Opinion

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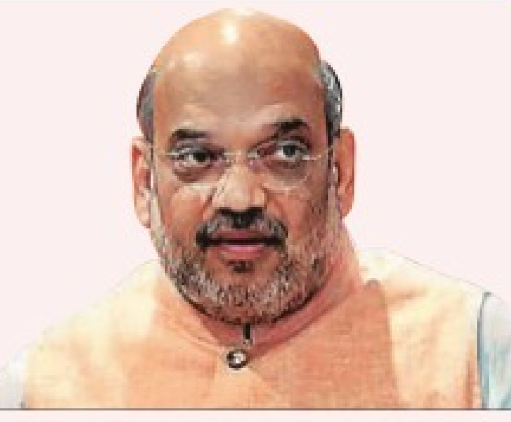

ON NIA (AMENDMENT) BILL

Union Home Minister, Amit Shah

Terrorism has no religion, no caste, no gender. It is against humanity. The government will take all stakeholders along in fighting terrorism in a zero tolerance policy

Indira Gandhi killed banks, no one there to fix her folly

The sad part is not Indira Gandhi nationalising banks, but that five decades later, no one wants to reverse this

WITH MOST INDIANS today possessing a bank account and large amounts of credit flowing to groups like farmers or MSMEs, it is easy to declare that Indira Gandhi's bank nationalisation 50 years ago this Friday has served India well. Around 80% of the Jan Dhan accounts opened for the poor by prime minister Narendra Modi were, for instance, with PSU banks and, while 68% of priority sector lending has been made by PSU banks, just 26% was done by private banks. Proving this was a folly is difficult since it isn't possible to go back in time and create a counterfactual, but certainly privately-run NBFCs lend a lot to MSMEs and other under-served parts of the population; NBFCs served this population because they could charge higher rates of interest and it is reasonable to assume that, were the government not to put curbs on interest rates, private sector banks would have lent more to these segments as well. To the extent the government wanted the loans to be low-cost, it could have paid the subsidy directly to the borrowers.

While there is no doubt PSU banks have done better in creating Jan Dhan accounts than their private sector counterparts, things would have been different had the government either paid banks for servicing these accounts or guaranteed enough incomes from them in the way Modi did when he promised to give the poor money each month via the DBT scheme; the same PSU banks, keep in mind, opened millions of 'no-frills' accounts in the past, but few of these were serviced over a sustained period since the accounts had no money in them. In the case of rural telephony, by way of example, where it was always assumed that it was the public sector BSNL which would provide phones—and not private firms like Airtel or Vodafone—the fact is that the private firms overtook BSNL several years ago. In the airline space, it is not Air India (AI), but airlines like Indigo that are allowing middle class Indians to fly, despite ₹32,809 crore of cash given to AI since FY10; indeed, in a year where Jet Airways was cancelling flights in the run-up to shutting operations, AI's losses rose 38% to ₹7,365 crore in FY19 and its net debt rose 6% to ₹58,352 crore. Wherever the private sector was allowed, it has done a better job.

PSU banks, keep in mind, lost ₹2.97 lakh crore of value since even when Modi first came to power in May 2014, as their share of banking market-cap fell from 40% to 26%. And they are today so cash-strapped due to a rapid build-up of bad loans, they are unable to continue their growth; in the March 2019 quarter, their loans grew just 9.6% versus 21% for private banks and their deposits grew 6.5% versus 17.5% for private banks. An equally specious argument is that, while private banks didn't lend to Indian industry, especially to infrastructure, PSU banks did. Apart from the fact that private banks didn't have the same access to (taxpayer-funded) free cash as PSU banks have had for decades, surely the massive build-up of NPAs makes it clear that private banks judged risk better; this same free cash, in the case of AI, is what allowed it to charge low fares and led most to believe it was a more pro-consumer airline. In March 2019, 12.6% of all PSU lending had turned NPA versus just 3.7% for private banks; indeed, the near hollowing out of PSU bank balance sheets has played a major role in India's current investment crisis. While the taxpayer-funded bailout will help PSU banks lend at a faster pace, what is worrying is that no politician over the years has dared to repair the damage done by Indira Gandhi, not even someone from the economic right like Modi. The way chosen, of allowing PSU banks to shrink in relative terms, appears less painful than undoing bank nationalisation, but given the loss in market-cap of these banks, that is an unforgivable destruction of public wealth.

