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# Big reforms a must to sustain GDP

With credit slowing and demand weak, India needs a fresh burst of investment, but that requires across-the-board reforms

**T**HE SHARP SURGE in stock prices in the run-up to and after the election results last week suggests investors are supremely confident the government will put the economy back on its feet and that corporate earnings will rebound. Else, it is hard to understand the risk appetite for such an expensive market at a time when growth is faltering; GDP grew at just 5.8% y-o-y in the March quarter, and the FY19 growth, at 6.8%, was a five-year low. To be sure, India is a longer-term play for investors, given it will remain one of the fastest growing economies in the world. Going by the evidence on the ground, however, the situation could get worse before it gets better.

As the corporate results for Q4FY19 reveal, consumer demand is very weak, and that has put a lid on both volumes and prices, crimping profit margins. For a sample of 1,693 companies (excluding banks and financials), operating profit margins contracted 160 basis points year-on-year (y-o-y) while net profits fell 10% y-o-y, with revenue growth not making it to double-digits and coming in at 9.9% y-o-y. There doesn't seem to be enough purchasing power to allow companies to command prices that leave them with enough of a margin. Across the spectrum—from telecom to two-wheelers—companies are learning to live with limited pricing power and the inability to pass on costs fully. At Bajaj Auto, too, margins declined, led by price cuts in the home market. At HeroMotoCorp, volumes fell 11% y-o-y as the firm cleared inventories after the dull festive season. Truck sales, too, have been sluggish; at Ashok Leyland, both gross margins and ebitda margins contracted this time around.

A clutch of FMCG firms has reported weak volumes—Hindustan Unilever, for instance, grew volumes at the slowest pace in six quarters. At Shoppers Stop, same-store sales grew just 3.7% y-o-y despite a very weak base of a negative 4.1%; at Asian Paints, margins contracted 230 basis points y-o-y. Indeed, a pick-up in discretionary consumption spends looks unlikely before the festive season. RC Bhargava, chairman Maruti Suzuki, said a few days ago that he wasn't seeing consumer interest picking up yet. That is not surprising since a big source of consumption is rural India, where incomes remain modest following a collapse in prices.

The first half of FY20, therefore, could be a washout for sectors such as automobiles, consumer durables, retail and real estate, and companies will see profit margins under pressure as the scale of operations remains modest.

The bigger issue for corporate India is that, without fresh investments by the private sector, consumption simply cannot get the sustained big push it needs. Government expenditure and the employment opportunities that this create can just give consumption a bit of a nudge. To convince the private sector to create capacity, the government—states and the Centre—must tighten labour laws and facilitate land acquisition. Only when this happens will investments pick up adequate pace. As is known, order books of the manufacturers of capital goods haven't seen any big increase in the last few years; order inflows at BHEL fell sharply in Q4FY19. To fund the infrastructure build-out, the government must look for additional resources by privatising and selling more PSUs. Even as it does that, it must have lenient policies that pull in FDI; the FDI inflows FY19 were smaller than those in FY18. Even if the government pulls off the privatisation target of ₹80,000 crore by March 2020, it will take a while for the funds to be invested. At a time when there is little capital available for investing, given balance sheets remain leveraged and real interest rates remain elevated, it is important to attract foreign capital. Moreover, real interest rates need to be brought down. The interest bill for the sample of 1,693 companies rose a sharp 18% y-o-y in the three months to March, and it is critical that the government ensures flow of bank credit at affordable rates. With some part of the NBFC sector in trouble, the PSU banks need to be capitalised to be able to lend. Most state-owned banks are financially in poor shape; the total provisions made by 19 state-owned banks increased 58% between December 2018 and March 2019, to ₹86,841 crore. The big jump in provisions for loan losses seen in the March quarter suggests the worst of the NPA cycle may not be over. With some uncertainty on the monsoon, lenders' exposure to businesses in sectors such as MSME, real estate, agriculture, power could be in trouble. If this plays out, banks will be short of capital. The FY19 fiscal accounts show revenues have slipped and expenditure has been curtailed to meet the 3.4% deficit target. With consumption slowing, GST revenues will be under pressure in FY20 too, at least in the first half. Consequently, the FY20 budget revenue estimates will need to be modest, which, in turn, means the expenditure too will be restrained and there won't be too much room for fiscal stimulus. In such an environment, it is hard to see corporate earnings revive meaningfully.

## PaperPhD

Junking the publishing requirement for PhD may seem a good idea, but risks lowering research quality

**A** UNIVERSITY GRANTS COMMISSION (UGC) appointed committee has recommended that doctoral candidates shouldn't be required to publish an article in a peer-reviewed journal for earning their PhDs. At present, to earn a PhD, apart from the research work, a candidate must have an article published in a peer-reviewed journal and must have presented at least two papers in seminars or conferences. India is perhaps the only country that has a national publication requirement for PhD; in most jurisdictions around the world, institutions decide what they require from their doctoral candidates. In 2018, the UGC appointed a committee to examine this publication requirement, among many others.

