Brands for the next 300 million Indians

As demand wanes with the top quintile consumers, marketers have to think afresh about how to cater to the next lot in the socio-economic ladder

ACROSS THE BOARD

SHAILESH DOBHAL

With demand from the top 100 million most affluent consumers beginning to falter — evident from plummeting sales of everything from cars, bikes, air tickets to houses — the general consensus is that to sustain even a moderate 6 per cent to 7 per cent economic growth rate, consumption has to kick in in a meaningful way with the next 300 million people in the socio-economic ladder.

Consumers in the top quintile, accounting for almost half of income and a third of consumption expenditure, have already been tapped and their appetite and preferences for a host of products and services has been almost satiated. According to some estimates, the next consumer group that can kick start a new consumption cycle in the country is the middle demographics — the segment you get if you leave aside the top 20 per cent and bottom 40 per cent of consumers by average household income in the country.

And whilst government works on the mid-to-long-term plans to improve incomes and prosperity down the pyramid, Indian businesses have to work harder to draw up business models that cater to this large section of population. This is where most of the action will happen given that the low-hanging fruits of middle-class India that make up the top income quintile in the country is almost over.

So far, big firms have been content with tweaking their existing processes and brands to service a section of the "next 300 million consumers". Launch a brand, or a business model, that caters to the rich and the middle-class, and over time adapt it for lower income consumers — think sachetisation, small value packs, brand extensions et al. It worked, but up to a point. Extending it any lower resulted in consumers not seeing value in the offering or the business model breaking by the sheer weight of costs piled up to cater to an affluent audience. The need now is to think and act afresh, and fortunately, some of that may have already begun.

Most city dwellers would have probably not heard of Bulbul, Simsim, Udaan, Nisha or Zed Black. Yet, each of these insurgent or emerging brands is creating waves across the hinterlands and the often"unseen" urban India. Riding on the Reliance Jio-led data deluge that has made Indians world's biggest data consumers, video-led shopping apps like Bulbul and Simsim are redefining the shopping experience for small-town India. Though it is early days, these live video-led shopping sites have started building scale and are being noticed by the big boys of ecommerce at Walmart-owned Flipkart and Amazon.

A recent Kantar Worldpanel report on emerging brands in consumer expendables, fast moving consumer goods in industry parlance, throws up new names like Nisha hair colour and Zed Black *agarbati*. Kantar defines emerging brands as those that have a market penetration between 0.5 per cent and 5 per cent in 2014, and managed to add at least one percentage point by 2018. If you think that was easy, consider this: Of the 400-odd FMCG brands within this penetration range tracked by Kantar, just about a tenth were able to hit this delta by 2018! Strong rural and regional presence, and focus on already deeply penetrated categories did the trick for Nisha and Zed Black besides eight others in the top 10 emerging brands list here.

An often ignored section of consumers are the small traders who need to buy stuff or service for their shop or such establishment. Udaan, a Bengaluru-based online business-to-business startup catering to shopkeepers has quietly become a unicorn, essentially a new business valued at $1 billion or more. Offering end-to-end logistics, delivery, even credit support did the trick for this two-year-old business where decades-old behemoths were just happy getting businesses listed on their platform and charging a subscription for it.

It is still early days for the likes of Udaan, Bulbul and Nisha. Hundreds of thousands of such businesses and brands have to mushroom across categories, geographies to provide the bulwark for the next phase of the much-needed consumption boom in the country.

CHINESE WHISPERS

Bloopers, then congratulations

The Congress party's new leader in the Lok Sabha, Adhir Ranjan Chowdhury, has not had the best of times within his party. Chowdhury is a five-time Lok Sabha member, but barely a matriculate. There were at least two to three contenders who thought they should have been elected the party's leader in the Lok Sabha but the support of UPA Chairperson Sonia Gandhi tipped the scales in Chowdhury's favour. On Monday, Chowdhury was the lead speaker of his party on the discussion on the motion of thanks on the President's address. He made a couple of bloopers, including one where he seemed to have insulted the PM. The comment was later expunged. However, his speech, earthy sense of irony and humour won the day. As Chowdhury concluded the speech, Sonia Gandhi, who sits next to him in the Lok Sabha, congratulated him on a good speech and told others that was exactly why she thought she would sit through.

Sarangi's first pitch

The Bharatiya Janata Party (BJP) on Monday fielded Minister of State Pratap Chandra Sarangi (*pictured*) as its lead speaker in the Lok Sabha for the discussion on the motion of thanks on the President's address to the joint sitting of Parliament. Sarangi, MP from Balasore, is known as "Odisha's Modi" and is famous for his frugal lifestyle. Sarangi, who knows five languages, had planned to speak in Hindi. However, Prime Minister Narendra Modi asked Union Minister Dharmendra Pradhan, who also hails from Odisha, to ask Sarangi whether he could speak in English. According to sources, the PM was keen that the world should know that Sarangi, the "rustic" politician, was fluent in English. Sarangi told Pradhan on the phone that he was indeed fluent in English and on Pradhan's request, demonstrated his English skills to the oil minister for several minutes. Sarangi was then asked to speak in English for the initial few minutes of his speech, which he did.

