

# The blurring lines in media & entertainment

As the mix of India’s top 15 media firms changes, the battle for dominance will be fought among four key players



MEDIASCOPE

VANITA KOHLI-KHANDEKAR

The numbers are mind-boggling: Their impact very real. In March 2018, Google India posted revenues of ₹9,337 crore. That makes it the fourth largest media company in India after the Zee Group, Disney and the Times Group. A bulk of Google’s re-

venues came from search and display advertising. Just over ₹2,000 crore came from YouTube. That makes YouTube a mid-sized broadcaster or the largest OTT in India. Google and YouTube are part of the \$137 billion Alphabet, the world’s largest media firm. It dominates the digital advertising market not just in the United States but globally as well. After it comes Comcast at \$94.5 billion and then Disney at \$60 billion in 2018 revenues. Come back to India. Take a look at a list of the top 15 media and entertainment firms that includes Google India. Two things will hit you. First, the composition of the top firms is changing into a more even mix of technologies and media types unlike the earlier print or TV heavy lists. After Zee Group, Disney and Times, is DTH-operator Tata-Sky at number five and

PVR Cinemas at number 11. The latter to my mind is the most heartening entry — films have long powered almost every other media segment in the country but never hit scale as a business. PVR’s ascension is the surest sign that scale is finally creeping in, at least at the retail end of the business. Two, and is the main point of this column, the media business in India is poised for some big shifts. Disney bought out Fox last year. That makes it the owner of Star, one of the largest media firms in India. Zee should be signing a deal offloading 20 per cent of its equity to either a strategic or financial investor by the end of July. Many are hoping it might bring in a large global player into the market. And then there is a domestic monster, the ₹38,838 crore telecom giant Reliance Jio. It doesn’t share numbers or give

interviews about its media business. But Jio is constantly acquiring heft on the distribution and content side. In the last year alone, it has bought majority stakes in two cable distribution firms (Den and Hathway) and music streaming app Saavn, among others. Then there is its hold over telecom and the ability to serve cheap data. Unlike other firms, Jio controls all kinds of data pipes (wireless, wireline) and parts of the content that flows on them. It is certain then that by next year the battle for the ₹1,67,400 crore Indian media and entertainment market will be fought between four key players — Disney, Jio, Zee and Google. How do they stack up? All of them have made big investments in digital. Though Google and YouTube are way ahead in revenue and traffic numbers, the others could catch up soon. Disney owns Hotstar, Hulu and will be launching its own Disney+ in November this year. Jio, of course, is a digital native player with a whole

suite of apps plus it is a majority shareholder in Viacom18 that offers Voot. Zee5 has shown some good traction on the back of heavy promotion and original programming. The Indian players come with the ability to have a bigger say on policy than ‘foreign’ ones. But after over 25 years in India, how foreign is Disney’s Star India is a matter of debate. Almost all of them have strong products and market dominance in one segment or another. Star tops in general entertainment and has the second largest OTT (Hotstar) after YouTube. Zee’s hold over audiences, across small and big town India, equals Star’s. It also owns a DTH firm (Dish TV) and a cable one (Siticable) while Star has a 20 per cent stake in Tata-Sky. There will, arguably, be more consolidation. Both Sun and Sony look particularly vulnerable. And without an adequate regulatory framework that deals with market dominance a la the Federal Communications Commission in the US or the UK’s media regulator Ofcom, anybody could make it.

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# Threat of tribal evictions still looms large

Eviction of a few lakh families, instead of millions, is not an option the government should be willing to argue before the SC

NITIN SETHI

The threat of forced mass eviction of tribals and forest-dwellers from their traditional forestlands is not yet over. On July 24 the Supreme Court will hear again the case in which it had earlier ordered mass eviction of more than 1.85 million tribal and forest-dwelling families. The order, dated February 13, 2019, asked states to evict all those families whose claims to forestland under the Forest Rights Act, 2006 had been rejected.

