

NEET 2019 shows quota becoming irrelevant

Amongst the successful reserved category candidates, 80% cleared the general category cut-off

THIS YEAR'S NATIONAL Eligibility-cum-Entrance Test (NEET) results show that, after a certain level, reservation is slowly becoming irrelevant. Of the 7.97 lakh who qualified for admission into undergraduate medical and dental courses, nearly 65% belonged to the reserved categories (SC/ST/OBC), while just a shade under 12% needed the relaxation in the cut-off granted to them. This means 80% of the successful reserved category candidates beat the general category cut-off. Even if NEET results are not representative of performance in other competitive exams where reservation benefits apply, they still signal that the conventional assumption that the bar needs to be lowered for reserved category candidates to be able to access opportunities may need a rigorous rethink. More so, since with higher educational attainment, the disadvantage associated with caste is blunted, as PRICE data shows. At the same time, the results can be interpreted as a rather unequivocal vote for merit—perhaps, given how cut-throat the competition gets at the postgraduate and super-specialisation levels in medical education.

Some have argued that the such a large chunk of reserved category candidates clearing the general category cut-off gives lie to the merit argument used to criticise the reservation policy. While over 92,000 reserved category candidates, of a total of over 5 lakh, benefiting from the lower cut-off shows that this isn't the case, there can be little doubt that campuses need to be sensitised on caste-based discrimination and exclusionary behaviour. The recent suicide of Dr Payal Tadv, a postgraduate medical student in a Maharashtra college, who also happened to be an ST, brought to fore the caste-based discrimination in medical colleges. Given how reservation's discontents—general category students—believe that they are robbed of opportunities that they otherwise merit because of reservation, the atmosphere in many educational institutions is quite vitiated. This resentment often manifests in casteist taunts, including ones on the merit (or the presumed lack of it) of the reserved category student, and blatantly exclusionary action, as was evident in the case of Dalit assistant professor at IIT Kanpur who was accused of plagiarism in his PhD thesis after he complained of caste-based discrimination; though the IIT senate recommended revocation of the professor's PhD despite the institute's academics ethics committee saying in a report that it didn't find anything suspect in the subject's own research work, including his experiments, data and inferences, the IIT Board decided against revocation and has asked for an independent committee to examine the thesis.

Building the competence of reserved category students in core subjects for various entrance examinations could help make the existing gap in entrance exam performance narrower, and thus, competition can ensure that there is greater representation of those from underprivileged social backgrounds in educational institutions. While competence in the core subject(s) is likely the biggest factor behind candidates qualifying a competitive exam, many experts recommend stepping up training of reserved category candidates in English/Hindi, since they believe that the medium allowed for answering the question paper(s) also makes a significant difference—students from schools where the medium of instruction is a regional language are likely to be hobbled by the requirement to read, process and answer the questions in English/Hindi.

Welcome move on Aadhaar

eKYC for banks/mobiles good, now do this for fintechs as well

THE POTENTIAL OFFERED by Aadhaar to cut theft in delivery of government services like rations and subsidised LPG cylinders was always obvious—so far, the government has transferred ₹7.4 lakh crore and made savings of ₹1.4 lakh crore through this—and that is why, despite the opposition from various activists who argued this would create a surveillance state and was a breach of privacy, the Supreme Court upheld the validity of the Aadhaar Act. Oddly though, given the SC dismissed the fears of Aadhaar leading to the creation of a surveillance state, it chose to read down Section 57 of the Aadhaar Act that allowed it to be used as a KYC for any purpose. In the event, Aadhaar authentication was to be used only for availing government subsidies, but it couldn't be used for compulsorily linking with bank accounts or as a KYC for getting a mobile phone. Though the SC said that the Aadhaar database was safe, for some reason, it said private sector firms were not allowed to access it.

