure is an amorphous mix of technologies with much of it analogue, and cannot support the speeds that 5G needs.

It is evident that the road to 5G is laden with some obstacles. The good news is that we do not have to embark on a voyage of discovery to figure our way out. The solutions are clearly defined in the world-class National Digital Communications Policy 2018. To reiterate—the first step towards 5G implementation in India is raising the investments. Recently, two global bodies have strongly advised this and commented on the need for a 5G investment-friendly environment prior to its implementation.

The first, the esteemed International Telecommunication Union (ITU) recently released a report (*Setting the Scene for 5G: Opportunities and Challenges*) that, among other things, states, "5G is expected to play a key role in digital economies, improving economic growth, enhancing citizens' experiences, and creating new business opportunities. Despite such benefits, care must be taken in establishing the commercial case, and whether 5G is a real priority for the economy. Until the investment case is compelling, the industry and policymakers should approach investment with caution while enhancing the quality and availability of 4G networks." ITU further stresses that 5G is likely to increase the global digital divide—since viability is likely to be in dense urban areas.

The second authority, the GSMA, the apex world body for mobile communications, released recommendations in its report '*India: Becoming 5G-ready*'. It emphasises the need for a supportive investment and taxation policy and the necessity to move away from legacy regulatory structures and towards a whole new government paradigm. Indeed, here's one example of how arbitrary taxes and levies affect TSPs today. Mobile devices are taxed at 12% while the telecom service, which is the key driving technology, is subject to 18%. Both need to be aligned to an even 12%. GSMA also points out "the current state of mobile coverage in India does not warrant the 5% USOF levy, particularly compared to universal service levies in other countries." It recommends that the current levy be reduced or phased out gradually.

So, does India have a choice whether to adopt 5G or wait it out? *We believe not*. As the High Level 5G India 2020 Forum pointed out, there are huge economic benefits to be realised across various verticals that we cannot afford to let float away. Illustratively, a recent study modelling Pune as a 'smart city' estimated that it can unlock an incremental value of 30% GDP valued at ₹80,000 crore over six years. This is for an area of 331 sq km and a population of 3.5 million. This study enabled the city to drive numerous digital service initiatives to capture the resulting growth potential of 15% CAGR (Purushottam Kaushik, L&T). And this is about just one city—imagine this evaluation across the country. We can reap mind-boggling benefits!

Since the setting-up, in the fourth quarter of 2017, of the High Level 5G India 2020 Forum, much was accomplished by the group, but far more could have been done in creating awareness as well as infrastructure and issuing the required policies. Even large-scale trials that were planned from December 2018 onwards could have been completed by now, and India could well be auctioning spectrum after correcting the pricing and getting ready to launch 5G services shortly—at least in some locations with requisite infrastructure. Unfortunately, we have missed that bus and will have to race at double speed to try and ensure that the gap already created between us and other nations does not widen further. Moreover, Digital India will have little meaning without 5G.

(Chandana Bala assisted with research inputs)

IBC has passed many litmus tests

SUMANT BATRA

Managing partner & head, Insolvency Practice, Kesar Dass B & Associates

It will continue to weather rough storms

LACK OF CLOSURE IN many insolvency cases in the mandatory 270 days is being interpreted by some as a sign of the looming dark storm over the Insolvency and Bankruptcy Code (IBC). The scepticism, to say the least, is unfair.

There are many causes behind missed timelines. A sound legislation, IBC was hastily drafted. Gaps were spotted following operationalisation in December 2016, prompting stakeholders to frequently approach the National Company Law Tribunal (NCLT) to seek clarifications. The NCLT started functioning with scant infrastructure. Established out of a vacuum, the NCLT had no institutional experience. A dozen NPAs, comprising 25% of total NPAs, were pushed into IBC by RBI at the nascent stage (July 2017) of the law. Another three dozen big cases followed. The stakes were high in these cases and they captured the mindscape of the nation. But the success of IBC was not to be measured only from the outcome of these 12 cases. This, surely, was not the intent.