Non-aggressive policing

Last week's incident where a man attacked a group of policemen with a sword before being overpowered and assaulted by them in North Delhi was captured on camera and the footage of the assault was shared multiple times. Despite the provocation, some in Delhi Police feel that the response from the policemen, some of them now suspended, dented the police's image. The post facto analysis revealed that one reason for the aggressive police behaviour was that many young recruits in the constabulary were sent directly to the police stations as beat constables. Officers feel that dealing with the public without being well versed with police functioning and conduct can result in violent situations. They are now considering sending fresh graduates from police training college to units such as battalions — where they would deal with law and order arrangements under the watch of seniors or ferry undertrials to jail or court — before being posted at police stations.

Fuel for thought at the pump station

Though India is moving towards reducing fuel consumption, filling stations are set to become more ubiquitous

SHINE JACOB

This July-end, the All India Petrol Dealers Association (AIPDA), which claims to represent around 50,000 of India's 64,703 fuel outlets, is planning a massive meeting in Goa. The agenda: How to stay in business following India's big bang fuel retail expansion.

Between them, the three oil marketing companies (OMCs) — Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPCL) and Hindustan Petroleum Corporation (HPCL) — are in line to allot at least 78,493 new fuel retail outlets at an investment of approximately ₹90,000 crore. Russian oil giant Rosneft-led Nayara Energy (NEL) may add 7,000 by 2020 and Reliance Industries (RIL) and its partner BP Plc are expected to come up with 2,000-odd fuel stations, in addition to a few hundred by Royal Dutch Shell.

Overall, about 85,000 new fuel outlets could be in business in the next few years, raising fears about fuel pump viability.

AIPDA data shows that the average throughput in petrol pumps dropped from 170 kilolitre (kl) per month in 2010 to 155 kl in 2018. For RIL and Shell, it is around 300 kl, but NEL is lower than the average. Petrol dealers say they need at least 170 kl to be profitable. "More than doubling the number of outlets means average throughput may drop to 70-80 kl," a senior oil industry official admits, indicating that though the expansion was initially limited to 16,000 new pumps, "healthy" competition between OMCs stretched it to 78,493.

There are three types of dealership models: Company-owned dealer-operated (CODO), dealer-owned dealer-operated (DODO) and company-owned company-operated (COCO). Companies make a minimal investment of around ₹25 lakh on setting up tank and dispensing units. Dealers normally recover their investments and operating costs based on throughput and a fixed dealer margin, so lower throughput will hurt them.

TAKE TWO

Competition, however, is not the only cause for concern: Growing demand for alternative fuels is also a threat. "We are looking at massive city gas network expansions and shifting to electric vehicles by 2030. Also, vehicle sales are heading south, and petrol and diesel consumption is increasing minimally," says Ajay Bansal, AIPDA President.

At 70-80 kl, he adds, fuel pump profits may be wiped out, given the 10,000-odd Compressed Natural Gas (CNG), bio-CNG and Liquefied Natural Gas (LNG) outlets that are also coming up, plus contemplated diesel bans in some cities. Much of this is part of a broader plan to cut import dependency on crude oil by 10 per cent by 2022 and tackle pollution.

The pressures are already evident. According to the Petroleum Planning and Analysis Cell, petrol and diesel sales grew only 8 and 3 per cent respectively in 2018-19 over 2017-18. By 2023, a CRISIL Research report adds, incremental fuel demand will fall to 5 per cent, and 3.8 per cent by 2030. There is room for less than half the additional fuel pumps to maintain current throughput levels, the report adds.

"If only 30 per cent of the proposed petrol pumps are commissioned, that is 30,000 fuel pumps, the business will be able to meet breakeven throughput over the next 12 years; pump throughput is expected to remain at current levels of 160 kl per month, which will keep the dealer's returns stable at 12-15 per cent," it said.

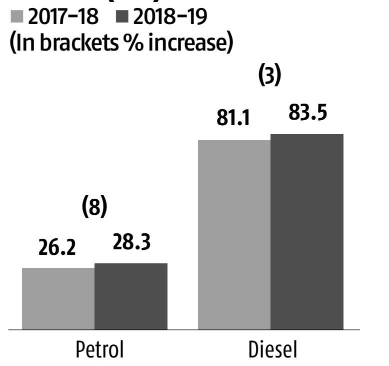
So why are companies opting for this massive expansion? This "is more about making fuel accessible to the common man, rather than looking at economics, and could create 10,000,000 to 15,00,000 jobs," said an IOC official. A senior government official pointed out that almost a third of these pumps will be located in rural areas rather than high-density urban areas. Also, the record suggests that only around 30 per cent of the planned outlets will go on stream anyway, owing to myriad problems including land acquisition.

A *Business Standard* analysis, however, shows that the expansion is not really about serving underserved areas. Of the 78,493 planned outlets, 48 per cent or 37,693 outlets are lined up in five major consuming states of Rajasthan (9,621), Uttar Pradesh (9,027), Madhya Pradesh (7,285), Maharashtra (6645) and Tamil Nadu (5115). These states already account for 38 per cent of current petroleum product consumption and around 43.4 per cent of existing outlets.