Immediately, this raised the cost of doing business quite dramatically for banks, telcos and fintechs. A telco, for instance, could no longer do an Aadhaar-based eKYC, but would have to do a physical verification; ditto for a fintech and, as a result, a lot of business possibilities got ruled out. With eKYC, for example, it may have made business sense for a mutual fund to sell units worth even ₹100; but if physical verification needed to be done, the business was clearly unviable. UIDAI, which is in charge of the Aadhaar programme, to its credit, came up with some interesting solutions. A virtual ID was offered to mask even the Aadhaar number—this was a random number that a user could generate using the Aadhaar app or on the website—and even offline solutions were offered. A customer could give a bank/telco her Aadhaar slip that had a QR code printed on it and the bank/telco could read this using a card reader; the name, age, address and photograph of the person will show on the screen.

The government has now approved an amendment to the Aadhaar Bill that allows voluntary use of Aadhaar for banks and mobile phones, and necessary changes will be made to the Telegraph Act as well as the Prevention of Money Laundering Act. This means that, while banks and telcos will have to offer customers a non-Aadhaar solution as well, being allowed to use Aadhaar will drive down customer acquisition costs. While fintechs can continue to use the offline solutions offered earlier, it would help if the government made online verification possible here as well on a voluntary basis.

Abandoning REASON

Bihar's new law to punish children for abandoning elderly parents will not work, exacerbate problem

THE BIHAR GOVERNMENT passing a legislation that makes the abandonment of parents punishable with a non-bailable jail term would seem a strong step forward in the state's attempt to protect its significant ageing population—over 7.4% of the population is over 60 years of age. Yet, not only does it smack of moral policing and cultural conservatism, it looks downright impracticable. The new law does not offer any clarity regarding its implementation, and, in its attempt to do the impossible by legislating affection, it fails to account for the emotional, mental and, sometimes, even physical abuse—of which parents and children may equally be perpetrators and victims—rampant in homes. Further, the decision to make this a non-bailable offence seems like an overkill in light of the pre-existing Maintenance and Welfare of Parents and Senior Citizens Act, 2007, under which children/legal heirs are obliged to ensure the well-being of their parents/immediate elderly relatives through monthly financial support, a National Policy for Older People, 1999, a draft National Policy on Senior Citizens, and Bihar's own Old Age Pension Scheme.

While Bihar government's methods are misguided, the problem remains real—abandonment of aged parents/relatives is both a humanitarian and a financial crisis for the state. Its solution, however, lies in garnering support from groups whose traditional role has been to extend social support—temples/religious communities. As central a part of Indian culture as the joint family, temples, with their abundance of funds, are uniquely positioned to take up the mantle of catering to the needs of the ageing sections of society in light of the growing nuclearisation of families and, for many, severe economic constraints. How is punishing a poor daily-wage earner for failing to take care of his parents going to solve the problem? Indeed, it is going to push other dependents into destitution. The Bihar government will do well to understand that punitive action for abandonment is not going to solve the problem; indeed, it may exacerbate both destitution, and elderly abuse if the family becomes vindictive towards elderly members.

WE OWE A LOT to Rene Descartes, not just the clichéd quote, translated in English as “I think, therefore I am.” Arvind Subramanian, the former Chief Economic Adviser (CEA), has just (June 2019) authored a paper all of us should read and discuss. It is titled, “India's GDP Mis-estimation: Likelihood, Magnitudes, Mechanisms, and Implications”. It is a CID (Centre for International Development) Working Paper. A working paper means it is work in progress. In fairness to Arvind, he does say, “This paper should be seen as the beginning of a research agenda focusing on India's National Income Accounts estimates.” However, having thrown in that caveat in the main body of the paper, he makes the conclusions robust and subject to “caveat emptor”. After all, how many people read the main body? They read the abstract and the conclusions. That's where the headlines are. Hence, “A variety of evidence suggests that the methodology changes introduced for the post-2011 GDP estimates led to an over-estimation of GDP growth.” Who said real annual average GDP growth between 2011-12 and 2016-17 was 7%? It was 4.5%. I veered away from Descartes. The paper begins with a paraphrasing of the clichéd Descartes quote. “A Descartes of today's data-addled era might well say, “As we measure, so we are.”