The publication requirement is one of the many reasons why the country has a thriving ecosystem of poor-quality and predatory journals that publish papers quickly for a fee (bypassing a rigorous peer-review), ghost reviewers and commission agents. While the government has ordered a crackdown on predatory journals, the committee is of the view that the publication requirement be scrapped and a mid-way examination be undertaken of candidates. The publication requirement has meant that there are serious delays in awarding of the doctorate degree in many cases. Given the length of time a PhD consumes, putting the students in limbo because prestigious, peer-reviewed journals take a long time to publish pieces is indefensible. The jam in science journals is just so severe that a candidate can be left hanging for well over a year. However, many academics agree that doing away with the publication requirement means that there will be very little check on poor-quality research. A tailored review committee can pass a dubious thesis. In the politicised social sciences space, this means research that otherwise wouldn't have otherwise withstood academic scrutiny will get classified as PhD-worthy research. Scientists have expressed concern that this will allow claims about things such as vimanas (interstellar spaceships) in ancient India to successful head transplants (again, in ancient India) to acquire the shade of credibility a PhD provides.



**WALLS CAN FALL**  
German chancellor Angela Merkel

Walls can fall. Dictatorships can disappear. We can stop global warming. We can defeat hunger. We can exterminate illnesses. ... Tear down walls of ignorance and narrow-mindedness, for nothing has to stay as it is

● **STUNTED GROWTH**

GROWTH IS SLOWING, LED BY BOTH CYCLICAL AND STRUCTURAL FACTORS. AS DOMESTIC HEADWINDS FADE, GROWTH COULD RISE BACK UP TO 7% IN 2H2019

# Overcoming India's 'growing pains'

**I**NDIA'S ECONOMIC GROWTH is slowing. We examine these 'growing pains' and answer four frequently asked questions. Here are four questions we are often asked on India's growth:

**Is growth slowing?**

Yes, growth has hit a soft patch. Potential growth, by our calculations, is currently around 7%. Actual growth is likely to come in at 6% for the quarter ending March 2019. Of the 40-odd indicators of growth we track, about 70% are weaker than before. Data over the last three months suggests consumption demand has been slowing (proxied by car sales and IIP consumer goods production). This is weighing in on overall manufacturing (proxied by IIP manufacturing and PMI manufacturing). Alongside this, construction activity has been slowing too (proxied by the IIP Infrastructure and construction index and a recent sequential dip in cement production). The global environment is not helping either. Exports have been sluggish. On the other hand, it is fair to point out that capacity utilization has ticked higher. And bank credit growth has also risen. As such, not everything is in the doldrums.

**Is it a credit growth problem?**

While NBFCs' credit is likely to have softened, commercial banks have picked up the slack. We see a notable rise in personal loans (particularly housing), construction, and infrastructure (particularly roads). We also find that industrial credit has ticked higher than before (see accompanied graphic). On the other hand, bank lending to NBFCs and unse-

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cured personal loan growth have softened, albeit from high levels of growth. Overall, the flow of funds to the commercial sector is higher than before. As such, system-wide credit may not be a huge problem, although NBFCs led sector-specific stress could remain. As banking sector liquidity improves over the next few months, and the cash-to-deposit ratio moderates after having sprung up last year, bank credit could rise further (this will be reflected in the money multiplier rising back up).

**Is the slowdown structural? Or cyclical?**

It is easy to confuse a structural slowdown with a cyclical slowdown. Our analysis suggests that both factors are at play in India. Potential growth has been falling; from 8% a decade ago to 7% currently (see accompanying graphic). The global environment has been marked by low growth and increased volatility over this period. Two of the three drivers of growth—capital (K) and labour (L)—have weakened considerably. The third driver, Total Factor Productivity (TFP), had weakened, but has risen back up as some of the recent reforms have been TFP-enhancing. However, the fall in K and L have outpaced the rise in TFP, thereby lowering

potential growth.

Cyclical growth has slowed too, as discussed in the earlier section. It was trending well above the 7% potential, at about 7.5%, over the four quarters before the NBFC fallout of September 2018. Unsurprisingly, this period was associated with elevated core inflation (about 6% y-o-y). Clearly, it was not sustainable and, in retrospect, we know the problems surrounding the NBFC sector were only intensifying during that period. We have the opposite problem today. Growth has been slowing since late 2018, trending well below the 7% potential. Core inflation has also slowed during this time. We see three reasons for this. One, we have econometric evidence that growth falls right before elections (held over April and May), but rises back up thereafter, as uncertainty fades. Two, the impact of the banking sector liquidity deficit over large parts of 2018 may have been a drag on growth. Indeed, the money multiplier has been falling recently. Three, the NBFC fall-out has led to sector-specific funding stress.