And now, exports plunge

Global trade war, and poor competitiveness take a toll

EXPORTS FROM INDIA have been unexciting for the last 6-7 years now. With no government really able to fix the issues that make India uncompetitive—the latest budget, to cite one example, once again refused to cut corporate taxes for large firms—it is no surprise exports continue to languish; exports in June hit a 41-month low. At just \$27.7 billion, that was a near-10% year-on-year (y-o-y) drop. Even if you remove oil exports which were affected by a temporary shutdown of a crude distillation unit in Reliance's Jamnagar refinery, the near-6% y-o-y contraction in non-oil exports is a clear indication that India hasn't been able to make much headway in a competitive market. One can make some allowances for listless global growth and dull trade, exacerbated by the US-China trade war. But, the writing has been on the wall for a long time now and the government needed to have been far more responsive. In fact, India's exports were slowing even when global growth and trade were perking up.

A Nomura analysis shows that on a three-month moving average basis, core export volumes dipped sharply in June, with manufacturing, agriculture and non-agri commodity sectors all doing badly. In the absence of specific measures to help labour-intensive sectors—textiles and jewellery—large job losses would not come as a surprise. The stumbling blocks are well-known: HSBC economist Pranjul Bhandari had written, in May 2016, that domestic bottlenecks were the biggest hurdle, and were the cause for 50% of the export slowdown since 2008. The remaining 50% can be explained by sluggish global demand and the currency. If the government is serious about pushing exports, it must raise productivity levels and that requires, among others, changes in labour laws. Not the kind of cosmetic changes being contemplated, but game-changing ones that will give exporting companies confidence to hire. Exporters must be given the flexibility to pay what they feel is a reasonable wage, to enforce a certain number of working hours and be allowed to fire workers who are inefficient. India is already uncompetitive where wages are concerned, which is why its share of the market is being taken away by countries such as Bangladesh or Philippines.

Crisil, too, has pointed out that there are deep-rooted structural issues and while GST may have disrupted the sectors—especially due to long delays in tax refunds—the ratings agency has observed that competitiveness in the labour-intensive sectors had begun to erode even before GST. In the decade between 2006 and 2016, the RCA—revealed comparative advantage—declined for three important export areas; demonetisation and GST added to the problem. For instance, the RCA for gems and jewellery dropped from 6.38 in 2006 to 3.96 in 2016, from 3.12 to 1.97 for leather and from 2.43 to 2.22 for readymade garments. So, while slowing global trade is undoubtedly an issue, the government must accept that it is the lack of cost advantages—both in capital and labour—that is hurting exporters. Unless these are tackled, exports will continue to fare badly.

ReproductiveFAILURE

Tourism induced stress is affecting the reproductive health of tigers in India

A STUDY BY Hyderabad's Centre for Cell and Molecular Biology found that tourism had negative effects on the reproductive health of tigers in Bandhavgarh, Kanha and Sariska reserves. Researchers studying the impact of anthropogenic disturbances on stress levels in the felines, calculated from the concentration of female glucocorticoid metabolite (fGCM) in fecal matter, over a year found that these were significantly higher during peak tourist season, which lasts for about eight to nine months, than in the off-season. Further, a distinct correlation was found between stress levels in the feline population and the number of vehicles entering the reserves.

Given that any physiological stress adversely affects the reproductive health and capacity of big cats—stress-induced failure of effective reproduction among tigers has previously been recorded in relocated populations—the present, unsustainable wildlife tourism industry does not bode well for the species already classified as 'endangered' by the International Union for Conservation of Nature. Not only is tourism directly detrimental for the physiological well-being of tigers, it also increases the risk of animal-human conflict and poaching, both of which, along with reduced core forest cover, endanger tiger populations nationwide. As of 2014, the tiger population in India was estimated to be 2,226, and a census is underway to arrive at a more current number. In the meanwhile, it is clear that state efforts must be directed towards ensuring not only that the natural habitats of tigers are expanded but also that they remain as anthropogenically untouched as possible to encourage a sustainable growth in the species' numbers.