That clichéd quote is from the semi-autobiographical “Discourse on the Method”. I myself prefer a different quote from the same text, less hackneyed. “Resolving to seek no knowledge other than that of which could be found in myself or else in the great book of the world, I spent the rest of my youth traveling, visiting courts and armies, mixing with people of diverse temperaments and ranks, gathering various experiences, testing myself in the situations which fortune offered me, and at all times reflecting upon whatever came my way so as to derive some profit from it.” But let's get back to the working paper. Why 2011-12? Let's quote Arvind Subramanian on this first. “In India, methodological changes were introduced as part of the periodic base revisions to estimating the National Income Accounts (NIA) by using the Ministry of Corporate Affairs' (MCA) financial accounts for

BIBEK DEBROY
Chairman of the Economic Advisory Council to the PM. *Views are personal*

hundreds of thousands of companies. This effort was desirable in principle, both to expand the data that went into the NIA estimates and to move from predominantly volume-based estimates of gross value added (GVA) to value-based estimates that potentially better capture the quality and technology changes of a modern, dynamic economy...The change in GDP estimation methodology was initiated by—and most of the technical work done under—the UPA-2 government, as part of the changes that routinely occur with base revisions to GDP estimates. They were completed by the statisticians and technocrats in late 2014, a few months after the NDA-2 government came into power.”

Nothing wrong with this statement, except the 2015 shift was more than routine. Base changes are routine and have been done in 1967, 1978, 1988, 1999, 2006, 2010 and January 2015. What happened in January 2015 was more than a base year change from 2004-05 to 2011-12. There was a switch from GDP at factor cost to GVA, with GDP at market prices now derived from GVA. In June 2015, there was a long methodological note by Ministry of Statistics and Programme Implementation (MOSPI) explaining what had been done and why. I don't think anyone has complained about change in the base year. I don't think anyone has complained about implementing recommendations of the 2008 system of national accounts (SNA) either, which brings India, to the extent possible, in conformity with international practice. January 2015 became more than routine because of something else. Let me quote from the methodological note. “In the new series, comprehensive coverage of Corporate Sector has been ensured in mining, manufacturing and services by incorporation of annual accounts of companies as filed with the Ministry of Corporate Affairs (MCA) under their

BIBEK DEBROY
Chairman of the Economic Advisory Council to the PM. *Views are personal*

e-governance initiative, MCA-21. Accounts of about 5 lakh companies have been analysed and incorporated for the years 2011-12 and 2012-13, while the number of common companies (companies for which accounts are available for the year 2012-13) is around 3 lakh for the year 2013-14.”

Lest we forget, there was an Advisory Committee on national accounts statistics, chaired by K Sundaram. This had five sub-committees—unorganised manufacturing and services, chaired by K Sundaram; agriculture and allied sectors, chaired by S Mahendra Dev; private corporate sector, chaired by BN Golder; national accounts, chaired by AC Kulshreshtha; and private final consumption expenditure, chaired by AK Adhikari. In this age of mass media and social media, everyone is an expert on everything. In spite of having been trained as an economist and despite having studied national income accounting, I don't regard myself as an expert on the subject. Towards the end of his paper, Arvind Subramanian writes, “If statistics are sacred enough to require insulation from political pressures, they are perhaps also too important to be left to the statisticians alone.” Perhaps, each to his own. So far as I am concerned, each of the gentlemen named (there is no lady) knows more about the indicated subject than I do. They recommended the switch, including use of MCA-21. Just so we are clear, this is about GDP/GVA in nominal terms. It is not about GDP deflators and deriving real GDP, and its growth, from the nominal. It is not about the back-series, it is not about employment numbers. The working paper does tend to bung everything in. However, that just mud-

dies waters. Let's take issues in bits and pieces. Notice that work towards the January 2015 switch had been started in 2008 and perhaps “all”, not just “most” of the technical work had been done before the May 2014 election results. This dead horse needs to be laid to rest, since it doesn't stay dead, but keeps getting up.