The government amended IBC twice and the Insolvency and Bankruptcy Board of India tweaked the regulations over a dozen times. On top of that, section 29A was introduced in November 2017 when many cases had made significant progress. Disqualification of promoters caused disruptions, requiring recommencement of process in many cases. India does not have a developed market for distressed assets. With promoters disqualified, the pool of bidders shrunk further. This, too, caused slowdown of closure. The cadre of insolvency professionals was built from scratch. It is only normal they take a reasonable time to get a grip on the insolvency process. Promoters struggled to reconcile with the reality of losing control of their companies, leading to litigation in many cases. Bankers, too, took time to comprehend their new role in the creditor-in-control avatar of IBC. It was well known that IBC will have to sail through some rough currents in initial days. Why be so terribly disappointed?

Notwithstanding the odds, IBC has progressed leaps and bounds. In a little over two years, 14,000 cases have been filed, of which the NCLT ordered commencement of resolution process in 1,858 cases, 152 were closed on appeal, review or settlement, 91 were withdrawn on account of settlement under section 12A, 94 yielded resolutions and 378 resulted in liquidation. As on March 31, 2019, 1,143 cases were undergoing resolution process. The resolution process yielded resolution of 94 cases, resulting in the settlement of claims of financial creditors of ₹1,73,359 crore. These cases include six out of the 12 large accounts. The overall recovery is 43% (₹74,497 crore) to financial creditors, while the corresponding liquidation value is ₹38,443 crore. This is, by no means, a small feat to achieve in a little over two years.

Comparing it with the painfully slow speed of cases in the pre-IBC regime, the progress made by IBC in 27 months appears to be a sprint. Earlier, the average life of cases recommended for restructuring was 4-8 years and those recommended for winding up even longer. The recovery rate (cents on the dollar) in India was 25.7, as opposed to 71.9 in high-income countries. In 2014, India ranked at number 134 on the list of 189 countries in 'closing a business index', which jumped many notches up to 108 after IBC.

Judging IBC from the prism of failed timelines in a few initial cases is taking a narrow view of the law. A good insolvency law enables market participants to accurately price, manage and control default risks and corporate failure, and encourage sound credit practice. It enhances access to credit while reducing its cost. An effective exit law promotes responsible corporate behaviour by encouraging higher standards of corporate governance and financial discipline to avoid consequences of insolvency. With the introduction of IBC, the defaulter's paradise is lost. A behavioural change can be seen amongst borrowers. Default is now taken seriously and debtors are cuffing out money to clear their dues.

IBC has weathered initial storms. There is no reason to be alarmed because timelines have been missed in some cases. Setting a 180-day timeline was, in any case, an immensely aspirational (though commendable) goal, as such short timelines do not exist even in the UK, where it takes 1-2 years for cases to close. This is not to say we should wait and watch. As Joyce Meyer said, "Patience is not the ability to wait, it's how we behave while we're waiting." Some calm, composed and objective measures are required, without indulging in finger pointing. The infrastructure of the NCLT has improved significantly, and with the appointment of 32 new members, proceedings are expected to only speed up.

IBC has passed many litmus tests. There is no reason why it will not continue to weather rough storms and march with greater strides. The view from the high road is only sweet.

Uplifting the poor Indian farmer

Now, a MeToo for farmers' redressal as well

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MeToo—A MANIFESTATION of women power—originated in the wake of sexual harassment of women especially in the film industry and at workplaces, but here I do not intend to deal with any such concern. I have just thought of borrowing this phrase and use it for political parties—pan-India or regional—who are now vying with each other to woo the poor farmer by announcing direct cash transfers or some sort of a minimum income guarantee scheme. This new kind of 'MeToo' movement has emerged during last year or so, with an eye on winning the elections, both at the central and state levels.

Before cash transfer schemes, loan waivers was the weapon used by political parties. These loan waivers were never fully implemented due to lack of resources, non-availability of correct information about poor farmers, inefficient implementation machinery at ground and at the state-level, and the absence of political will after the elections were over.