THE REAL MAINSTREAM

IT IS IN THE INTEREST OF THE CONSUMERS, THE FOOD INDUSTRY AND THE NATION THAT THE DANGERS OF JUNK FOOD ARE DISCLOSED AND WIDELY DISSEMINATED

Junk food must carry warning labels

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Views are personal

THE FOOD SAFETY and Standards Authority of India's (FSSAI) recently published a draft of the Food Safety and Standards (Labelling and Display) Regulations, 2019, for public comments. This draft has been strongly opposed by the food industry. The All India Food Processors' Association has termed it as 'not scientific or practical enough to be implemented'. The National Federation of Cooperative Sugar Factories has termed the regulations as 'a wrong move at a wrong time'. Its managing director, Prakash Naiknavare, is reported to have said, 'One cannot club sugar in the same class as alcohol, cigarettes and white cocaine.'

So what is the reason why this draft regulation is attracting the ire of the industry? And is the industry's displeasure reasonable? First, let's understand the draft Labelling and Display Regulations and then its rationale.

The draft proposes to mandatorily declare amount of calories, salt, added sugar, saturated fats, transfats and cholesterol on the package of food. The draft further proposes that companies must also disclose information on the serving size and the per serve percentage contribution of a particular ingredient (like salt or transfats) to the recommended dietary allowance (RDA). 'Serving size' is the maximum quantity of food that a person should consume from a package of food. For example, the serving size declared on the package of the Lay's Chips in the US and Europe is 28 grams or 15 chips. That is, according to PepsiCo, the makers of Lay's Chips, one should not consume more than 15 potato chips in one sitting. The RDA is the recommended daily intake of calories, salt, sugar and fats for a normal person; consuming more than this in a day is considered unhealthy. The idea of putting serving size and the per serve percentage contribution to RDA is to inform the consumers about the 'unhealthiness' of packaged and processed food.

Under the current Packaging and Labelling Regulations, enacted in 2011, most of the above is not mandatory. Companies are not required to declare the amount of salt, added sugar, transfats, cholesterol, etc on the label. Serving size and per serve nutrient declaration is not mandatory. However, if a company claims that its product is 'healthy', it has to declare the amount of nutrients, serving size, per serve nutrient etc. *So, our current food labelling rules are based on the principle that if a product is bad don't tell the customer, but if it is good then advertise.* But, this principle is not commonly used by the food regulators of other countries. In countries such as the US, Canada, Israel, Singapore and Brazil, most of the information is mandatorily required to be declared. Multinational corporations operating in India are already declaring this information in other countries. But, most of the information is declared on the back-of-the-package (BoP). What the draft regulation is proposing is the front-of-the-package (FoP) labelling and a warning label for food item with very high salt, sugar or fats content. This is riling the industry.

The draft rules are essentially proposing that apart from BoP information disclosure, some of the most important information should also be put on FoP. In addition, it is proposing that a 'red-coloured' warning symbol should also be put on FoP if saturated fats, transfats, added sugar and salt exceed a certain threshold level individually. The more the number of the red warning symbols, the unhealthier the food is.

The industry feels that the warning label would unfairly club junk food in the same category as alcohol and tobacco. The question is: Is it unfair to consider junk food as similarly unhealthy as alcohol and tobacco? Let's look at the data.

In 2016, the Global Panel on Agriculture and Food Systems, an independent international group of leaders and stakeholders set up to help governments in low-and middle-income countries develop evidence-based food policies, found that six of the top 11 risk factors driving the global burden of disease were related to diet. Their most startling finding was that the risk of death and disease due to poor diets was far higher than those posed by alcohol, tobacco, drugs and unsafe sex combined. They found that obesity, which is largely due to poor diet, is as risky as smoking or alcoholism. They defined a poor diet as one containing insufficient calories, vitamins and minerals, or too many calories, saturated fats, salt or sugar.

The industry feels that the warning label would unfairly club junk food in the same category as alcohol and tobacco

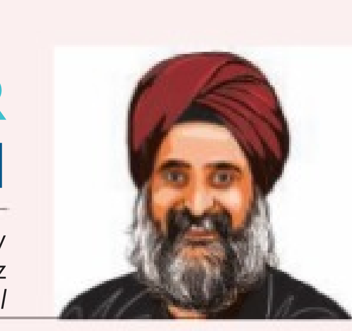
The data from India is equally worrying. For example, overweight/obesity levels among the 15-49-year-old population have doubled in a decade. In urban areas, about one-third of the population is overweight/obese. Obesity is the primary trigger for hypertension and type-2 diabetes. Likewise, about two-thirds of Indians now die because of non-communicable diseases (NCDs) like cardio-vascular disease, cancer and diabetes. Many NCDs are associated with an unhealthy diet. So, there is now enough evidence to support the fact that bad food is as bad as alcohol and tobacco. And, like alcohol and tobacco, people must be made aware of the dangers of poor diets and junk foods.