**When will it be revived? What's the policy prescription?**

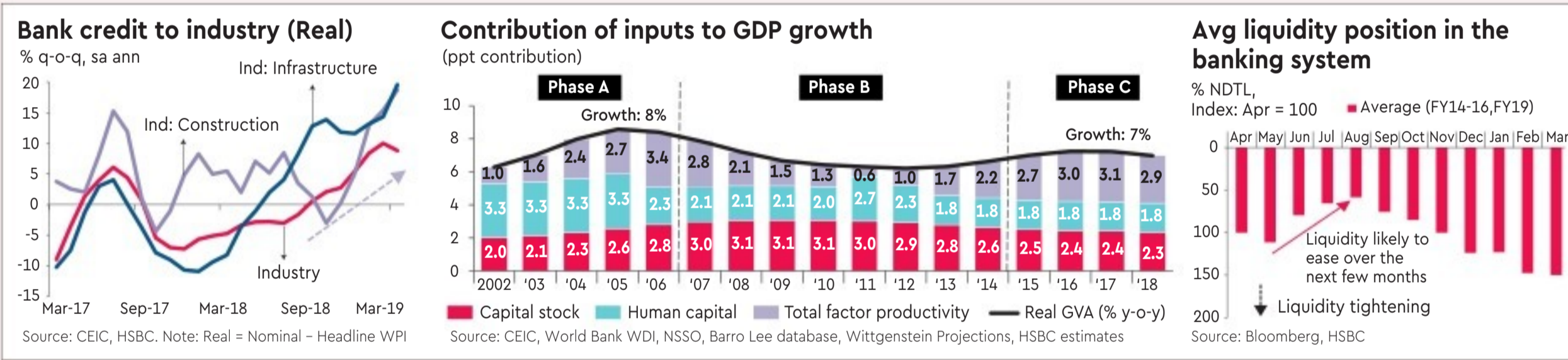
We expect growth to pick up again to the 7% (potential) ballpark in 2H2019.

There are three good reasons for this. One, a pick-up in activity, as election-related uncertainties fade. Two, an improvement in banking sector liquidity. We find that the liquidity situation generally improves over the months of June-August (see accompanied graphic). This could push the money multiplier up. Finally, we expect the RBI to remain supportive. We expect a 25bp rate cut in June, taking the repo rate to 5.75%. Thereafter, we expect the RBI to maintain liquidity at a slight surplus.

As such, we do not think any large policy stimulus is needed to revive growth to 7%. In fact, a large stimulus could do more harm than good. We find that the forward looking real repo rate is no longer too high. The RBI has been cutting rates and inflation, and is expected to tick higher over the next year. On the other hand, the real corporate bond yield is rather high. This, in our view, reflects the crowding out of private activity by elevated public borrowings.

If the intention is to raise growth higher than 7%, the country needs to embark on a new set of reforms. As discussed in an earlier section, the reforms so far have only focussed on raising one driver of growth, the TFP. Fiscal reforms, and, land and labour reforms are necessary to augment the other two drivers of growth, namely capital and labour. If India wants to raise potential growth to the 8% ballpark, where it used to be a decade ago, we believe it needs to implement a balanced set of reforms.

*Edited excerpts from HSBC Global Research's India Economics Report dated May 29*



## TRUMP'S MEXICO TARIFFS

# Are the Fed and China the real targets?

Trump's sudden imposition of tariffs, just after he negotiated a free trade agreement with Mexico, makes him appear unreasonable

**IT'S UNCLEAR HOW** US president Donald Trump's announcement of new across-the-board tariffs on Mexico will achieve their stated goal of stopping illegal immigration. But they could help the president in his ongoing disputes with the U.S. Federal Reserve and China.

Formonths, Trump has engaged in an unprecedented public feud with the Fed. He has complained bitterly that its policies are not providing enough stimulus to the U.S. economy and has repeatedly called for the bank to lower interest rates. He even considered nominees for the Fed's board of governors whose main qualification was loyalty to the president rather than economic expertise.

The response? The Fed has mostly ignored the president. Unfortunately, it faces a dilemma beyond presidential meddling: The global economy is weaker than the Fed had expected, and some members have begun to question whether the interest rate increases at the end of last year were too much. Lowering interest rates, however, creates risks of its own.

First, there is a chance that the weakness in the global economy would not spill over into the U.S., and that an interest rate decrease would end up stimulating the economy more than some members think prudent. Second, cutting interest rates might spook the financial markets into thinking the Fed now is now certain that worse economic conditions are ahead. Third, cutting interest rates before the U.S. economy actually starts to weaken could make it appear as if the Fed were capitulating to the president's demands.

Trump's tariff announcement relieves all of those concerns. It's a virtual certainty that the fallout from the tariffs, which has already rattled markets and prompted a fall in both interest rates on U.S. Treasury bonds and the value of the Mexican peso, will weaken U.S. economic growth. Thus the Fed can cut interest rates without fear of either being too stimulative or sending the wrong signal to the markets.

Paradoxically, Trump's tariffs could also relieve any concern that the Fed might be giving in to his demands. In fact, by lowering rates it would be acting to contain the damage he is causing. If the only way that a president can get the Fed to cut rates is by hiking tariffs, there is little chance that the economy will be overstimulated.