Now we see a MeToo movement of cash transfers by political parties. There are five states in this group (Telangana, Odisha, Madhya Pradesh, Jharkhand and Sikkim). The ruling BJP-led NDA-2 at the Centre had launched the Pradhan Mantri Kisan Samman Nidhi Yojana (PM-KISAN) and the Congress announced the Nyuntam Aay Yojana (NYAY) in its election manifesto if voted to power at the Centre. This group would be expanding as and when various state assembly elections are announced in the future, and would continue to swell until the bubble bursts, as it happened with loan waivers, which no party talked about in these general elections.

I may sound pessimistic, but it should be noted that all cash transfer schemes are based on the concept of the Universal Basic Income (UBI), which originated in some western countries long ago. The UBI was never implemented in its full meaning out there, and only experimented for short periods in some countries and then was abandoned. Even in India, in Madhya Pradesh, the SEWA (Self Employed Women's Association), in collaboration with the UNICEF, took up such a pilot project in nine villages (including one tribal village) in 2014 (under the BJP regime), but it was not replicated in other villages despite the protagonists of the UBI calling it a successful experiment. Why is this so? Has any scientific evaluation been done? These are unanswered questions yet.

Now, since this MeToo movement of direct cash transfers to the poor has generated so much public interest as well as fury (after all, it is taxpayers' money), let's evaluate the pros and cons of the two major schemes, i.e. PM-KISAN and NYAY.

Let me first dwell on salient features of both the schemes. Under PM-KISAN, every small and marginal farmer (excluding landless agricultural labourers) would get ₹6,000 per year in three equal instalments, the scheme would cover 12 crore farmers, and the estimated expenditure for the financial year would be ₹75,000 crore, which is about 0.3% of our GDP.

Instead, NYAY would provide ₹72,000 yearly (₹6,000 per month) to the bottom 20% of the poor, covering 5 crore families (about 25 crore people). This scheme entails an expenditure of nearly ₹3.6 lakh crore annually (1.5-2% of GDP).

Assuming that the BJP-led government regains power at the Centre when the results of the general elections are announced on May 23, the most question that will arise is whether PM-KISAN would achieve the objective of doubling farmers' income by 2022 and also of the landless agricultural labourers (who constitute a sizeable 25% of poor farmers)? I think both these objectives seem unlikely to be achieved simply because the amount ₹6,000 per year is too meagre and limited to landowning farmers and not landless agriculture labourers. It is also thought that such a small amount may not even impress the poor farmers and, therefore, the BJP may not have gotten extra votes on account of this scheme in the general elections. If the Rythu Bandhu Pathakam in Telangana greatly helped the incumbent TRS government to win the state assembly elections with a two-thirds majority in December 2018, it was because the benefit under the Rythu Bandhu was ₹25,000 per hectare of land (with no cap on landholding size, unlike PM-KISAN).

Now, coming to the Congress's NYAY, it envisages assuring a monthly income of ₹12,000 to a household by providing ₹6,000 per month to the head women (a step towards women empowerment) of the family. Although the amount appears reasonable, there is no clarity on how such a heavy expenditure of ₹3.6 lakh crore would be managed when we are fiscally so tight. Will the Congress-led government, supposing it comes to power at the Centre, resort to enhanced taxes, which it can ill-afford, or will it cut down on existing farmer subsidies like on water, electricity, seeds, fertiliser, etc, which would be counterproductive? Another alternative would be to cut down expenditure on the ongoing projects and programmes. I do not think there can be any such items without affecting the country's development and security in many ways. Coming to the implementation aspect, there is no clarity on how the scheme would be implemented in phases. It would have implications for deciding annual outlays, year-on-year, if and when the scheme is rolled out.

It may be remarked in passing that some economists seem sceptical of the success of both PM-KISAN and NYAY, as these provide money without any useful contribution by beneficiaries. It's against the fundamental principles of economics.

In view of all this, the poor of the country would want to know "*Kab aayenge acche din?*" from the BJP and "*Kya ab hoga Nyay?*" from the Congress. The MeToo group of our worthy politicians should answer these pertinent questions soon.