The FoP and the red-coloured warning symbol are the best ways to inform consumers and enable them to make informed choices. The warning labels will overcome the huge literacy and language barriers in the country. It is not easy for even the most educated to interpret the labels. A symbol, however, is easily interpretable and easy to understand. The most important aspect of the warning symbol is that it incentivises companies to reformulate their products and make them healthier. So, a company can make its food healthy and eliminate the need to label.

It is clear that if no action is taken on the bad food, the burden of NCDs will overwhelm our health infrastructure and economy. Some estimates suggest that about 50% of India can become obese by 2030. India is already the diabetes capital of the world and hypertension is a household phenomenon in the country. One shudders to think of the consequences when half the country is obese. It is, therefore, time for concerted action. The draft regulation is a move in the right direction. It is in the interest of consumers and the nation that the dangers of junk food are disclosed and widely disseminated. It is in the interest of the food industry as well. If they can successfully market bad food, surely they can more successfully market good food. As responsible businesses, the food industry should, therefore, support this law.

Surveying India's economic strategy

The protectionist aspects of the Budget, with higher tariffs on many goods, seem to be at odds with the kind of economic openness to the world that would support higher growth



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Views are personal

MY LAST COLUMN, on India's Union Budget, attempted to bring out some general themes underlying the detailed revenue and expenditure proposals of that exercise. Those themes are straightforward: higher growth through higher private and public sector investment, along with concern for equity through continued social protections. The Budget proposals do lack coherence in places, especially when rich individuals, large corporations or foreigners are singled out for higher taxes in ways that undermine the larger growth objective.

Not surprisingly, the Economic Survey of India (ESI) has a similar focus on investment, along with some frills about "virtuous cycles" of investment, demand, exports, growth and jobs. If we compare the two documents, it seems that the ESI emphasises exports in a way that the Budget does not. Indeed, the protectionist aspects of the Budget, with higher tariffs on many goods, seem to be at odds with the kind of economic openness to the world that would support higher growth.

The ESI also differs in emphasis from the Budget by providing a significant chapter on growth dynamics of firms. When a group of prominent economists produced a report on an economic strategy for India, covering all the usual issues of infrastructure, exports, education, agriculture, labour markets, and jobs, I suggested (*bit.ly/30tPhS2*) that what was missing in this otherwise excellent analysis was a focus on the role of firms and their growth in promoting overall economic growth. The ESI provides evidence that older small firms are less productive than younger small firms, and that policies which distort labour markets and which favour small size lead to firms that are less productive and less likely to grow. The ESI also offers indicators of which sectors are more likely to generate higher numbers of jobs as they grow, in manufacturing as well as in services.

The ESI makes a good start on this issue, though there is much more analysis that needs to be done, and existing analysis that needs to be incorporated into policy making. Issues of economies of agglomeration (clustering), management efficiency, and integration into domestic and global supply chains, among others, all need to be tackled in the context of enabling the growth of efficient firms.

There are more basic issues as well, because it is not clear that the MSME category makes sense from a policy perspective. Lumping together micro, small and medium enterprises under a single policy umbrella does not have sound economic logic behind it. A second issue is that some small firms have characteristics such that their size is going to be limited—the "mom-and-pop store," for example. Their growth cannot be forced, although they can still become more productive and efficient with improvements in economic structure (such as logistics), or in technology. Finally, firm dynamics is not just about small firms growing, but also efficient large firms becoming larger. And often these large firms will support an ecosystem of small suppliers. The ESI makes only a beginning in understanding what will make Indian firms more productive.

The ESI also offers some innovations in Indian economic policy thinking that cannot be incorporated in a Budget speech. These include designing policies to take advantage of insights from behavioural economics, fixing the problem of judicial delay, and expanding access to certain types of data that has public good characteristics. Each issue is different in nature, but each can have significant positive impacts. Given the current government's shyness over some of its economic data, the ESI view on data as a public good is especially welcome.