With the order threatening forced mass evictions in middle of election season, with civil society of all hues and Opposition parties rising nosily in protest, the Union government woke up to the crisis. It intervened to buy time till after elections. It merely asked time to ascertain if the claims of the two million families had been legitimately rejected or not. It did not contest whether the in-principle rejection of claims can validly lead to eviction under Forest Rights Act. The Supreme Court agreed and stayed its eviction order, but only temporarily. The Centre bought some breathing time. Since then the Union tribal affairs ministry has actively engaged with the state governments concerned, getting them to verify if the large-scale rejection by the governments of claims filed by tribals over their traditional forestlands followed the provisions of the law or not. The Union tribal affairs secretary was recently quoted as stating that after scrutiny by states the number of

claims legally rejected under Forest Rights have been found to be “considerably lower” than the earlier calculated 1.85 million households. Although he did not divulge numbers, state officials who have been engaged in the discussions suggest even with this quick scrutiny, the country could still see forced and summary eviction of several hundred thousand tribal and forest-dwelling families. One option before the Union government now is to go before the Supreme Court and argue that the number of rejected claims is much lower than previously reported and these people can be evicted. The problem is that this could still lead to mass forced-eviction of several lakh families.

It would be ironic that evictions would be ordered under a law that was meant to give justice to citizens whose rights over their lands have been wrongly erased from records. “A majority of these tribal and forest-dwelling communities continued to live on their traditional forestlands but the records showed them as encroachers. Consequently, they faced continuous harassment. The FRA was to ensure the records correctly reflect them as dwelling and using these lands. Now instead, the FRA could be used to physically evict them as well,” said one senior state official dealing with the fall out of the Supreme Court eviction orders. The other option before the Centre is to argue on more fundamental issues involving the law and the particular case. Till 2016, the Union government had argued before the Supreme Court that the petitioners in the original case



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filings had one plea — that the law is not constitutionally valid. This is true, the original argument of the petitioners — select wildlife groups and retired forest officers — was that the Centre did not have the powers to legislate on issues of land, which is a State subject and that land impeded on the right to environment and precautionary principle and, therefore, was unconstitutional. The petitioners had not gone to the court asking for implementation of the

case. Therefore, the Union government in 2016 argued that the court should not turn it into a case about pursuing the implementation of the law. But in 2017 and 2018 the petitioners focused their oral arguments entirely away from their original written plea questioning the validity to one only about evictions of rejected claimants. Oddly, at this stage, their shift of focus was not contested by the Centre. The Supreme Court too began passing

orders asking states to report on the status of implementation of the law which ended up eventually in February 2019 with summary eviction orders. Now, the Union government and the states are expected to submit their fresh affidavits in the case by the second week of July. This could be the Centre’s only chance to either argue in principle against evictions or settle for lakhs being evicted and claim a hollow victory that the numbers aren’t in millions.



## CHINESE WHISPERS

### Time magazine vanishes

A senior Union minister met the media recently in his Udyog Bhawan office. Once inside his chamber, it was difficult for the journalists to miss the only magazine on the coffee table. It was an edition of *Time* magazine that featured Prime Minister Narendra Modi on the cover of its international edition with the controversial headline “India’s Divider In Chief”. Published in May, the magazine had a secondary headline that read “Modi the Reformer” in much smaller letters. As journalists started taking pictures of their surroundings — many focusing on the coffee table — the magazine and a possible PR disaster vanished from sight.

### Tango with mango



This is the mango season and some Members of Parliament who own orchards have been gifting the fruit to their colleagues in the House. At the customary Rajya Sabha meeting of leaders of all political parties on Tuesday, the discussion turned to mangoes. The Samajwadi Party’s Ram Gopal Yadav, who is from Uttar Pradesh, said chausa was the best variety. The Nationalist Congress Party’s Majeed Memon, who is from Maharashtra, said no mango variety could beat hapus, while the Delhi-based Aam Aadmi Party’s Sanjay Singh batted for dussehari and the Trinamool Congress’ Derek O’Brien, from West Bengal, for malda. As one MP later put it, the meeting reached a consensus on all issues that were expected to be placed before the House that day except on the best variety of mangoes.

### Through the reading glasses

There was camaraderie in the Rajya Sabha on Tuesday. YSR Congress Party Rajya Sabha Member Vijay Sai Reddy was supposed to raise a special mention during the morning session but told the chair that he was unable to do so because he had left his reading-glasses at home. Some members — including the Samajwadi Party’s Neeraj Shekhar and the Nationalist Congress Party’s Praful Patel (*pictured*) — were quick to offer their glasses to help Reddy read. Reddy read his special mention with the help of Patel’s glasses.