"If the world is shifting towards alternative sources, including electric vehicles, outlet economics have to be reworked by giving prominence to non-fuel revenue. This should be a micro-market-based approach, depending on what the customer wants in an area," said Anirban Mukherjee, partner and director, The Boston Consulting Group.

Non-fuel oulets can extend from value-added products to even financial services, he pointed out. Ideas such as allowing supermarket chains like Big Bazaar and Reliance Retail to sell fuel have been doing the rounds. An OMC official said even at 60 kl, dealers can make gains if the non-fuel economics is added. For 1.7 million employees and over 60,000 dealers, such plans are too long term to address their immediate fears.

CONSUMPTION OF PETROL & DIESEL (MT)



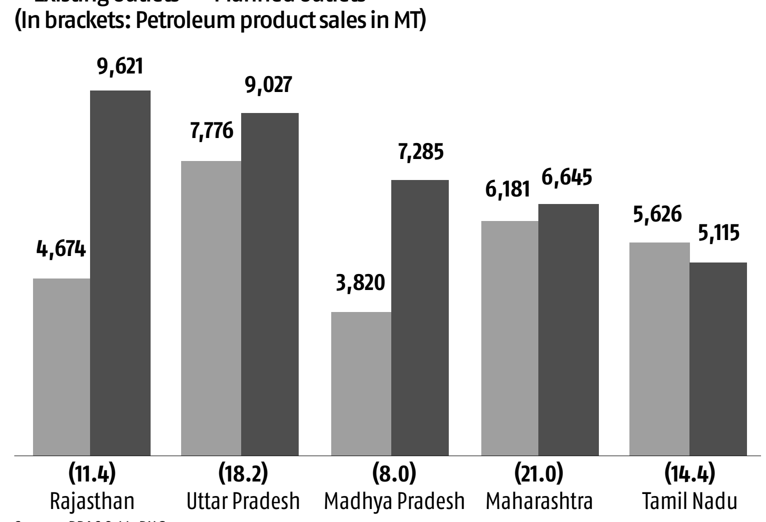
Source: PPAC

189.6 MT total sales of all pertoleum products

64,703 total number of outlets

78,493 planned outlets by OMCs

STATES WITH MAXIMUM NUMBER OF UPCOMING OUTLETS



Source: PPAC & MoPNG

ON THE JOB

Labour migrates to its last resort

MAHESH VYAS

Estimates from the January-April 2019 Consumer Pyramids Household Survey show that there were 404.25 million people employed in India. This was 1.5 million less compared to the 405.77 million estimated to be employed during January-April 2018 and 4.7 million lower than the 408.91 million employed during January-April 2017.

During January-April 2019, 36.6 per cent of the total employed persons were engaged in agricultural activities. Ninety per cent of these were into crop cultivation. The rest were engaged principally in horticulture, livestock, fishing, forestry or allied activities.

Over the past one year, while the total number of persons employed in some manner or the other declined by 1.5 million, the number of persons employed in agricultural activities increased by 5.1 million — from 142.8 million to 147.9 million. This implies a rather substantial 3.6 per cent increase in employment in agriculture in the comparable rabi months of 2019 and 2018.

Most of the increased employment in agriculture has come from crop cultivation. Of the aforementioned 5.1 million increase, 3 million have gone into crop cultivation. Crop cultivation has seen a 2.3 per cent increase in employment in the 2019 rabi season. Livestock saw an increase of 1.9 million in the number of persons employed or a hefty 87 per cent.

Given that farm prices have been depressed and the livestock business has not been particularly attractive because of restrictions on meat consumption and cattle trade, there is no good reason for people to throng to these sectors for employment.

There are two possible explanations to this odd migration to tend to farms and livestock.

First, it is likely that employment did not actually increase in agriculture, but the sector merely absorbed the excess labour as it had no other place to go to. Farmers did not actually call out for more labour. But, family labour landed up in farms when they had no other place to go to. As we shall see further below, all non-agricultural sectors have seen a fall in employment.

A family farm always has scope to absorb some unpaid labour although such additions may not increase any production or profit. There is always an extra patch of the farms to tend to or the need to take the cattle to graze a little farther. Farm work can be spread thinly over available labour and keep everyone "employed" when there is no alternate work available to them.

Evidently, the extra hands on the farms did not serve much purpose. Rabi sowing in 2019 was four per cent lower than it was in 2018. Foodgrain sowing was down 4.5 per cent, pulses were down nearly six per cent and oilseeds were down marginally too.

The second reason could be that the PM-KISAN scheme that promises a unilateral payment of ₹6,000 per family per year could have drawn some people back to the farms. The scheme was announced on February 1, 2019 and was to be implemented immediately.

Mining and manufacturing together accounted for 10 per cent of the total employment. In both these sectors, employment declined, albeit by a whisker. So, there were no additional jobs in these sectors.