In addition to the above three takes on economic strategy (Budget, expert group and ESI), a fourth essay deserves mention. Rakesh Mohan, one of India's most seasoned, has produced an analysis for Brookings India that returns to the decades-old metaphor of a "big push" for India to get to a new growth trajectory. Some analysts thought the Budget lacked this kind of big vision and urgency, and Dr Mohan provides a corrective. Of course, investment is central to the projected growth story, and Dr Mohan rightly emphasises labour-intensive manufacturing and exports, much as Arvind Panagariya did while at NITI Aayog. Some of the special insights provided that may not receive enough attention elsewhere are policies for higher household financial savings, renewed attention to agricultural research and development and extension activities, and infrastructure investment in transport and logistics. On the last of these areas, of course, Dr Mohan headed a committee that produced a major report outlining needed policies in great detail.

Dr Mohan's report also covers the most challenging area of all, that of governance. Perhaps the most important aspect of his recommendations is to remind everyone of the need to emphasise and incorporate technical competence in policy making. This is something that has been a staple of Indian economic policy making, but may be in danger of being eroded in the current political climate. A more specific recommendation is in the call for NITI Aayog to step up its capabilities and to become a technically competent coordinator for a "big push" economic strategy. That would certainly help if done well: it is still unclear if the government's economic strategy has the coherence and consistency that is ultimately needed.

LETTERS TO THE EDITOR

On inter-caste marriage

The inter-caste marriage of Sakshi Mishra and Ajitesh, a Dalit in Uttar Pradesh provoked the girl's father (a BJP MLA) to threaten the couple. Now all sorts of non-existent or flimsy reasons are cooked up to establish why the father was uncomfortable and unhappy with her daughter's choice of a Dalit as her husband. 'Age difference' (not more than 5 years between them) and lack of a good job are cited to portray him as an unsuitable son-in-law. In this day and age that a legally-wedded couple need police protection for not sharing a 'common descent' in a limited sense (actually, we share a 'common descent' and are all the same under the skin) is a damning indictment of our society. The 'annihilation of caste' is still an unfulfilled dream. The Constitution that gives primacy to personal liberties, guarantees the citizens who are of a certain age to marry persons of their choice. It is not conditional on the consent of parents or anyone else. What BR Ambedkar said on inter-caste marriage is worth quoting here: "I am convinced that the real remedy is intermarriage. Fusion of blood can alone create the feeling of being kith and kin, and unless this feeling of kinship, of being kindred, becomes paramount, the separatist feeling—the feeling of being aliens—created by caste will not vanish. The real remedy for breaking caste is intermarriage. Nothing else will serve as the solvent of caste". The upper castes—the natural constituency and core supporters of Hindu right—can promote inter-caste marriages to forge larger Hindu unity, if nothing else. The repudiation of those parts of the religious texts or scriptures that sanctify caste is ony a very small price to pay.

— G David Milton, Maruthancode

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Sovereign bonds arrive, but will these conquer?

Issuance of sovereign bonds involves a gamut of factors that have to be weighed before launching them

THE IDEA OF THE INDIAN government borrowing from the overseas markets to partly finance the fiscal deficit for FY20 is interesting, because it will be the first time that such a thing is being done. There are foreign portfolio investors (FPIs) investing in government bonds, but the amounts involved are in rupees and, hence, they are like any other holder of government securities (G-Secs). In the past, there have been ideas of the government issuing sovereign bonds when there were problems on the external account, with forex reserves declining amidst a weakening rupee. The schemes used to shore up dollars—Resurgent India Bonds (RIB) and India Millennium Deposit (IMD)—through bonds or swaps targeting the NRI community and, hence, it was never a case of the government borrowing in overseas markets. This will change now.

It has been indicated that the government could borrow up to \$10 billion, or 10% of the overall borrowing programme of ₹7 lakh crore from the global market. Prima facie, it sounds like a good idea because of the attractiveness of this source, just like, say, external commercial borrowings (ECBs) for corporates. The LCF factor is in operation—liquidity, cost and forex earnings.