The working paper mentions the National Statistical Commission (NSC). The seeds of NSC were sown by the C. Rangarajan Commission in September 2001. Many people may have forgotten what this report said. “The credibility of NAS (national account statistics) has been often questioned by users in the 1990s because of the large differences (in absolute magnitude as well as in terms of growth rates) in sectoral or aggregate estimates in different stages of revisions arising from delays or major revisions undertaken by the source agencies.... However, for the compilation of NAS, information available from the ASI has to be updated keeping in view the non-response factor.... The information on non-responding units can be said to be an area of data gap for the registered manufacturing sector as it is not known whether the non-responding units were functioning normally or were closed.” Was the earlier system, based largely on ASI (Annual Survey of Industries) for manufacturing (registered and unregistered), perfect? No, it wasn't. Is the MCA-based system perfect? No, it isn't. Despite problems with MCA, is the MCA-based system superior to the ASI-based one? The consensus (I didn't use the word unanimity) among experts seems to be that it is. What do MCA-based problems do to GDP measurement and growth? The working paper says, “Recently, Pramit Bhattacharya (2019) documented problems in the MCA data used in the construction of the GDP estimates under the new methodology. Serious as these are, it has not been clear if these problems lead to systematic mis-estimation of GDP levels and/or growth rates, as Pronab Sen, the former Chairman of the National Statistical Commission has argued.” Another dead horse thrashing around.

LETTERS TO THE EDITOR

Clarification

This is in reference to the report, 'Ansal-IL&FS link: Mystery loss of post-date cheques.' The Ansal Group in its response, which came after the report had been sent to the press in Financial Express, said “No PDC was issued by Ansal Group to secure the NCDs of Rs 200 crore issued and allotted by Ansal Hi Tech Townships Limited.” Adding that out of Rs 200 crore, “outstanding amount of NCDs is approximately Rs 180 crore,” the spokesperson said: “For outstanding amount...negotiation/settlement are at advanced stage and Ansal Group is hopeful that the same will be materialised soon.” But records accessed by The Indian Express show otherwise. In fact, in 2017-18, in an e-mail to PenBrook Capital, Vistra ITCL accepted that it had lost the Ansal PDCs. “We are carrying out a thorough check at our Delhi office for locating the three PDCs of Ansal Hi-tech... Since the transaction was handled by ex-employees on your side and our side, it is taking time,” said Vistra ITCL in its email to PenBrook.

Inclusive Banking

Apropos news item on bank fraud (13 June), it is necessary to focus on the senior citizens in India, and use AI to assess what kind of operational frauds are being perpetrated on these vulnerable segments. *Sarpanches* of all villages could be added in whatsapp group of banks' managers in the particular area and financial literacy tips and videos could be shared on how to take caution while banking. —NK Bakshi, Vadodara

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Wouldn't it be lovely...

On balance, the model produces significant savings in cost with contained risk; importantly, it can also enable companies to increase their tenor of risk identification

JAMAL MECKLAI

CEO, Mecklai Financial. *Views are personal*

...**IF YOU KNEW** exactly when the ₹ was going to fall sharply? Or, at least, when it was going to fall more than the forward premiums? Then, as an importer you would have a very easy life—you would know exactly when to hedge at inception and when to stay unhedged (and, perhaps, go to the beach). Indeed, if you had such a magic wand you might also start identifying risk more in line with your business model that simply on a 3-month basis, which many companies do because they feel that the further premiums are too high. While there are, indeed, companies, who import mostly commodities, whose business contracts call for 3-month risk identification, most companies actually have business contracts, or certainly import visibility that is much longer—to 6 months or even more.

We continue to work at finding this elusive model—turning lead to gold, in a sense—and we have recently come up with a model that, in our estimation, performs very well. It provides a binary on-off signal that enables you to enjoy ₹ strength half or a little more than half of the time, while exiting at a small cost the rest of the time. And so, even though there will be several occasions when you pay more than Day 1, the overall impact is strongly positive, generating cost savings of 3-4.5% pa. The accompanied graphic shows the starting point of the model. As is clear, over tenors of both 6 months and 3 months, the average decline in spot ₹ is lower than the prevailing premium, which suggests that staying unhedged on imports would be profitable on average. Of course, the risk would be huge—the worst 6-month decline was >13% and at 3 months, the worst decline was ~8.5%. Nobody could

live with these numbers.