The real estate and construction sector, which is usually a provider of employment to low-skilled farm labourers who try to move out of the labour surplus farmlands, shed 4.6 million jobs between January-April 2018 and January-April 2019. This failure of the construction industry to absorb farm surplus labour is, possibly, the biggest reason why there is an increase in employment under agriculture. Even the orders of magnitude of the loss of employment in construction and the addition of employment in agriculture match at around 5 million.

Finally, the services sectors shed 1.7 million jobs. Here, three segments are responsible for the fall in employment in services — retail trade, hotels and restaurants and the IT industry.

Retail trade employs 56 million people and it has been a big absorber of labour in recent times. But, its rate of absorption of labour has been falling. In 2017, it absorbed an additional 10.4 million persons. In 2018, this fell to 3.7 million. And, in January-April 2019, this sector absorbed only 3 million additional persons over the employment a year ago.

The travel and tourism industry provided employment to an estimated 20 million persons during January-April 2019. But, this was 2 million lower than the 22 million jobs it provided a year ago.

The IT industry lost an estimated 1.4 million jobs in 2018. And in early 2019, it lost another 0.2 million jobs.

The fall in employment in the services sector is new and worrisome. It strengthens the view that consumption expenditure growth is slowing. And, the broad sectoral fall in employment strengthens the view that the economy's growth has slowed down in 2019.

The author is the MD & CEO of CMIE

LETTERS

Triple talaq Bill

In tabling the Triple Talaq Bill on the first day of the newly constituted 17th Lok Sabha, the Modi government has made its intentions and priorities clear. It is wrong to try to give people the impression that Muslim men alone abandon or divorce their wives. Remember, the Bharatiya Janata Party (BJP) is a party opposed to women's entry into the Sabarimala temple despite the Supreme Court's assertion of it as women's fundamental right. So much for its commitment to gender equality.

Why a party that represents Hindu Right displays so much love and concern for Muslim women would make a rewarding study. How Muslim men are attacked by the Hindutva foot-soldiers just for wearing their skull caps and having long beards springs to mind. The government holds the view that the Bill is not about religion or politics, but about justice and equality. But the provisions of the Bill make it amply obvious that it was brought to target Muslim men and not because the BJP or the Modi government is convinced that the practice of divorce by triple talaq is repugnant to the modern world.

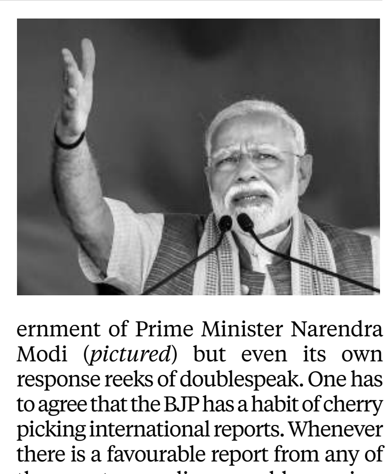
Incidentally, all major religions hold that women should be subordinate and subservient to men. All right-thinking people would agree that the triple talaq has to go. But the BJP's move to abolish it is politically motivated. Invalidating triple talaq is one thing; making the pronouncement of triple talaq a criminal offence and sending the man to jail for pronouncing triple talaq, already outlawed by the Supreme Court, is an entirely different thing. It is a very flawed anomaly that the husband is sent to jail leaving the woman and children to fend for themselves even while the marriage remains valid. It is not known how any man can utter triple talaq to divorce his wife and have his way when the country's top court has declared it unconstitutional and null and void.

G David Milton Marthandam

Doublespeak

It's an irony that the Modi government's return to power with the *aam aadmi*'s overwhelming support almost coincided with the timing of the release of US State Department's 2018 Report on International Religious Freedom which accused Bharatiya Janata Party (BJP) office-bearers for hate speech. It also criticised the government for reportedly protecting cow vigilante groups. One wonders that before taking a look at other countries, why doesn't the US ensure equal rights for the black and poor in its own country?

Why the whites still consider themselves a supreme race and shoot to kill Indian and their other citizens? Naturally, the ruling BJP has termed the report as being biased against the government of Prime Minister Narendra Modi (*pictured*) but even its own response reeks of doublespeak. One has to agree that the BJP has a habit of cherry picking international reports. Whenever there is a favourable report from any of the country, media or world organisation, immediately electronic and print media advertise it as an achievement of Modi but when there is an adverse remark from any of such organization, it becomes "clear bias". True, the US report on "religious freedom" is "*dadagiri*" against us and is a direct attack on our internal matters. But that is as true as PM Modi's Kerala election speech where he passed that "where the minority is in the majority" remark.