Domestic liquidity is protected in a way when the government borrows from international markets, and the so-called crowding-out effect is eschewed. Hence, banks will now have to invest less in such securities and can use their funds for lending. The cost of borrowing is always lower here as domestic rates are considered to be very high at even, say, 6.8% for a 10-year bond. This helps lower the interest outgo, which helps the budget, as the size of the borrowing increases.

Last, as the borrowing is in dollars, it adds to forex reserves and, hence, in a very unobtrusive manner steadies the exchange rate. The loans will have to be repaid only after, say, 10 years or more and, therefore, there are no pressures of outflows for this period.

Now, let us look at the counterpoint. We do not really require forex reserves badly enough to justify such borrowings from the currency standpoint. Therefore, this cannot be an argument, though it is a collateral benefit that comes along. Besides, the dollars (bonds) have to be redeemed at some point of time and, thus, holding a naked position will not do, and just like how RBI has been exhorting companies to hedge part of their exposure, the government has to follow suit. The six-month forward rate is around 4.5%, and even if one uses the swap rate of 3.5% that was reckoned when the 2014 crisis erupted, this becomes an in-built cost that cannot be wished away.

> We do not really require forex reserves badly enough to justify such borrowings from the currency standpoint. Also, the cost factor has to be examined in greater detail before launching such issues

Next will be the cost of borrowing. Will it really be that low? The US 10-year bond goes for around 2%, but India remains a just-above-investment-grade country with a rating in the BBB category, which is similar to that of Italy. Therefore, the cost will be greater than 2% for sure and, if one uses the 10-year yield of Italy, which is in the same bracket, the basic cost will be around 3%, unless the rating improves dramatically. To this must be adjusted the credit default swap (CDS), which is something that investors would look at when investing. Currently, for Italy, the CDS rate is around 1.75% for five-year bonds and, hence, the total return that the investor will look for at these levels would be at least 4.75-5%. To this must be added the hedging cost that can give a higher aggregate number than the current level of 6.8%. Hence, the cost factor has to be examined in greater detail before launching such issues.

A related problem with such borrowing is credit rating. India does get a sovereign credit rating from the Big Three and has always put forward a case for an upgrade on account of the steady progress made in terms of growth, inflation, external account, FDI and FPI, ease of doing business, fiscal management, etc. There is a valid argument in the financial world today that the rating agencies tend to be biased against emerging markets, and tend to give a lower rating as yardsticks of developed countries are used when modifications are required, given the specific economic conditions that prevail, like poverty, unemployment, population, etc. But, so far, the rating did not really matter in the practical sense for Indian governments as we had no external sovereign borrowing and, thus, it did not affect the state. Indian companies got affected due to this rating as it became a floor for them when looking to borrow overseas.

From now onwards, this rating will matter as it will alter the cost dynamics. Also, one has to be more tuned-in to what these agencies look at—such as aggregate fiscal deficit (Centre, state, municipal, PSUs, off-government, subsidies, cash transfers, etc). Every announcement that is against their scales gets recorded in their outlook, and events like sudden departures of RBI/government officials become events that are looked at more closely. In a way, almost everything can be a material event that has a bearing on the rating. This will be a perennial challenge.

At the market level, the dynamics will change. Currently, bond yields are largely driven by RBI policy. Lower repo rates will affect these yields instantaneously and OMOs can steady them. Often, it is felt that central bank intervention ensures that yields are low and that the government can borrow at more hospitable rates. But this will change in the global market where yields will be truly market-determined and be influenced more by what happens in the US. The Federal Reserve action will be more important than RBI action on rates and, hence, the matrix of influence will undergo a change. This is but natural when liquidity builds up, which, of course, is a pre-condition for any successful market.

Interestingly, market volatility will take a different course. While \$10 billion in circulation in the US may not affect the overall yields in India, as volumes build up, there will be more volatility as players would tend to arbitrage. FPIs, in particular, will weigh the same G-Sec bond in the US and India and, in a way, would enhance efficient price discovery as yields equalise. At some point of time, when volumes are sizeable in overseas markets, depending on the interest in Indian G-Secs, price discovery would also take place on global exchanges. This, of course, is a matter of conjecture, but has to be kept in mind.