Digging deeper into the averages, we found that on a 6-month basis, the ₹ fell less than the premium (including appreciating significantly many times) as often as 58% of the time; on a 3-month basis, the number was 56%. Now, if we did have the magic wand, our portfolio value would (on average) have been 0.54% better than Day 1 spot for 6-month exposures, and 0.66% for 3-month exposures. Thus, as compared to hedging on Day 1, our performance would have resulted in savings of 2.54% [0.54% + 2.00% forward premium]—for 6-month exposures, this translates to 5.08% pa saving of funding costs. For 3-month exposures, the savings would have been 1.68% [0.66% + 1.02% forward premium], or 6.72% pa. Both are quite fantastic. Of course, this is based on magic. Our model doesn't quite get to such extraordinary levels, but it has been able to capture between 45% and 85% of these magic savings. The accompanied graphic shows how it worked for three clients.

The wide variation in results was because each client had different specific exposure dates over different periods; nonetheless, these are excellent savings.

Change in spot between 2015 and 2019			Over 3 months	Over 6 months
Average decline			0.68%	1.57%
Worst decline			8.47%	13.79%
Highest appreciation			5.98%	7.00%
Today's forward premium (absolute)			1.02%	2.00%

	Period of risk	Wgtgdavg tenor	Wgtgdavg gain over Day 1	Savings (pa)	% of "perfect score"	worse than Day 1
Client A	Apr '17-Jun '18	184	2.18%	4.32%	85	36%
Client B	Apr '16- Jun '19	114	1.00%	3.20%	48	27%
Client C	Apr '18-Jul '19	102	0.88%	3.15%	48	52%



ILLUSTRATION: ROHNIT PHORE

RAHUL GHOSH

Independent risk management professional

Bringing back complex derivatives

Having a big domestic market for derivatives furthers the goal of an international financial hub. Liquidity brings more liquidity. With some significant amounts of rupee-based derivatives trading at international non-deliverable venues, we could certainly do with a larger market here

THERE HAVE BEEN MEDIA reports about possible liberalisation in the OTC currency derivative market. The reference is to structured products and complex derivatives. After the 2008 crisis, such derivatives had been banished from domestic markets. The entire derivative market rests on end-users, i.e., businesses/corporates. The remainder of the market exists to either serve them (dealers) or exploit opportunities created by them (arbitrageurs and speculators). Businesses face currency exposures, but every corporate has to deal with its own set of requirements—defining how much risk it wants to carry in an asset, what controls it should deploy, its budget for risk control versus its loss absorption capacity, etc. Therefore, no single derivative type might suit every

business and every requirement, just as a single pre-determined strategy would not serve every military situation. Businesses also employ strategy-based derivatives—a combination of vanilla derivative contracts that offer customisation in costs and extent of risk reduction. For instance, management of some specific exposures may do better with instruments such as barrier options. This kind of option is a complex derivative by category; using it for another category of exposure, to which it is unsuited, would yield undesirable results. Here lies the problem—as one steps into ‘sophistication’ or use of complexity, the line between what is useful and what is risky can get fuzzy. In years leading to the ‘2008 crisis,’ businesses in India had entered into vanilla and complex derivatives. Corporations ran up large losses when exchange rates moved sharply in the wake of the ‘sub-prime’ crisis. Several corporates experienced large losses in derivatives, culminating in complex derivatives being blamed for their plight. In this period, perhaps not all derivative contracts used by corporations were

aimed at risk reduction. Had that been the case, then losses on derivatives would have been matched, at least in some measure, by gains on underlying exposure. Corporations need to be mindful not only of the instruments they use but also of the strategies they apply. After all, many losses from this period involved vanilla derivatives. If not used well, vanillas lose money, too, as many players in the F&O segments of exchanges would know. The corporate losses of 2008 also bruised derivative dealers, bringing down their appetite for this business. A client’s market risk on derivatives converts itself into credit risk for the dealer, who is exposed to the risk of corporate counterparty being unable to pay up. Thus, dealers need to be mindful of counterparty credit risk in derivatives. The good news is that on the corporate governance front, the environment today is more conducive than ever before. Prescribed norms exist for business’ management of risks. At a median level, disclosure practices on risks and derivatives have shown improvement. International accounting norms on derivative instruments and their underlying risk exposures have been adopted. The regulator is likely to insist on bilateral margining of derivative contracts for large firms at some point in time, sooner rather than later, requiring firms to take greater control of their derivatives activity and deepen skill levels. Together, these developments provide a better chance to prevent future accidents.