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HAMBONE

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Situations vacant

Justice Gogoi's suggestions will partially address the backlog

The problem of delivering timely justice in India is so gargantuan that it drove one Chief Justice, T S Thakur, to tear up at a public event attended by Prime Minister Narendra Modi in 2016 as he recounted the common man's suffering on account of the backlog of cases. Three years on, Chief Justice Ranjan Gogoi has chosen a more prosaic way to draw the prime minister's attention. In three letters, he has made three requests: Expanding the Supreme Court Bench; raising the retirement age for high court judges from 62 to 65 years; and making tenure appointments of high court and Supreme Court judges under the relevant constitutional provisions to clear the backlog. On the first issue, Justice Gogoi pointed out that the judge strength was increased from 26 in 1988 to 31 in 2009. With a pendency of more than 58,000 cases in the apex court, he has argued for another expansion. His proposal to raise the retirement age of high court judges would address the 37 per cent shortage of Bench strength in the country's 24 high courts. Between 2015 and 2019, the number of outstanding cases at this level has risen 9.7 per cent to 375,402 cases. Justice Gogoi also informed the prime minister that 26 cases have been pending for 25 years, 100 cases for 20 years, 593 cases for 15 years and 4,977 cases for 10 years.

The question is whether Justice Gogoi's suggestions, though sensible, are adequate, given the scale of the crisis. The indiscriminate admission of cases is one important element of the problem. The number of frivolous PIL (public interest litigation) petitions filed before the Supreme Court — from banning *sardar* jokes, the restitution of the Kohinoor and monitoring condom packaging (ironically, some of them were entertained by Justice Thakur) — suggests the need for a mechanism to reject non-serious cases at all levels. In lower courts, too, many cases concern hurting cultural, religious and personal sensibilities (such as a lawyer filing a case against Richard Gere kissing Shilpa Shetty at an AIDS awareness event, which went all the way to the Supreme Court). If the courts encouraged more Indians (politicians included) to be less thin-skinned and more tolerant, the judicial system would find the pipeline less clogged.

Justice Gogoi should also consider how the issues of court automation systems, digitisation and e-courts can be fast-tracked. It is time the judiciary as an institution opened itself up to the services of competent external agencies that can help them record, manage and analyse their data better, to build and sustain a healthy institution. There is also perhaps a strong case for looking at the proposal that the Supreme Court should be made a Constitutional Court that will hear and decide cases involving the interpretation of the Constitution and other cases of legal significance or national importance. A separate Court of Appeal could be set up between the high courts and the Supreme Court to hear appeals from judgments and orders of high courts. By some estimates, more than 70 per cent of cases before the Supreme Court do not involve the Constitution. If they are removed, a lot more time will be left for important cases. This of course would involve changes in the Constitution.

The gold rush

Global central banks' purchases are pushing up prices

Gold is back in vogue once again, with purchases made by global central banks pushing up prices to a five-year high. Five years ago, the world was going through a rough patch on account of the US Federal Reserve's taper tantrum in 2013, which saw gold prices fall from $1,500 an ounce to as low as $1,072 in 2015, to subsequently recover some of the lost ground. In 2019, prices are already up 10 per cent in dollar terms at $1,407 an ounce. For investors, gold is a safe haven every time there is a crisis of confidence. The current rally in gold prices has roots in the ongoing trade tussle between the US and China. US-Iran tensions too have fuelled the rally.

Central banks such as those of Russia, China, and India were heavy buyers of gold in 2018, and so far this year the central banks of Kazakhstan and Turkey too have added to their gold reserves. According to the World Gold Council (WGC), central banks' demand for gold soared to a multi-decade high of 651 tonnes in 2018, a 74 per cent rise over 2017. This is the highest since the dissolution of the Bretton Woods System in 1971. The Reserve Bank of India (RBI) now holds the 10th largest gold reserves, at about 613 tonnes.

The trade war between the US and China, the two largest economies globally, have pushed the world to uncertain territory. If the two do not come to an agreeable solution, there could be bloodbath in financial markets. China held $1.1 trillion in US government securities as of April 2019. And if it decides to offload some of it, the US dollar will likely nosedive. That won't be good for other central banks holding dollar assets. Of India's more than $400 billion forex reserves, $155.3 billion was held in US bonds, while the world as a whole held $6.4 trillion. The stakes are quite high.

But why is gold, which had seen central banks exiting the precious metal in the past, back in the reckoning? The answer is simple, there is hardly any alternative. China is the second-largest economy, and will probably displace the US from number one spot by as early as 2030, according to research estimates, but the yuan is a controlled currency, unlike the dollar. There is no doubt that the biggest weapon that the US wields now is the dollar, or "petrodollar" as strategic analysts like to call it. The world runs on fossil fuel and that cannot be bought without dollars. The petrodollar served the world order well for about 50 years, and might continue doing so for another decade or two. But alternatives are emerging fast. India itself is moving to an all-electric vehicle policy by 2030, which is expected to reduce its oil imports. On the other hand, it would increase India's dependence on China for rare earth material needed to make batteries.

Besides diversification, there also seems to be an effort, for understandable reasons, to blunt the dollar's potency as an economic weapon. Russia and China have taken the lead in that by accumulating most of the gold available for sale. US President Donald Trump's haste on hiking tax on everything that hits the US shore is working subtly for countries to move away from a dollar-centric world. In such a scenario, gold is likely to trade with an upward bias in the foreseeable future.