## INSIGHT

# New fiscal mindset key to reviving growth

Recycling assets — selling brownfield projects and investing the proceeds in greenfield projects — is India’s best bet for growth revival



PRANJUL BHANDARI

India’s growth has hit a soft patch, battling structural, cyclical, domestic and global headwinds, all at once. It started with the fallout in the non-banking financial companies (NBFC) sector. While bank credit growth has picked up since, NBFC credit is slowing. And to the extent NBFCs were buoying growth in the fastest growing sectors, overall economic growth is at risk. The global environment is not helping either. India is more open and more affected by global issues than many believe. India’s exports have been sluggish, and the complex set of issues dragging global growth lower are likely to impact India further. India’s potential growth (defined as the maximum growth possible without stoking inflation), has fallen from 8 per cent a decade ago to 7 per cent now. There are three main drivers of growth — capital, labour and total factor productivity (TFP). Recent reforms such as digitisation and the goods and services tax (GST) have focused primarily on raising TFP. In order to raise growth from here, capital and labour cannot be ignored. To be fair, growth could inch up in

the second half of 2019 with election-related uncertainties fading, and the Reserve Bank of India (RBI) easing rates. But that can only take growth closer to 7 per cent, from sub-6 per cent in the quarter ending March 2019. Anything higher will need reforms which augment capital and labour.

### A fiscal and monetary policy trade-off

With growth slowing, there are big demands on the upcoming Budget (on July 5) as well as the next few Monetary Policy Committee (MPC) meetings. There is a sense that the cost of capital in India is very high. The simple solution is to cut the repo rate. The RBI has already cut rates by 75 bps in 2019, and based on their preferred range for real rates, there could be a maximum of 75 bps more in rate cuts. But repo rate cuts is just one part of the cost of capital. The other part is transmission of repo rate cuts. To get a better handle, we divide the cost of capital into three parts: One, the repo rate; two, the spread between the repo and the G-Sec rate; and three, the spread between the G-Sec and the corporate bond yield. The G-Sec spread and the corporate bond spread remain elevated. The former is a consequence of high public sector borrowings. Elevated and sticky, they are exhausting the market. The timing is not desirable either. Borrowings have been rising around the time net household financial savings have fallen. The “investible surplus” available for private investment has shrunk meaningfully. The bottom line is clear: While there is some space for monetary easing, there is no space for a higher fiscal deficit and higher borrowings.



### A call for adopting an ‘asset recycling’ mindset

And yet, there is scope for imparting a positive fiscal stimulus to growth, without endangering the fiscal deficit target. The way out is the idea of “asset recycling”. This is not a new idea. Like many other reform ideas, it has been incubating over the last few years, and we think its time has come. This idea includes disinvesting government stakes in companies, but is not just limited to that. This idea includes the selling/auctioning of several kinds of government owned assets such as roads, ports, airports etc. The proceeds from these sales can be used for the creation of new assets — new roads, new ports etc — which can be recycled again, when completed. As such, the same pot of money is recycled several times over, without endangering the fiscal deficit, and yet upgrading India’s infrastructure. Who would the buyers of the recycled assets be? Many long-term investors, foreign and domestic, such as pension funds and insurance companies may be interested in this. Several investors are averse to construction risk (for instance, building a road), but do not mind the operating risk (for instance, tolling and maintaining the road). Is this a public-private partnership? Not in its original form where the government and the private sector joined

hands to construct. Here the government constructs and sells off to the private sector thereafter. How large could the growth impact be? Our calculations show that at the promised 3.4 per cent of the GDP, the central government fiscal deficit for FY20, the growth impulse is zero. If, say, assets worth an additional 1 per cent of GDP are recycled this year, assuming a capital expenditure multiplier of 1, growth could rise by 1 percentage point.