Which brings us to one of the reasons Trump has been so adamant about lowering interest rates: because he thinks current interest rates put him at a disadvantage in negotiations with China. Never mind that this isn't actually true. But the imposition of tariffs on Mexico is likely to help Trump's position vis-a-vis China.

Not necessarily because the tariffs on Mexico show China that the president is willing to consider harsh measures in order to get his way, though this is probably what Trump had in mind. The more subtle reason is that Trump's actions give Chinese officials a face-saving way to come to negotiations.

The current impasse between China and the U.S. was sparked by the Chinese government's decision to withdraw some of the concessions it had previously

agreed to. Officials were betting that Trump, looking to boost U.S. growth in the run-up to next year's election, would be eager to sign a deal. When he called their bluff, it created a delicate situation for the Chinese.

Chinese negotiators cannot admit to having made this miscalculation without embarrassing the Communist Party and President Xi Jinping. This has led to Chinese efforts to paint the U.S. as unreasonable. Once that happened, China could not concede to U.S. demands without appearing weak. In fact today it announced sweeping new restrictions on foreign firms.

Now Trump's sudden imposition of tariffs, just after he negotiated a free trade agreement with Mexico, makes him appear unreasonable. It also means that if Xi can just get Trump to sign an agreement and stick to it, then Xi can cast himself as a strong negotiator who tamed an international madman.

Of course, it's important to remember that Trump has positioned himself to get his way only by imposing tariffs that will damage his own country's economy.

In economic game theory, this type of behavior is known as a credible threat to be irrational. It can be a powerful strategy—if only one player adopts it. If two more players do, the result is inevitably catastrophe. Right now Trump is benefiting from being the most irrational player. It remains to be seen whether he is setting up the global economy for catastrophe.

*This column does not necessarily reflect the opinion of the editorial board of Bloomberg LP and its owners*

## LETTERS TO THE EDITOR

**Left's Decline**

There will be only 5 members from the Left parties in the new Parliament. It is a further dip from the last Parliament. Never before the Left number is as low as it is now. In the 1950s and 60s it was thought that India might someday get a red-hued government. Belying all hopes and expectations, what we have now got is a saffron-hued government. For all their faults and failings, the Left parties are pro-poor and are concerned about the welfare of the impoverished masses. Now the meagre, almost negligible representation of the Left in the newly-constituted Parliament will take the focus away from the bread-and-butter issues of politics. Few are now left to question the base motive of profit as the be-all-and-end-all of all economic activities, the unbridled rapacity of the super-rich, and the widening gap between the haves and the have-nots. The Left's decline goes against the conventional wisdom that the Left grows in places where there is 'dehumanising poverty'. Why the Left parties fail to take root in India and why whatever presence it had has been supplanted by the Hindu Right, as in West Bengal will make a rewarding sociological study. BJP MPs are predisposed to devote their time and energy to issues dear to the Hindutva forces. In the Indian context, people regard religion as a centre of great devotion and put it above their material requirements. This devotion for religion is tapped to the hilt by the ruling class to its benefit. It is hoped that it will organise the have-nots to take part in struggles.

— G David Milton, Maruthancode

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**INDIA FACES** A variety of challenges related to energy and the environment. Here are several initiatives that the new government could contemplate early on in its term.

### Integrate energy and environment policy

The various ministries currently engaged with energy and the environment should be collapsed into one omnibus ministry of energy and environment. This will perforate the current siloed approach to energy policy and enable the new government to view the sector through an integrated and holistic lens. It could more easily track and evaluate the systemic implications of changes in any one or more component variables. Secondly, an Energy and Environment Security Act should be passed at the earliest possible opportunity. The objective of such an Act should be to bring energy and environment into the national narrative; to set out the roadmap for managing and mitigating the emergent challenge of balancing economic development and energy demands with the goal of environmental protection; and to mobilise public support for the policy and regulatory changes required to hasten the transition to a non-fossil-fuel-based energy system. Finally, energy data is scattered across various government departments. This hinders policy and investment. The new government should establish an integrated energy data centre, whose data should be regularly updated and made available to all players on commercial terms.

### Decarbonise

Decarbonisation, demand management and efficiency should be the watchwords of the new government's energy policy. In this context, the focus should be on generating electricity from solar and wind, incentivising electric vehicles, curtailing diesel consumption in agriculture, enforcing standards and emission norms, redesigning buildings and factories to make them carbon-neutral, and influencing behavioural change towards energy conservation. A multipronged thrust along these lines will weaken the current unhealthy relationship between economic growth, energy demand, and the environment. Additionally, the 'clean energy fund' that is currently funded through a cess on coal production and is managed by the ministry of finance should be augmented through the issuance of 'green bonds' and a clean energy tax. This to intensify research and development in clean energy technologies (for example, battery storage, carbon capture and sequestration, hydrogen, coal gasification, modular nuclear reactors, etc) and to fund the transmission and distribution infrastructure required for absorbing the flow of clean energy. Its loci of administration should be handed over to those with domain expertise. This to safeguard the funds from sequestration into the consolidated fund, and to ensure that conditions are created for incubating innovation and forging international R&D and technology partnerships.