ILLUSTRATION: AJAY MOHANTY

Boots on the ground need bucks in the wallet

The government's failure to financially provision for the new troops it has sanctioned is hollowing out the army

BROADSWORD
AJAI SHUKLA

The Union Budget for 2019-20 next week will trigger the predictable chorus of criticism that the capital allocation is inadequate for modernising the military's warfighting arsenal — such as tanks, artillery guns, warships and combat aircraft — that should at minimum match, or ideally outclass, what our likely enemies will pit against us in a war. This concern, while valid, misses a greater shortcoming: The government's continuing failure to financially provision for the 100,000 new troops it has sanctioned, but has still to adequately fund.

A dozen years of steady manpower growth, in which the army's payroll has risen six-fold, have seen no commensurate rise in the revenue budget. This has grown only in the mid-single digits — just enough to cover inflation, but not an expanding force. Military planners worry they are close to a financial implosion, caused by a double whammy: A growing force alongside growing pay and pension. Compounding this is the increased cost of equipment due to the Goods and Services Tax (GST), and the imposition of customs duties on defence imports, even of essential weaponry. None of these burdens are compensated for in recent Budgets.

Take the growing cost of manpower: Since 2008, the addition of almost 100,000 combat soldiers has taken the army's numbers up to 1.26 million; while the air force has grown to 155,000 and the navy to 83,500 — making up a one-and-a-half million-strong military. Starting in 2008-09, the army added two mountain divisions (some 50,000 soldiers) to boost border defences in Arunachal Pradesh. Then, in 2011-12, the United Progressive Alliance government unwisely consented to the army's plea to raise a new "mountain strike corps" (MSC), comprising two more divisions and another 70,000 soldiers. The two defensive divisions are raised and deployed, as is the first of the MSC's two divisions.

For now, the National Democratic Alliance government has placed the second division on hold. But the troops already raised, including supporting artillery, engineers and logistics units, must be paid, trained, equipped and maintained. The army has set up several new military stations where these formations are located. Where is that money coming from? Since the government has not allocated extra money, the army is forced to generate it from within.

The government sanction letters (GSLs) that greenlighted these four additional divisions, as well as two tank brigades raised along with them, committed extra funding and specified the stages at which payments would be made. That commitment remains on paper with the army still to receive any budgetary increments. Until the government makes good on what the GSL promised, the army must sustain the new units by diverting resources from existing formations. This is naturally hollowing out the army.

In previous instances of large-scale new raisings — such as after the 1962 debacle or, to a lesser extent, after the 1999 Kargil conflict —the defence revenue budget allocations showed a sharp upward rise, caused by the additional expenditure of those raisings. Since 2005, however, allocations have risen evenly by an annual 6-8 per cent, with the exception of a sharp jump in 2008 after the 6th Central Pay Commission (6thCPC) awarded a major salary boost. Even the salary raise of the 7th CPC in 2016 was not accompanied by a corresponding rise in revenue allocations. So the famously adaptive Indian army "makes do" by sharing its already meagre resources within a larger pool. Adding to the military's manpower costs is the government's implementation of One Rank One Pension (OROP) in 2015-16. However, with pensions allocated under a separate budget head, the government has no choice but to make available the amount that is disbursed.

Another crushing budgetary burden the military faces is the imposition of high rates of GST. Procurement of "stores", a high-volumes category that includes ammunition, tentage, clothing, etc, is taxed at 18 per cent, while the military pays a whopping 28 per cent GST on each vehicle it buys. Since GST was imposed on the military without provision for reimbursement, and without allocating additional funds, the finance ministry effectively takes back a large percentage of the funds it allocates to defence. This affects the military not just at apex procurement levels but down to the smallest units, which can now buy much less with their already limited training and contingency grants.

Further, the government has imposed customs duties on the import of defence equipment, which was earlier exempt from taxes. This eats into capital procurements and the purchases of spares for foreign equipment, both of which have significant import components. While the laudable aim of customs duties is to promote indigenisation, it has significantly reduced the military's buying power. Besides, with army stores and equipment taxed at 10 per cent compared to the 3 per cent rate imposed on aerospace components, there is an inverse logic at play: The items that comprise the bulk of imports and most need to be produced in India, are taxed at the lower rate.

The pernicious practice of conjuring up achievements without actually funding them is gaining currency. As a part of the officially denied Cold Start doctrine, numerous military units were moved in preceding years to new locations closer to the border, in order to allow them to be launched into combat without lengthy and give-away movements up to their launch pads. Little money was made available for this: It was left to the army to scrape and scrounge and get existing units to share accommodation. After a spate of terrorist attacks on military units the defence ministry sanctioned in 2016-17 a project for walling vulnerable cantonments and installing CCTV cameras and a central monitoring facility. Predictably, no budgetary allocation was provided. Consequently, not a brick has been laid, nor a rupee spent.

Similarly, seeking to address damaging reports that the military was so short of ammunition that it could not fight beyond a few days, the defence ministry announced with fanfare the grant of financial powers to senior military commanders to purchase ammunition for up to 10 days of intense combat — the so-called "10-I stocks". However, with no additional funding line allocated, the procurement power was unsupported by financial resources. Any purchase of ammunition must be made from the already stressed army budget.