No single derivative type might suit every business and every requirement, just as a single pre-determined strategy would not serve every military situation

On the dealer side, the issue of counterparty credit risk is being taken head-on globally. Vanilla derivatives in OTC markets have been moved to central clearing in many countries. While non-vanilla derivatives are harder to standardise and dealers must manage the risks themselves, the central bankers’ body, Bank for International Settlements (BIS), has suggested a standard for managing counterparty credit risk through the mechanism of bilateral margining between dealer and client, which is expected to be operational in India sometime soon. That should be the single biggest step forward. Dealers that would manage counterparty credit risk through dynamic risk-based models of potential future exposure (PFE), should be in the best position to deal in derivatives. In managing client derivative exposures, it must be kept in mind that claims on derivatives need not be the same as an outstanding debt. For end-users, the biggest change has

to come from within. It is here that most of the action can be expected. SEBI has mandated the top 500 listed corporates to constitute Risk Management Committees to manage their risks in a more structured manner. A structured approach at the top, to deal with identification of risk, its measurement, mitigation and organisation, would be the best bet for preventing derivative misuse and avoiding accidents, and would equip companies to navigate the open waters of financial markets. After all, many Indian companies, through offices and subsidiaries, already operate in markets of developed countries where derivative varieties are available freely.

For a dealer, despite all efforts to make the assessment of the appropriateness of a derivative transaction for a given customer objective, the real fitment can only be assessed by a skilled and experienced dealing staff. This, too, requires a structured approach to understanding a potential client’s business. Lastly, only those dealers that have developed their own capabilities to value, price and structure the derivatives being sold to the end-user, would be able to offer value to customers and generate revenues sustainably. This argument also extends to the so-called ‘back-to-back’ deals. For example, if X were a dealer and was about to sell a derivative product, purchased from a large/expert dealer, to its end-user client, X can sense its suitability for the client and the risks involved (including counterparty credit risk) only if X can value the deal, understand it from inside and structure it by oneself, if such need arose.

At a larger level, having a big domestic market for derivatives furthers the goal of an international financial hub. Liquidity brings more liquidity. With some significant amounts of rupee-based derivatives trading at international non-deliverable venues, we could certainly do with a larger market here, attracting more instruments and participants. At some level, however, the increasing sophistication, and risk-centric skills and programmes at corporates and banks would also require matching augmentation at the regulatory end.

There has rarely been a balanced debate around the use of derivatives. Derivatives are darlings when things are good, but turn into villains when things go wrong; in reality, they should be treated as neither. Derivatives are just a tool, perhaps no different from an axe or matchstick—it is up to us how we use it.

RESOURCE EFFICIENCY

Work on a circular economy

ASHOK KHOSLA

Chairman, Development Alternatives Group

Resource overuse has now put us on the brink of collapse in many sectors

INDIA’S DEVELOPMENT trajectory has to meet the twin objectives of (1) ‘Prosperity for All,’ (2) ‘Within Planetary Boundaries.’ National strategies for economic development and growth must, therefore, ensure that building financial and human capital does not stress our natural capital; rather, it must regenerate it. A national policy framework that guides the sustainable management of our natural resources and ecosystem services is critical to secure India’s future. The draft National Policy on Resource Efficiency for India being formulated by the government is a necessary first step in this direction.

For centuries, our development and economic prosperity has depended on increasing production of goods and services. This has led to ever-growing consumption of natural resources, leading to their depletion. The result is a severe threat to nature’s capacity to yield, let alone regenerate, the resources we need. Furthermore, rapid resource exploitation is the single greatest cause of accelerating climate change, biodiversity loss and desertification, not to mention the clouds of toxic pollution and mountains of non-processable wastes that we produce. Today, all of us depend more than ever on natural resources. Access to land and fresh water is as crucial to the small-scale farmer, for drinking and irrigation, as it is to the daily needs of her compatriot in a distant city. Industrialists need uninterrupted supply of metal alloys to make engineering products; and citizens need energy resources for lighting, mobility and numerous other requirements of modern living.