### Energy diplomacy

The levers of energy and, in particular, oil policy are today in the hands of autocratic leaders. This 'personalisation' of energy politics would not have been an issue in the past when oil was traded mostly against long-term supply contracts. But today, against the backdrop of an integrated, liquid and fungible market characterised by short-term flexible supply deals, this is of relevance especially for import-dependent countries like India. The local actions of leaders now have global, supply-related ramifications. The new government should, therefore, look to develop a specialised cadre of 'energy diplomats'. It should contemplate lateral entrants at

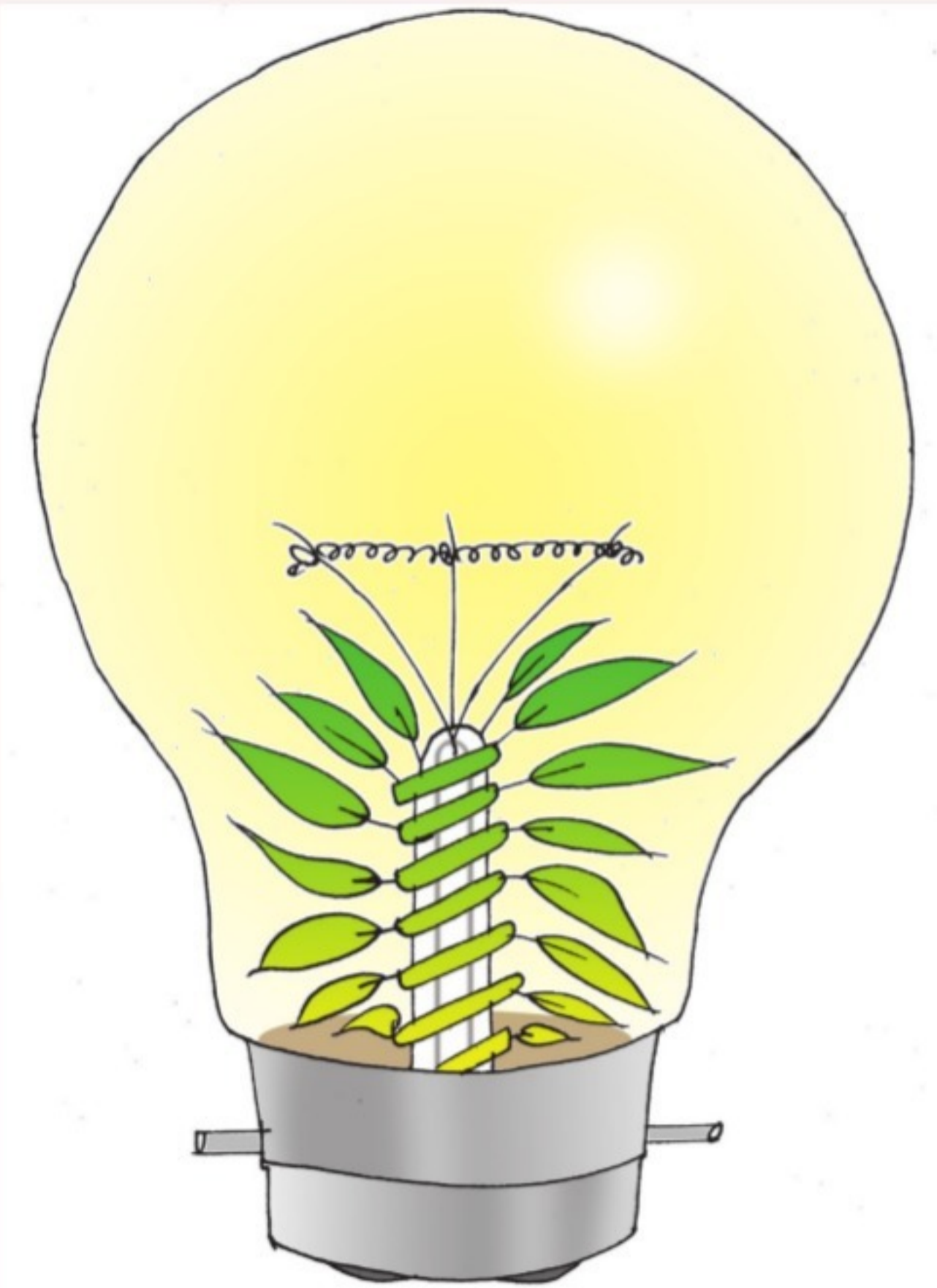


ILLUSTRATION: ROHNIT PHORE

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### OVER THE BARREL

# What can the new govt do to energise India?

Focus on integrating energy and environment policy, and intensifying exploration and enhancing recovery. Decarbonisation, demand management and efficiency should be the watchwords of the new government's energy policy

mid- and senior levels of government with relevant domain and international expertise. It should unshackle the energy public sector units from intrusive bureaucratic oversight to enable their management to respond with agility to unexpected market developments. And it should establish strong personal relations with the leaders of oil-exporting states. At a crunch time, the latter could be the peg on which will hang India's supply security.