Therefore, issuance of sovereign bonds involves a gamut of factors that have to be weighed before launching them. Higher levels of borrowing will also increase the size of external debt, which, so far, is more of a private sector concern ever since India became virtually free from the loans of multilateral agencies in the 1970s and 1980s. On balance, one may take a view that going for such borrowing may send a different kind of signal to the global community that will be open for interpretation, especially so as the attainment of fiscal deficit targets seems to be getting elusive over time. With domestic savings not increasing and interest rates being driven lower, the available reservoir of funds is not adequate to meet various borrowing requirements. This could be the way the market would see it, considering that the foreign exchange position looks more than comfortable and is, hence, not the driving factor behind this move.

We've to look beyond ZBNF

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There are bigger challenges to deal with

OVEREMPHASIS ON ZERO Budget Natural Farming (ZBNF) to reduce cost of production and double farmer incomes must be analysed critically and holistically. The adoption of high-yielding variety (HYV) seeds along with irrigation, chemical fertilisers, associated package of practices and strong policy support (credit, MSP, etc) ushered in Green Revolution during the 1960s. Consequently, Indian agriculture transformed from low-investment subsistence natural farming to high-investment modern and commercial farming. This enabled India to achieve not only self-sufficiency in foodgrains for the growing population, but also to emerge as a net exporter of agricultural commodities. The country boasted of elimination of hunger and be at top position in the world in the production of wheat, rice, pulses, milk and various horticultural crops. Since then, capital along with labour have been viewed as key drivers of agricultural growth, which is in consonance with the economic theory.

After 60 years of reaping the benefits of technology, a dramatic policy shift towards ZBNF as announced in the Budget is perplexing, though the coexistence of alternative options and technologies are always rewarding.

ZBNF is done using natural ingredients that reduce cost of production on inputs. In other words, farmers go back to a system followed by their parents during pre-Green Revolution period. Such practices adopt *jiwamrita*, *bijamrita* and *acchadana* (natural mulching) based on cow urine, earthworms and other biological functions. Not only such practices lessen the input cost, they also contribute to sustainable practices in terms of health of soil and the environment.

The questions, however, are: Will ZBNF reduce the cost of production and raise farmers' net returns from cultivation? How much output per hectare this practice yields in comparison to chemical farming under varied agro-ecological conditions across states? Are farmers equipped with appropriate training and availability of livestock for urine and dung? How can farmers be encouraged to adopt ZBNF and what would be its scalability over time? Will ZBNF be appropriate for high-value commodities, the demand of which is increasing by the day? There are no concrete answers, as little research has been done on these so far. The successful cases of ZBNF are too less to make it a policy mandate.

Beyond ZBNF

There are bigger issues that inflict Indian agriculture and should have been taken up in the Budget. First, 50% of net sown area is rain-fed. Farmers cannot remain dependent on rain, which is becoming erratic owing to climatic variations. Public investment in irrigation is a must. We witnessed massive increase in investments during the last decade in the major-medium-minor irrigation systems across states, with much greater share of investment in rain-fed and eastern states. But these have not led to a commensurate increase in the net irrigated area by canals, whose share in total irrigated area continues to hover at 17%. Apparently, the failure of the government to provide adequate irrigation has led to a sizeable increase in private investment (mainly by farmers) in tube wells and other sources, and hence a much higher share in net irrigated area. It may imply that the government expenditure is more on the operation and maintenance of 5,264 dams operational in the country and considerably less towards capital intensity. Thus, it is important that the government encourages private investment through provision of subsidised credit and subsidy on capital.

Second, farmers are usually oblivious to tech interventions and newer farming practices. The NSSO 70th round (2012-13) noted that government extension programmes have not been able to reach most farmers. Third, production of agricultural commodities is intertwined with their marketing, which has hardly progressed. Farmers receive a small share of the consumer rupee due to a long chain of intermediaries in marketing. Sale of produce in APMC-run regulated markets hardly provides solace even though commodity prices are determined as per the forces of demand and supply in these. The survey divulges that a majority of farmers prefer to sell their produce to village traders and also they receive prices below MSP for wheat and rice in most states.

Even if the idea of ZBNF is accepted through aggressive extension and training programmes, and bridging knowledge gaps, these challenges call for immediate attention. The organically produced commodities under ZBNF will also face marketing problems unless the government extends price support and comes to their rescue when prices fall. The government should increase public investment in irrigation and agriculture markets, which can propel farmers to make investments and achieve higher incomes from farming.