Given this track record, it would be unwise to expect that next week's defence allocations will be based on a holistic evaluation of national security threats, the wherewithal needed to deter or counter them and the funding that is required. Instead, successive governments have taken their cue from bodies like the Finance Commissions, which have recommended that defence expenditure be progressively reduced as a percentage of Gross Domestic Product (GDP). In a step forward, the 14th Finance Commission, which made recommendations on the disbursement of central government finances for 2015-2020, recommended that defence revenue expenditure be pegged to the GDP. Though the GDP figure itself remains disputed, it would be safe to anticipate that the rise in defence allocations would remain in the mid-single digits.

Mission-mode to sustainability and growth

INFLEXION POINTS
ARUNABHA GHOSH

Now that the elections are over, it is easy to forget "green" promises made in manifestos because environmental sustainability and economic development are often considered antithetical. Here are four ideas that confront environmental risks but also aim to reduce economic costs and/or drive new opportunities for investment and growth.

Climate De-Risking Mission: Climate risks are nonlinear and will increase exponentially with temperature rise. Record heatwaves, more frequent coastal floods, droughts impacting agricultural output signal the confluence of stresses of heat, water, crop loss, and degradation of fragile ecosystems. Climate risks compound economic and national security risks. As with any critical risk, we must prepare for worst-case scenarios, rather than keep fingers crossed for less damaging outcomes. A Climate De-Risking Mission should aim to reduce India's overall climate risk by a significant margin within a decade.

First, we need to develop a climate risk atlas for India with a focus on critical vulnerabilities: coasts, urban heat stress, water stress, crop loss, and biodiversity collapse. Next, a national Climate Risk Index should be developed by mid-2020 (with annual updates and improvements in methods). Insurance companies must be involved because investments in urban and coastal infrastructure would come to nought if insurance providers did not adequately prepare for more frequent extreme weather events.

The national exercise should be complemented by state-specific indices. States must update their action plans on climate change with a deeper understanding of climate risks. To begin with, climate de-risking strategies should be drawn up at the national level and for five most vulnerable states. This would allow for the Climate Risk Index to be linked to disaster risk reduction plans under the national and state disaster management authorities.

India Emissions Trading Scheme: India demonstrated climate leadership by promoting the International Solar Alliance. But foreign investment into climate-friendly programmes in emerging economies remains limited. At a time when climate action is slowing in many advanced economies, India can cement its leadership by announcing its intention to establish an Indian Emissions Trading Scheme (IETS).

The IETS would have many benefits. It would give long-term, credible policy direction to industry and trigger innovation. Moreover, it would create derivative jobs in designing, implementing and monitoring a trusted greenhouse gas emissions trading market. It would also create a new source of government revenue while meeting specific emissions reduction targets. A pilot IETS covering a few states and major urban centres could be launched by 2022 with the aim of a nationwide IETS by 2025.

The IETS could leverage the administrative structure of India's existing energy efficiency trading architecture (i.e. the perform, achieve and trade scheme). It would also subsume other shadow carbon markets, including for Renewable Energy Certificates, into one scheme to increase transparency and efficiency. Designed well, the IETS could have co-benefits for other schemes to promote renewable energy, electric mobility, energy storage, or climate-resilient agriculture. Once functional with robust monitoring and verification protocols, the IETS could potentially align with emissions trading schemes in other countries/regions to increase flows of international climate finance.

Plastic *Ghataao*, Plastic *Hataao*: In 2018, India announced its intention to eliminate single-use plastic by 2022. Mere bans will not suffice, however. There is an economic opportunity in promoting the development and commercialisation of alternatives, which should be a key part of a new green industrial policy.

Plastics pervade our lives. Technological alternatives will not emerge unless the people demand them. As communicator-in-chief, the Prime Minister should spearhead a #PlasticGhataaoPlasticHataao (#Reduce PlasticRemovePlastic) campaign.

Then come incentives to scale production and use of sustainable alternatives to plastic, which are commercially available. Venture investment, with public co-funding to partially underwrite risks, would help lab-ready alternatives to be tested in markets to reach commercial scale. Finally, targeted support — an "UnPlastic Prize" — could support R&D for alternative packaging materials, business models for recycling, and kickstarting a circular economy for plastic reuse.

National Airshed Management Authority: The recently launched document for the National Clean Air Programme outlines extensive actions, with implementing agencies identified at the national or state level. But an overarching authority is missing, which could assist, coordinate and regulate NCAP implementation. The government should establish a National Airshed Management Authority (NAMA) with statutory powers by end-2019.

A focus on airsheds is necessary to cut across urban-rural and inter-state divides and would give the NAMA the authority to coordinate with urban local bodies as well as gram panchayats. Regional interventions under the NCAP will fail without active involvement of state governments. Similarly, sectoral interventions will not succeed unless a scientific, airshed-based approach is followed. The NAMA should be given the mandate to drive action across relevant agencies and actors.