### Intensify exploration and enhance recovery

India's unattractive geology is the reason why the various bidding rounds for private sector investment in oil and gas exploration have not been a success. The new government should not stop this effort, but it should consider three changes to the current contract terms. One, it should replace the current revenue-sharing model with a production-sharing model for new exploration. Two, it should link investment in the marginal and smaller discovered fields with access to the domestic retail market and remove the condition that only companies that have invested Rs 2,000 crore will be eligible for a marketing licence. Three, it should contemplate bidding out Mumbai High and other major producing oil and gas fields to international players with proven enhanced oil recovery technologies. The current recovery rates of production from these fields are well below global average. Huge value-add would accrue if our rates could be increased to global levels.

### Increase competition

The Coal India Limited (CIL) is a major producer of coal, but faces huge legacy issues (labour unions, mafia, politics and organisation), which constrain its ability to fully and efficiently harness the country's indigenous coal reserves. These issues cannot be addressed without first redrawing the contours of India's political economy. The new government cannot, understandably, tackle these issues early on in its tenure. It can, however, resurrect an earlier decision to allow private sector companies into commercial coal mining. The consequent pressure of competition will bear positively on the performance of the CIL.

**The 'clean energy fund' that is funded through a cess on coal production and is managed by the ministry of finance should be augmented through the issuance of 'green bonds' and a clean energy tax**

Natural gas has also not realised its full potential. Five early initiatives should be contemplated. First, the Gas Authority of India Limited (GAIL) should be unbundled into a monopoly gas pipeline company. It should be divested of its upstream (production/regasification of LNG) and downstream (petrochemicals) operations. These can be merged into one or more of the existing PSUs. Second, the 'common access' principle must be fairly enforced. Every player, private or public, must have equal access to gas pipelines. Third, the price of gas should be determined on the basis of market and competitive principles. This principle should apply across the gas value chain, except pipeline transport tariffs, which should be linked to return on capital. Fourth, a gas trading hub should be expeditiously established. Finally, special energy courts should be established to expedite adjudication of disputes and ensure sanctity of contracts. The latter have been major deterrents to investment in the energy sector.

# An agenda for the GST Council

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The author is an advocate with Lakshmi Kumar & Sridharan Views are personal

The GST Council should consider issuance of public rulings, prevalent in other jurisdictions

**T**HE BJP COMING back to power should provide impetus to fine-tuning the GST regime. The GST Council is likely to meet in June. Two key amendments to the CGST Act are required. To address the issue of divergent positions adopted by the Advance Rulings Authority in various states, the GST Council had recommended an amendment to provide for a centralised appellate authority for such rulings instead of state-wise appellate authorities. As these bodies determine crucial issues affecting business, it is necessary to include judicial members. Currently, both first-tier and appellate advance ruling authorities are manned by bureaucrats. Bodies vested with judicial power to determine questions of law should invariably include judicial members. The GST Council should consider provisions for issuance of public rulings as prevalent in other jurisdictions.

Absence of judicial members is also a major lacuna in the National Anti-profiteering Authority (NAA), which has saddled companies with huge liabilities on the ground that the amounts computed by it were profiteered and should be paid back. It proposes monetary penalties and cancellation of registration. Despite being conferred with such judicial powers, NAA comprises of only high-ranking officials sans any member from the bar or bench. It should be headed by former Supreme Court judges or chief justice of High Court (HC). The number of technical members should not exceed that of judicial members. Right from the start, the lack of a methodology to compute the benefits arising out of rate reduction or increased credits has been highlighted. NAA has held that reducing the sale price based on GST rate reduction is a simple mathematical exercise. Section 171 of the CGST Act on anti-profiteering and related rules need revamp. In the absence of any remedy of appeal against NAA's orders, taxpayers are compelled to invoke writ jurisdiction of HC. Statutory right of appeal should be provided in the CGST Act against NAA's orders.

Cross-charge of expenses along with GST by head office for corporate support services provided to branches located in other states is a concern for business. Advance rulings have been in favour of the department to the extent of inclusion of even salary cost while charging GST. Such inter-company transactions where receiving branch avails input tax credit (ITC) of tax charged by head office are revenue-neutral, and add to compliance burden. Considering the legal provisions where units in different states of same company are treated as distinct persons requiring charging of tax, it is desirable to provide for appropriate exemption to such transactions. This doesn't require an amendment; a notification will do.

The Council had recommended amending the CGST Act to provide for interest liability only to the extent of cash payment of tax. If a taxpayer has sufficient balance of ITC, then interest will not be demanded in cases of inadvertent short payment of tax. The Telangana HC had noted this proposal but dismissed the petition against demand of such interest. The GST Council should recommend retrospective effect to such amendment.