### India’s chance for an investment led recovery

As mentioned earlier, India’s growth revival must come from augmenting capital and labour. Labour reforms are essential, but complex. The growth pay off will only trickle in gradually. Investment revival can be a tad faster. And given a high fiscal multiplier for public capex, it can “crowd in” private capex over time, if done in a fiscally responsible way. India’s best bet to raise growth is by reviving the investment cycle. India’s best bet to raise private investment (which makes up 75 per cent of all investment) is by creating a conducive environment, by stepping up public investment in a fiscally responsible way. And that can only happen by adopting “asset recycling”.

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## LETTERS

### Safeguard the rupee

This refers to the report “Jalan panel seeks to convince Garg to tone down dissent note” (July 2). The message that one member in the Jalan panel is more equal than even the chairman of the panel is disturbing. Viewed from another angle, the report brings out the undercurrents that have been trying to destabilise the Reserve Bank of India’s (RBI) top management since the departure of former governor Raghuram Rajan. In this case, the effort by the finance ministry representative to prevent application of mind by the other members on the Jalan panel, who are professionals, is glaring. The revaluation reserves that the finance secretary wants to monetise and transfer to the government of India will lead to a devaluation of the rupee. The accounting entries will result in the depletion of the value of the RBI’s gold and forex holdings in terms of dollar to the extent of the notional surplus created and transferred to the government. The present level of the central bank’s share capital and reserves is not huge. The RBI has been using its funds for investment in shares of apex financial institutions and transferring divestment proceeds of such investments to the government mostly. Time is opportune to amend the provisions of the RBI Act to provide for raising the share capital of the RBI to the equivalent of \$200 billion and enabling provisions to augment reserves out of surplus income, to a higher level than the

present 7 per cent of assets.  
M G Warriar Mumbai

### Waste not, want not

Anjali Bhargava’s article “When it rains, it pours” (July 2) lucidly explains a successful example of water conservation, which can and should be replicated by all Indians — individuals, communities and corporates — who have some extra land to do so. It seems really simple and inexpensive to do so. The Prime Minister’s clarion call two days ago needs to be translated into mission-mode efforts to mitigate the alarming situation. The key to resolving our water-woes practically all over India lies in water conservation. This is a low hanging fruit that must be harnessed by everyone. Our rainfall will still be sufficient to meet all the requirements; but we have to gear up for correcting the abysmally skewed distribution. State measures to tackle the macro infrastructure will come later. We must immediately make rain water harvesting and resurrection of water bodies our religion. Resurrection of water bodies — lost due to the callousness and the unholy nexus between developers and officials — must also become a high priority. Krishan Kalra Gurugram

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## HAMBONE



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# The crypto challenge

Central banks will have to respond to Facebook's Libra

Just a few months ago, Augustin Carstens, general manager of the Bank for International Settlements (BIS), said his organisation saw no value in the potential of digital currencies issued by central banks. Mr Carstens seems to have just changed his opinion. In a recent interview, he said the BIS was working with many central banks that were developing digital currencies as there was a market. The announcement by Facebook of its intention to issue Libra, a crypto coin, may have been behind the new stand taken by the BIS and central banks. Cryptocurrency issued by central banks would turn the original concept of Bitcoin on its head while using similar technology. It would also lead to a new set of challenges in terms of regulation and accounting procedures. Bitcoin used a decentralised ledger, the blockchain, to verify and reconcile anonymous transactions in peer-to-peer fashion. The coin has a fixed money supply and is not tied to the value of any other asset. It sees huge volatility in value, and is difficult to use in a fractional banking system due to fixed money supply and high volatility.

Any central bank issuing cryptocurrency would use some version of blockchain technology but it might be with restricted access. Money supply could be managed either by policy decisions, or by tying the coin to a fiat currency, or creating a currency board that ties it to a basket of underlying assets — as Facebook intends to do with Libra. In any of these situations, the digital currency would be seamlessly converted into fiat, and vice versa. Fractional reserve banking would be possible in such a system and the crypto would also not have exchange volatility that greatly exceeded normal fiat currencies. In theory, this could be an interest-bearing instrument. But, as the crypto would be borderless, such a currency would automatically lead to capital account convertibility.