Enforcement capacity to deal with air pollution is severely lacking. The NAMA could have specific responsibility to assess and help build enforcement capacity at state level, both in numbers and in technical capability. Structured this way, the NAMA would involve government, private sector and technical/civil society representation. This would be effective only if its statutory powers were backed with real resources. Combatting air pollution could significantly lower public health costs, make our cities more liveable and attract more investment.

So long as we consider environmental action as only a cost, people, industry and government will game the system or avoid acting. Environmental externalities are no one's responsibility until public policy makes it someone's business. Incentives can be structured, markets can be created, individual and collective behaviour can be nudged in pursuit of environment sustainability and economic development.

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Beyond the memsahibs

BOOK REVIEW
RAJIV SHIRALI

Accounts of the East India Company's rule, and later of the British Raj (which technically began only in 1858, when the British government began to govern India directly) are mostly about how men built up and ran the Indian Empire. The relative paucity of accounts of the lives of British women in India coexists with the general belief that, as Katie Hickman puts it in the Introduction to *She-merchants, Buccaneers and Gentlewomen* "if it were not for the snobbery and racial prejudice of the memsahibs there would, somehow, have been far greater harmony between the races."

Ms Hickman writes that this stereotype persists even though in the last 30 years there have been a handful of histories that have attempted to portray a more nuanced account of women's experiences (they are listed in the bibliography). The letters, diaries and memoirs left behind by Englishwomen in India, she points out, "reveal an incredible range of experiences and responses to India." True, many were bored or frightened in a distant country vastly different from their own, others were repelled by cultures and people they never understood, "but just as many delighted in their experiences there."

There is another reason for the book. The photographic evidence dating from British times suggests that Englishwomen in India were mostly "memsahibs" or gentlewomen (wives of senior administrators or military officials) — ladies sitting about on the verandas of their bungalows, or in shooting parties, or picnicking by rivers, or playing tennis and croquet at their clubs. Ms Hickman is at pains to point out that this record offers only a partial picture.

She emphasises that from the 17th century onwards large numbers of them also worked as independent women in their own right — as milliners, bakers, dressmakers, actors, portrait painters, maids, shopkeepers, governesses, teachers, boarding house proprietors, nurses, missionaries, doctors, plant-collectors, writers and even traders. Women also acquired shares in the Company, invested in goods and claimed their dividends. By the end of the 17th century, there were 56 female shareholders; a hundred years later, women owned more than 16 per cent of all Company stock, and took active part in shareholder meetings.

One of the first women to travel to India, a Mrs Hudson, arrived in Surat in 1617, armed with £100 (a large sum, around £24,000 in today's money) to invest in the indigo trade. The Company allowed her to trade only in cloth instead. She was a rich woman by the time she returned to England in 1619. Another woman, active from the 1660s, was Constance Pley, who ran a highly successful business dealing in canvas sail cloth. In Bombay (now Mumbai) in the 1770s, Mary Cross traded regularly with Persia, while a wealthy Calcutta (now Kolkata) widow named Johanna Ross ran a thriving money-lending business.

The real surge in careers and business opportunities for women took place in the 18th century. By the 1780s professional actresses were beginning to be imported to take the female leads in theatrical productions (chiefly because of the appalling performances of amateur actors). There were successful portrait painters (Sarah Baxter and Catherine Reid), and miniaturists (Martha Isaacs and Diana Hill), too. In 1780, a Mrs Hodges opened the first school for girls in Calcutta, while a certain Eliza Fay managed a millinery establishment, learning double-entry book-keeping in order to do so. Englishwomen were active as shopkeepers, and ran bakeries, confectionery shops and boarding houses. Much to my disappointment, there is no reference at all to the buccaneers mentioned in the title (publisher's hype, perhaps?). But there is much to read about "gentlewomen" from the upper-middle classes, such as Henrietta Clive — Robert Clive's daughter-in-law (a collector of plants and minerals) — and Honoria Lawrence (the wife of Brigadier Henry Lawrence, who died during the siege of Lucknow in 1857). Ms Hickman also writes about others who came from lower down the social scale — women who travelled to India as attendants, companions and maids and, increasingly, as educated governesses and music teachers.

Among the most remarkable women Ms Hickman profiles is Flora Annie Steel. Arriving in India in 1867, she married an Indian Civil Service officer, learned a few north Indian languages, set up schools for girls in Punjab, authored a collection of folk stories gathered during her travels, and was appointed an inspector of schools in the province. Her greatest claim to fame was *The Complete Indian Housekeeper and Cook*, which she co-authored in 1888 with a friend. A best-seller in its day, it dispensed practical advice on how to handle almost every possible situation that an Englishwoman running a household in India might encounter.

Ms Hickman makes no pretence at presenting a social history of British women in India during the Raj. She gives us glimpses of the lives of select women who have left their own accounts through letters, diaries and memoirs. And she does so with a great deal of wit and humour, making *She-Merchants*... a delightfully entertaining read. Does she succeed in dispelling the impression that British memsahibs' view of India was coloured by assumptions of racial and cultural superiority? Not entirely.

SHE-MERCHANTS, BUCCANEERS & GENTLEWOMEN: British Women in India, 1600 – 1900
Katie Hickman
Hachette India; pages 390, ₹699