Curbing terrorism financing

Are we ready for a big bang legal action against terrorism?

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THAT THIS GOVERNMENT has a penchant for springing surprises was evident with the sudden moves of demonetisation, surgical strikes after the Uri attacks, and the Balakot air strike. But when the action has to be taken internally, preparing of a robust legal ground is indispensable. The provision of Bills and amending legislations are indications that, along with ground-level policing action, the legal framework is available to tighten the screws on nefarious designs of terrorists and their supporters. While certain laws do exist for this purpose—the Prevention of Money Laundering Act (PMLA), 2002, was the most effective instrument to suck out the finances of terrorism supporters—hardly anything was being done to book and investigate cases in terrorist-hit areas in the Northeast, Kashmir, Chhattisgarh, West Bengal and Odisha. Sleeper units of ISI are known to exist even in Tamil Nadu, Kerala and Karnataka. One reason could be the clout that such outfits wield in such areas, which negates the influence of government machinery and renders intelligence gathering very difficult.

Now, the legislative changes being brought at one go are unprecedented. Just to list the major ones:

- The Unlawful Activities Amendment Bill, 2019, is being amended to proceed against an individual to be declared terrorist instead of just an organisation, which was the case earlier;
- Another amendment seeks to allow the investigation to be conducted by an officer of the National Investigation Agency (NIA) with prior approval of the director general even at a place other than that where the property representing the proceeds of terrorism is situated.

Second, to strengthen the mechanism of reporting of transactions by reporting entities, the PMLA, 2002, has been amended by seeking to insert Section 12AA by virtue of Clause 189 of the Finance Bill, 2019. It provides that reporting entities shall authenticate the identity of clients be it gold purchaser or property purchaser, etc, through additional means like Aadhaar or as may be prescribed, and such entities shall be required to take additional steps to determine the ownership, financial position, sources of funds of the client as well as the purpose behind the transaction and the intended nature of the transaction between the parties.

On such information not having being provided, the reporting entities can refuse to carry out transaction for such a person. It is also expected that in case the transaction is considered suspicious or is likely to involve any proceeds of crime, the scrutiny level of the reporting entity will correspondingly go up. This effectively means that the reporting entities shall act as the first level of scrutiny of suspect transactions under the PMLA.

Thirdly, the National Investigation Agency Act has been sought to be amended by allowing to probe cybercrime cases as well as cases of human trafficking. Similarly, the NIA shall be authorised and competent to also investigate 'individual' suspects' links to terror along with terrorist organisations.

The Benami Transactions (Prohibition) Act, 1988, is being amended by adding Section 54(B) to permit entries in the records or other documents in the custody of any authority to be admitted as evidence in any prosecution or attachment proceedings. Even certified copies henceforth shall be allowed to be adduced where originals, for some reason, cannot be produced. The net effect will be that the records of the registrar of properties or of any other body on the production of such record or attested copies can be allowed as evidence and its authenticity taken as proved. It is amply clear that this strengthening of provisions can facilitate action against property attachments and confiscations even through remote investigations, and therefore terrorists activities can be financially paralysed and their supporters crippled.

Further, Section 72(A) PMLA is being inserted to provide for an inter-ministerial coordination committee with statutory backing, to allow various agencies dealing with money laundering, counter terrorism, financial sector crimes, etc, to act in synergy with others. Although such arrangements were earlier also available in the Joint Intelligence Committee and the Economic Intelligence Bureau, now they have been legally structured and cooperation shall be required to be statutorily provided by all regulators and agencies. In the 1980s, the government had created the Economic Intelligence Council under the chairmanship of the finance minister to encourage collation and dissemination of information—but the avowed purpose couldn't be achieved. Whether the new legislation can surmount individual organisations' quest for glory is something the current dispensation should focus on. However, with the stated resolve and the past experience of 3-4 years, maybe things will be done differently now.

While legislative intent can provide muscle to the efforts of ground-level officers, it is eventually the righteous officers who make or mar the effects of a legislation. Too many cases are quashed by courts for lack of proper investigation. Conviction is always dependent on tying up evidence and within all fours of the law. At the same time, fundamental right violations have to be curbed. Too free a hand and that too without exacting supervision can create cavalier investigators with disregard to extant laws. One must remember the adage: 'Power tends to corrupt, and absolute power corrupts absolutely'.