Such a coin could be large-denomination and used in high-value B2B transactions. Or, it could be low-denomination and suitable for retail use. It would offer a degree of anonymity to the two parties in a transaction, but the issuer would have the ability to trace users. If this was for retail usage, it would almost be equivalent to allowing retail customers to open accounts directly with the central bank. If it was for high-value customers, it might, for example, allow the central bank to directly service many businesses such as non-banking finance companies, securities trading outfits, exporters and so on.

The advantage of such a digital system would be frictionless, borderless transactions, which could sharply reduce costs. However, if customers could directly transact in this fashion, they may also choose to disintermediate the commercial banks by converting fiat holdings into digital currency. That could lead to a drop in deposits in the conventional banking system. It's hard to assess such risks without a running system, however. In practical terms, the security and safeguards in a cryptocurrency system need to be very strong with multiple fail safes. Users could be vulnerable to identity theft, and the issuer would have to set up new protections against money laundering, given the borderless nature of transactions. Whatever the pros and cons, central banks will have to consider this option seriously. Otherwise, tech giants like Facebook would end up dominating the crypto currency space.

# Anti-climax at Osaka

Solutions to slowing global growth prove elusive

US President Donald Trump hogged the headlines at the G20 summit in Osaka with, first, his back-down in the trade war with China and then a supposedly scripted meeting with North Korean dictator Kim Jong Un and a historic step into the northern kingdom. But if Mr Trump's decision to partially lift the ban on Chinese 5G equipment maker Huawei, the resumption of trade talks with China and unilateral concession to Pyongyang were seen as potent signs of a diminution of US power, a reminder of its clout was embedded in the Osaka communique. Mr Trump's trade war with China is the single biggest reason for slowing global growth (with the EU, Mexico, Canada and India facing collateral damage).

Instead of voicing a robust denunciation of the practice of retaliatory tariffs, the communique contained no mention of protectionism at all, limiting itself to an indirect anodyne statement of striving to "realise a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment". This marks the second successive summit — Buenos Aires in 2018 was the first — to avoid all mention of the p-word, principally under pressure from the US delegation. As International Monetary Fund Director Christine Lagarde pointed out in a statement, the resumption of talks between China and the US, though welcome, tariffs already implemented were holding back the world economy.

The conciliatory language of the Osaka communique was symptomatic of the increasingly diffuse nature of these annual meetings of 20 countries that account for almost 85 per cent of global GDP. Created in 1999 following the Asian and Russian financial crises, the objective was to promote a forum in which finance ministers framed a global agenda for financial stability. This summit was upgraded in 2008, after Lehman Brothers imploded, to a leaders' meeting, which was inaugurated in Washington in 2008 and till 2011 was held twice a year (London and Pittsburgh in 2009 and Toronto and Seoul in 2010) as the sub-prime crisis morphed into a sovereign debt crisis for EU countries. Now that those issues have abated, the G20 appears to have lost traction. The Financial Action Task Force, the mechanism the G20 promoted to monitor and control terror financing, has been one of its more lasting contributions. But with the breakdown of the mechanisms of multilateralism, the G20 covers all manner of issues from women's rights to climate change.

India emerged from Osaka with two takeaways. One is the collateral benefit of the resumption of US-China trade talks that offers some breathing space. The second is joining countries such as South Africa and Indonesia in boycotting the "Osaka Track" on the digital economy (which has implications for India's controversial data localisation rules). The results of Prime Minister Narendra Modi's energetic bilaterals — he held nine of them, including one with Mr Trump — are yet to be revealed. With the country scheduled to host the summit in 2022, however, India is in pole position to shape the global agenda at a time when multilateralism, which has benefited the country enormously in the past two decades, is increasingly under threat.

ILLUSTRATION: BINAY SINHA



# Signs of a maturing bond market

The bond market has been stress-tested, and is seeing structural strengthening

How worried should one be about the bond market? In a financial market that is constrained for capacity, the bond market was expected to step into the space vacated by the slow growth of government-owned banks. Further, given the economic necessity of longer-term funding, particularly for building physical infrastructure, where banks with their five-year loans were found to be inappropriate, it is expected to be a critical part of the desired financial architecture. However, with several defaults in the last nine months, some of them of the highest rated 'AAA' bonds, and a clear decline in risk appetite, as visible in the higher interest rates, concerns have emerged on whether the bond market will be able to play the role.