Globally, resource use over the past century has grown faster than the economy; and the economy grows faster than the population. By 2050, we can expect to have around four billion middle-class consumers, most of them urban dwellers creating huge demand for resources and generating large amounts of waste and pollution. While technological improvements in extracting, processing and transporting natural resources ensured low trading prices for most of last century, stocks of the free resources provided by nature were more intensively utilised. But such overuse of nature’s endowment is no longer possible. Over the last decade, prices of traded resources have started to rise, as more and more resources appear to be scarce. FAO estimates that 60% of the world’s fisheries are in a state of collapse. In India, widely used materials such as topsoil and sand, both crucial for making building materials, are no longer available in many markets. Moreover, extraction, processing, transportation and use of resources is highly energy-consuming, and a major contributor to carbon emissions and climate change. Clearly, in the domain of resources, we must now learn to do more with less. This means raising the efficiency of our production systems, following the essential Rs—reuse, repair, recycle, refurbish, remanufacture, etc.—and implementing the lessons of circular economy. Today, fewer than 1% of the special metals constituting our mobile phones, computers, windmills and solar devices are recycled. All over the world, landfills, rivers, and even oceans are burgeoning with discarded materials and food wastes which, through better management, could have improved lives and livelihoods.

Much of the knowledge and technology to make substantial improvements in resource utilisation and productivity already exists. It is estimated that using currently available technologies, this sector could contribute several trillion dollars to the global economy.

Technological innovation is, of course, important; behavioural change in consumers and major productive sectors is even more crucial. But all these changes need supportive policy environments. The draft National Policy on Resource Efficiency for India aims to address key aspects of decoupling economic development from environmental impact and resource stress.

The policy requires full assessment of all measures proposed to improve efficiency, to ensure that their social and environmental impacts are also net positive. Furthermore, the policy must focus on critical resources and sectors essential for maintaining resource security, strengthening India’s competitiveness, and ensuring basic needs and economic opportunities for current and future generations. Inputs to it, through the forthcoming phase of public consultation, must lead to it formalising systemic approaches such as adoption of circular economy practices, promoting sustainable consumption patterns and production systems, and supporting innovation in technology, economic instruments and financing mechanisms.

ELECTIONS 2019

SOCIAL SCIENTISTS AND political commentators, plying their trade in the era of caste-driven politics of the 1990s, commonly hold that Mayawati is the sole and principal representative of the Dalit political identity; she ushered caste and identity politics to the centre stage of mainstream political narrative. Whenever Mayawati’s politics has been analysed, it has been assumed that she comes with a voter base comprising of all the sub-castes and categories within the Scheduled Castes (SC). This continued until early 2008. In a media interaction in 2006, on being asked who her successor in the party will be, she announced that a Jatav SC would succeed her whenever she decided to step down. This was an inflection point, after which non-Jatav SCs gradually drifted away from voting only for BSP to also choosing national parties. Mayawati, however, still had the votes of Jatav SCs, a community to which she, too, belongs. Yet, a new trend—the division of Jatav SC votes, and their movement towards Narendra Modi’s BJP—began to emerge in 2014, and has consolidated further in 2019.

We look at vote shares and the recent results in indicator seats in Uttar Pradesh to provide reasonable evidence for the unprecedented trend. Apart from the following case studies, it must be noted the Mahagathbandhan fell short of the combined SP-BSP vote share of 2014 in more

The drift of Jatav SC away from BSP

Its failure to win in Jatav SC-dominated constituencies proves that BSP no longer holds SC votes

PRADIP BHANDARI

Founder, Jan Ki Baat

than 50 seats.