Scores of petitions have been filed in various High Courts with the largest number in Kerala to obtain relief from arbitrary detention of vehicles and goods for minor infractions in e-way bills. The powers to detain conveyances and goods under GST law should be provided with appropriate checks to stop harassment of both taxpayers and transporters.

The simplified returns were to be introduced on a pilot basis from April and rolled out en masse from July. But prototype of such returns has been placed in public domain recently, seeking feedback from users. So, new returns will be implemented after this process is complete. Tweaking such forms based on stakeholders' comments will aid in resolving practical issues faced by taxpayers. The learnings from operation of summary return of GSTR-3B and outward supply return GSTR-1 should also help. The annexures to new returns 'Sahej' and 'Sugam' seek a plethora of information. The GST Council should consider further simplifying annexures and decide on a phased roll-out of new forms after providing sufficient time for taxpayers to revivify the changes.

Cancellation of revocation of registration, processing of refund claims, execution of letter of undertaking for exports and verification of invoices on the pretext of non-matching of details reported by supplier with that of recipient are areas where one can feel the pain of industry. Overhaul of such processes based on taxpayers' feedback should top the agenda before the GST Council.

Cement attracts the highest rate of 28% GST along with sin goods. This needs correction to 18%. The recent special regime for real estate with reduced rates along with restriction of ITC has not benefited the industry. Developers who opted for the old rate with ITC intact for on-going projects are under strain as new customers seek reduced rate of 5%. Further rejig to benefit the sector and homebuyers should be considered.

# Shun micromanaging now!

If you're a micromanager, pull back. Instead, start trusting your team

VIDYA HATTANGADI

The author is a management thinker and blogger

**IT'S A BIG 'NO-NO'** TO get associated with people who micromanage things in their personal and professional lives. While it is obvious that managers and decision-makers need to know what's going on, who is doing what, why something is taking a longer time than usual, details of expenses, important projects and timelines, etc, but when managers start micromanaging, it poses more problems than it solves. It creates a vicious circle of blame game, anxiety and half-truths. Even sincere and well-wishing micromanagers unintentionally induce wrong ideas and nervousness in peers/subordinates.

Micromanagement is a common style of direction whereby a manager closely observes and controls the work of employees. If you are hired micromanaging, it means you are always the wrong person or you are not clear of what you want. Even in our personal relationships, when someone is keeping a close watch on us, it is irritating. Indeed, if you have ever worked for a boss who is always hovering over you, you will start finding ways and means to evade the person. He/she can really get on your nerves.

Usually, people micromanage when they feel disconnected; when someone rises through the ranks, he/she often feels concerned that he/she has lost touch with the

actual work of the organisation. Such a person tries to connect, through various means, with the employees with whom he/she has dealt with. It is true that people at the top feel isolated. One way of reducing this anxiety is to seek information in as many ways as possible. But it appears like micromanagement because the actions are unplanned and driven by eccentric anxiety, and the result is that managers at different levels and functions end up looking at the same basic data in many different ways. Many managers are unable to let go of their old ways of doing their work. Many get promotions based on their ability to achieve operational goals, manage budgets, control numbers, and solve problems. However, at higher levels, managers need to dial down operational focus and be more strategic. To do so, they must trust those managing operations and coach them as needed, rather than trying to do it for them. For many, this is a difficult change and they unconsciously continue to spend time in the more comfortable operational realm of their subordinates.

Some people, in their personal life, habitually micromanage; they probably don't even know that they are doing it. They are never quite satisfied with anything. They often feel frustrated because they want a task to be performed in a 'different' way. They have an eye for detail. A friend of mine after getting her clothes ironed from the laundry irons them once again. After the gardener waters the plants, she likes to sprinkle some more water; I see her painstakingly doing each job again and again, and she is hardly satisfied with anything. Her grownup children avoid talking about their own problems with her. Her spouse does not leave a single chance of travelling; in fact, he prefers going outstation under some or the other pretext. It is plain truth; paying attention to detail

and making sure the work is getting done is important. It is always better to chalk up the plan and steps of doing a job in advance. Once you discuss it with your team, there is no need to hover and keep watch. The problem with micromanagers is that they apply a lot of passion, scrutiny and in-your-face approach to every task, even if it's not warranted. Bottomline: If you are a micromanager, you need to stop because it is harming you, your team and everyone around you.

The best films on micromanaging in office culture are *Office Space*, *Up in the Air* and *All the President's Men*. *Office Space* is an offbeat comedy, a much-needed funny commentary on the most ridiculous parts of corporate life, from mandatory birthday cake to TPS reports. It follows Peter Gibbons (Ron Livingston), an overwhelmed IT programmer who barely tolerates his commute, his bosses, and their endless memos and TPS reports. That is, until he's hypnotised into not caring at all. What follows is pure comedy. *Office Space* works on multiple levels. It's highly effective as a satirical look at corporate culture, because it so closely mirrors so much of what those who work there experience. It shows how obsessed bosses micromanage subordinates' work life, making them anxious and ruin their personal lives.