Counter-intuitive as it may seem, the stress of the last few quarters may in fact be a necessary period of consolidation and maturation after a period of rapid growth. It still has a long way to go in terms of potential growth in size and complexity, but the recent stress is driving some essential qualitative changes in the market.

I recall that in a panel discussion I was part of a few years ago, the head of corporate credit of a large bank was sceptical about the disintermediation trend (where financial savings go through bond mutual funds instead of through banks), arguing that the bond market, which was growing rapidly, would shut down at the first sign of default. Many were concerned that a default that forced losses on to bond mutual fund (MF) unit holders would trigger a flood of redemptions, and a relatively illiquid bond market would not be able to deal with it. However, in the last nine months, several large entities have defaulted, including two that each had more than a trillion rupees of liabilities, but the market is still functioning.



TESSELLATUM  
NEELKANTH MISHRA

Assets under management (AUM) of bond MFs had started to decline from December 2017 onwards, as a surprise change in stance from the Monetary Policy Committee (MPC), some seemingly ill-advised bond-issuance related announcements from the government, and a subsequent buyers' strike by treasury departments of banks pushed up bond yields sharply. Bond MF AUMs fell from ₹8.7 trillion in November 2017 to ₹7.2 trillion in September 2018. Interestingly, despite the bond defaults that started after that, the AUMs since then have remained unchanged, and net redemptions have been only ₹300 billion. This is a remarkable stress test that the market has gone through, one that should hold it in good stead in future credit cycles.

Equally importantly, bond MFs have been forced to improve their credit evaluation capabilities and credit ratings are starting to become more appropriate. Funds that were overly reliant on ratings for their investments have had to book losses and investors are beginning to become more discerning about MFs. Bond MF holders as well as wealth advisors have also become more used to defaults, and screening of bond holdings of a fund is much more commonplace than it was a year back. Fixed maturity plans were once considered an alternative to fixed deposits, but they no longer are.

Further, rating agencies, which have taken a significant hit to their credibility, are now steadily downgrading ratings, prodded along by a pro-cyclical tightening of regulations, reducing the preponderance of the 'AAA' (highest possible) classification. As a credit fund manager recently explained to us, this may not necessarily affect bond yields, as the bond market was pricing in the risk anyway: An 'AAA' rated bond yielding 9 per cent a year most likely meant that it was not 'AAA' in the first place.

# Walking a tightrope

Reviving growth, creating more jobs, giving a stimulus to the economy through a mix of expenditure increases and doling out tax reliefs even while staying fiscally prudent and, above all, unveiling a big reforms agenda are among the major goals that Finance Minister Nirmala Sitharaman is expected to achieve through her first Union Budget to be presented on July 5. But there are two more difficult challenges that she faces in her debut Budget later this week. Both will test her political acumen and economic sagacity.

A Budget after a general election and the formation of the Union government is a keenly watched event. If an interim Budget is presented before the election, then the Budget presented after the election is always invariably compared with the numbers that were projected in the interim exercise. The interim Budget for 2019-20 was presented by Piyush Goyal on February 1, 2019. In just about five months, Ms Sitharaman will present the final Budget for 2019-20. But in this relatively short time many of the 2018-19 numbers presented in the interim Budget have changed quite significantly. The changed numbers will have an impact on the Budget numbers for 2019-20. How will Ms Sitharaman face up to this challenge?

Of course, the bottom-line number, the fiscal deficit as per cent of gross domestic product (GDP), has remained unchanged at 3.4 per cent for 2018-19. But, most disconcertingly, the net tax revenue numbers have shrunk from the revised estimates (RE) — by about 11 per cent, or ₹1.67 trillion, from ₹14.84 trillion in RE to ₹13.17 trillion as per the provisional actuals. Similarly, the provisional actuals for revenue expenditure in 2018-19 are lower by ₹1.32 trillion, compared to the RE numbers. The reduction has been achieved by transferring this expenditure burden to the accounts of a clutch of

public sector undertakings (PSU), whose borrowings have gone up as a result.

Thanks to such huge off-Budget borrowings, some minor increases in non-tax revenues, compression in capital expenditure and an increase in the nominal size of the GDP, the government's fiscal deficit was contained within the RE number of 3.4 per cent. But the question here is why the government's net tax revenues fell by 11 per cent compared to the RE, and why the government sought recourse to off-Budget borrowings to compress its expenditure.