Fatehpur Sikri in Agra has, on an average, 18% Jatav SCs. While in 2009, BSP’s Seema Upadhyay polled 30% of the vote share, she polled only 26% in 2014, resulting in BJP winning the seat with a margin of 1.78 lakh votes. In 2019, it was widely believed that the SP-BSP Gathbandhan on this seat would poll 48% of the vote share, as per the 2014 standard, defeating the BJP. However, SP-BSP together polled 16%, while BJP increased its vote share to 64%, an impossible feat in a Jatav SC-dominated constituency, unless BSP suffered a major Jatav vote depreciation. BSP had won this seat in 2007.

Agra, in Western UP, is a Lok Sabha con-

stituency with 22% Jatav SCs. In 2009, BSP gathered a vote share of 30%, in 2014 26% individually and in 2019 38% along with SP. The SP had polled its historical low of 13% in 2014. BJP on the other hand increased its vote share from 54% in 2014 to 56% in 2019. This constituency also has 5% Muslims, and Khushwaha which majorly prefer Gathbandhan in this constituency. A 38% to 39% vote to the Gathbandhan in 2019 indicates an incomplete transfer of 22% Jatav votes to BSP (SP-13% historical lowest + 5% Muslims Kushwaha + 18% Jatav + 2% Others = 38% Gathbandhan vote—signaling a division of 22% to 27% Jatav SC vote to BJP). Even our ground reports pointed at welfare



benefits for Jatav SCs’ division—“Mayawati ne humein kya diya hai?”

Basti is a seat in Ayodhya region which was a BSP base in 2009. BSP had a vote share of 34%, SP 21%, BJP 15% and INC 12%. In 2014, BJP increased its vote share to 34%, BSP decreased to 27%, SP increased by 9% and INC was reduced to 2%. BJP continued its forward march in 2019 with a vote share of 45% (11% increment since 2014), whereas SP-BSP combined could only poll 41%, which is 16% less than the simple addition of their 2014 vote shares. Since INC increased its vote shares to 8% in 2019, a transfer of INC votes to either BJP or Gathbandhan could not happen. In this scenario,

Basti, having 18% Jatav SCs and 12-14% Kurmis, could have only been won by the Gathbandhan if all Jatav votes transferred to BSP. BSP has a base vote of around 3% Kurmis (assuming the rest of the Kurmis go with BJP), and a candidate fighting from the same constituency has 3% pull) and 12% Muslims, while SP’s lowest vote in this constituency has been 21%. For the Gathbandhan to get 41% combined vote share, the best-case scenario is of 4-6% Jatav SC vote going to it. Even in this scenario, there is over 50% Jatav SC drift from BSP towards BJP.

Our ground report was full of testimonies of Jatav SCs, especially women, claiming that “Mayawati ne humein kya diya

hai, Modi ne hume chullah diya hai”. Ujjawala and Awas were big differentiators in this region. Kaushambi (Allahabad region) has 25% Jatav SCs and 37% SCs, and was considered a bastion of SP pre-2014. When Mayawati was the CM in 2009, BSP polled 34% and SP 44%. In 2014, BSP’s vote share fell by 12%, while SP’s decreased by 13%.

If we add the base vote of 2014, the Gathbandhan should have polled 54% in 2019, against the 35% it actually polled. In this seat, apart from Raja Bhaiya’s Jansatta Party cutting 16% base vote of SP (Raja Bhaiya left Samajwadi Party after 2014 due to differences with Akhilesh Yadav and formed his own party), the BSP was unsuccessful in transferring the 25% Jatav SC vote to SP. Apart from large portions of non-Jatav SC, many Jatav SCs also chose BJP as their first preference over SP, considering the direct welfare benefits experienced under the Modi government. Due to BSP’s inability to transfer its votes to SP, BJP won the seat.

Apart from the constituencies where Jatav SCs chose BJP over the Gathbandhan, BSP’s vote share also decreased with every passing election. Despite the Gathbandhan, and a stronger Muslim vote proclivity towards it than in 2014, BSP could not make any difference in its vote share tally. By blaming SP, BSP is trying to create a chimera. Truth is BSP no longer holds the Jatav SC vote like in the past—the loss of the Gathbandhan in 2019 has solidified this trend.