If you are a micromanager, it might initially be difficult to stop, but pull back slowly. Build trust in your people. Remove yourself physically from the group, express in the beginning the results you desire, and do not flit around the tasks. Try to understand your employees' strengths and weaknesses, manage them skilfully. Focus on managing the culture of the organisation. Trust your team. Turn your lens inwards; you will find you are mostly likely dealing with an issue of trust. Pull back; you will live peacefully and longer.

# Modi wave 2.0 was always there

The voting outcome only made this measurable to the world at large

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Founder, Jan Ki Baat

**I**N APRIL, THE chatter in Delhi was about a hung verdict. I happened to be in Delhi for a day, traveling from Lucknow to Bangalore—a day before the release of the Jan Ki Baat opinion poll, where we were projecting 300-plus for the NDA. My travel through 15 states had given me an impression of a strong pro-Narendra Modi sentiment on the ground. Then, we had been called bhakts, and were abused for being the standalone platform predicting the return to power of a strong Narendra Modi.

Modi Wave 2.0 was not created after the Balakot airstrike. It was a relationship built with every passing day since May 26, 2014. The foundations of the relationship reflected strong personality traits, focused on welfare economics, awakened Hindu consciousness and an unapologetic national pride. If 2014 was a love affair of the people with PM Narendra Modi, 2019 was a marriage—a marriage that transcended hope, into trust. On the ground, I witnessed many instances of people recalling life-changing development experiences across caste and religious lines. Whether it was SC/ST/OBC or Muslim women, one of every three voters I interacted with was a beneficiary of Ujjawla or Awas Yojana or Swachh Bharat.

Modi ne hame bijli di, chooli diya, ghar

diya; ham unhe vote kyun na de? was a pan-Hindi heartland sentiment. His welfare policies helped him galvanize votes among women across caste lines, who formed the main pillar of the New Narendra Modi voter. The faith of voters helped him convert close contests into easy electoral victories. Eastern Uttar Pradesh was full of countless instances where the female spouses dissented from their male counterparts. It was Modi who brought a tangible difference in their lives, not Mayawati. The chemistry of Narendra Modi with the voters helped him break the arithmetic of the gathbandhan, especially in Eastern UP. For the aspirational young Indian, Modi represented hope for a better and stronger India. *Modi hai na* was a prevalent feeling in aspirational young voters post Pulwama. This trust was built through regular communication he had with the masses in his five-year tenure. This helped him overcome any candidate-level disenchantment.

Greenfield West Bengal and Telangana were reverberating with an awakened Hindu consciousness. Violence in panchayat polls was the inflection point in Bengal politics. The upward march of the BJP in Bengal began since then. *Jai Shri Ram* in Bengal was not a religious slogan; it was a political slogan of freedom from violent suppression, appeasement, and lack of development. On the ground, a Matua (SC community in East Bengal) in Bangon, and a Hindi-speaking Bengali in Asansol (Western part of Bengal) chanted the slogan with the same zeal and energy. The dilution of the Left vote, coupled with movement of the angry Hindu away from the TMC to the BJP made the BJP the main dominating force. It was natural for Bengal 2019 to display result trends akin to that of UP 2014. The remaining numbers left to reach 300 were consolidated by the opposition, which displayed attributes of an

anti-national fringe. The fringe intellectualism drained any possible core vote the opposition were expecting to get in the Hindi heartland. This coupled with threat of the unknown in the opposition camp drifted some loyal voters away from the polling booths. Many polling booths in traditional strongholds of the opposition camp polled less. This was a catalyst over welfare economic policies. National narrative also helped BJP sweep Bihar, and the hill states. In Bihar, the BJP-JDU-LJP alliance had a strong takeoff (base) vote of 55% comprising of upper caste, EBC, and Paswans. The RJD-INC alliance had a base take-off vote of only 35%. Both Modi and Nitish Kumar drew the women in Bihar to the polling booth. The women also positively received the ban on alcohol consumption.

The 2019 contest was only in the media. An illusion created by the media was of a close contest in Maharashtra, forgetting that unlike MP, Maharashtra did not suffer from any state anti-incumbency. Modi-factor, with a popular chief minister, made a near to sweep possible. Even the Shiv Sena rate was maintained on account of the Modi vote. Apart from Mumbai, Thane region where Shiv Sena had some individual presence, at all other places, it was Modi uplifting Shiv Sena. Truth from the ground was that there was no other candidate competing against Modi apart from Modi himself. It was 2019 Modi challenging 2014 Modi. The 2014 Modi got 90% of the seats from 60% geography. 2019 Modi expanded his reach with more people voting in a larger geographical stretch. The seeds for 2019 were sown in 2014 when the PM touched the floor of Parliament, like he has for 2024 by bowing to the Constitution. Modi wave was always present for me, the voting outcome made it measurable for the outside world.