NEW DELHI DIARY  
A K BHATTACHARYA

And the bigger question, and indeed the challenge, would be how Ms Sitharaman explains this huge revenue slippage and off-Budget borrowings on July 5 when she recounts the 2018-19 numbers. Politically, it could be an embarrassing moment. A new finance minister of the Modi government would be explaining what went wrong with the revised estimates in the interim Budget, presented by another finance minister of the previous Modi government.

Remember that when Arun Jaitley presented the first Budget of the Modi government in its first term on July 10, 2014, he had the option of deviating from many of the numbers that Palaniappan Chidambaram had put forward in the interim Budget for 2014-15, presented in February 2014, before the general election. But Jaitley stuck to those numbers, even though he had both the economic as well as the political justification of deviating from them.

Unlike Mr Jaitley, Ms Sitharaman does not have the political leeway of deviating from the numbers presented by her party colleague, Mr Goyal, in the interim Budget in February 2019. Yet, given the way the economy has behaved in the last five months and how the government's tax collections have fared,

Currently, risk aversion appears to be quite extreme, with bond markets choosing to fund only a handful of companies that are universally considered "safe". Loans to some other firms with a slightly higher risk have been priced sharply upwards, and firms which the market does not trust at all are getting no funding. Trading in riskier bonds has become so illiquid that their pricing could be suspect. However, this is a cyclical trend visible in all markets (like the price-to-earnings ratios in equity markets, which swing from reflecting extreme optimism to extreme pessimism), and one that should reverse once the defaults are out of the way.

Developments in the last three quarters have also impacted the behaviour of borrowers. Erstwhile "marquee" corporate groups have been forced to sell assets to protect their credit-worthiness, and work hard to retain control of their companies. The positive effects of the resultant impact on quality of borrowing and more efficient capital allocation should be visible in the next cycle.

Encouraging as the longer-term impact of these stresses may be, there are two concerns that have emerged. The first is the drag on growth: The markets naturally reviving from these disruptions, while perhaps healthier from a longer-term perspective, could take much longer than may be necessary. For example, some of the entities that the bond market refuses to fund are now on the path to default. However, till they have defaulted, some of the non-MF holders may not feel the pain, and the impact of their reaction will not be visible. This lag of several months appears unnecessary. Similarly, the ratings deflation, in particular a drop in the number of 'AAA' issuers, is likely to reduce the quantum that pension and insurance funds can buy. An Asset quality review that many (including this writer) have recommended on the other hand would accelerate the denouement, and bring forward the recovery.

Secondly, the prevailing monetary tightness, while exacerbated by current problems in non-banking finance companies, is also a reflection of a drop in the money-multiplier. This is the ratio of the broad money available in the economy (M3) to the base money injected by the Reserve Bank India (MO). Banks create money when they lend: If M3 in the system is ₹100, and a bank gives a ₹5 loan, M3 immediately becomes ₹105. Non-banking entities, on the other hand, do not create money when they lend. Thus, if the share of non-banks in the market is to rise, the money-multiplier would naturally shrink. To keep overall money supply growing at a healthy pace, the central bank may have to inject more base money than it would in a largely bank-funded market. This policy recalibration may also be necessary to revive the economy.

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Ms Sitharaman faces the economic necessity of significantly revising those numbers. That is her first challenge.

Ms Sitharaman's second challenge stems from the fact that her Budget will have to make things work only in the remaining three quarters of the year. The first quarter of the year is already gone and the numbers for this period do not augur well for either the government's revenue or its subsidies payment.

The interim Budget had projected a goods and services tax (GST) revenue of ₹7.61 trillion in 2019-20, inclusive of central GST, integrated GST (IGST) and GST compensation cess. But the GST revenue so far collected in the April-June 2019 period is estimated at just about 19 per cent of the annual target, and that too after cornering a little more than 40 per cent of the share in IGST. Corporation tax collections in April and May have seen a drop of 51 per cent, though the June advance tax collections, whose final numbers are yet to be made public, appeared to have picked up. Income-tax collections in the same period of two months rose by 15 per cent, but these offer no solace as the interim Budget numbers suggest a revenue growth target of 32 per cent over the provisional actuals of 2018-19. Customs revenue alone has maintained a steady increase — of 21 per cent in April-May 2019, against an annual growth target of 12 per cent. On the petroleum and fertiliser subsidies payment front, disbursements in April and May alone have been more than a third of what was allocated for the whole of 2019-20.

In short, Ms Sitharaman's second challenge appears to be even more formidable. She has to place under close scrutiny most revenue and subsidies payment numbers given in the interim Budget. And if those numbers have to be revised and scaled down a bit to reflect the ground reality as it obtains at present, the fiscal deficit target set at 3.4 per cent of GDP for 2019-20 may well be a casualty. How well Ms Sitharaman manages that tightrope walk is a question whose answer would be known this Friday.

centre of the industry..... This invisibilisation of reporters is not 'natural' and far removed from the global news television template," he writes. And he talks, in great detail, on how this happened at NDTV with star anchor Barkha Dutt taking over all the big stories and airtime. Or through the rise of Times Network's brand of opinionated, factitious coverage that Arnab Goswami carried over to Republic TV. Mr Bhushan calls it outrage journalism. He debates a policy option for solving this so that news becomes more representative of all sections of society.

For anyone interested or worried about Indian news television and the harm it is causing to the quality of discourse and therefore to the health of our democracy, this is a must-read.

**THE INDIAN NEWSROOM: Studios, Stars, and the Unmaking of Reporters**  
Sandeep Bhushan  
Westland Publications, 312 pages, ₹460

# The unmaking of news broadcasting



## BOOK REVIEW

VANITA KOHLI-KHANDEKAR

India's news broadcasting industry is a matter of national shame. More than 400 news channels battle each other for viewership by simply dropping their standards lower and lower every day. Much of the media analysis around why this is happening is uninformed opinion that amounts to hand-wringing or pure ranting. There is very little research or perspective. That explains the trepidation with which I picked up Sandeep Bhushan's *The Indian Newsroom: Studios, Stars and the Unmaking of Reporters*.

Thankfully, it rises way above the usual "oh, these news channels" kind of commentary to give you an insider's view on what has gone wrong.

Mr Bhushan was a TV journalist with NDTV and Headlines Today for 20 years before quitting. He uses his experience and some good research to come up with a book that is a satisfying, albeit worrying, read. It covers a lot of territory but if I had to pick out three things that appealed to me, then it would be its take on ownership, regulation and on journalism itself.

First, it explores, with reasonable depth the key issues that have pushed the TV news industry into a downward spiral. The biggest of these, to my mind, is the financial crisis that grips the industry and the complete lack of ownership controls. Some years back I had analysed that roughly half the news channels were owned by people and organisations who were not interested in news per se—

politicians, their affiliates, cable companies and real estate barons, among others. They were launching news outlets simply to extort money, curry favour or influence citizens or policy, and were happy blowing up money on keeping a shabby news operation running. But this completely kills the market for the those who want to seriously cover news. The result is a small news broadcast market with just about three companies that make money, on and off. Mr Bhushan examines the question of ownership in great detail.

Second, in the context of ownership Mr Bhushan talks about owner-editors and how they have affected regulation in India versus other countries. One of the big things the dual role of owner-editors does is stymie the whole idea of self-regulation. Most owners, rightly, do not want any governmental intervention in regulation. But the result is a toothless body like the Press Council of India or the News

Broadcasters' Association which nobody takes seriously. "In both the USA and UK self-regulation is moored in parliamentary guarantee with bipartisan support. So while regulators do their job for the entire spectrum of media platforms, they are only responsible to their respective regulators, i.e. the Congress and the Parliament. Even BBC, one of the greatest media institutions, is subject to Ofcom, UK's regulatory authority while FCC (Federal Communications Commission) oversees a range of media platforms other than print media in the USA," he says.

Private broadcasting came to India in 1991 because we had an archaic Indian Telegraph Act of 1885 defining broadcasting. Since then, except for The Cable television (Networks) Regulation Act of 1995, there has been little by way of an overarching look, committee or even discussions around how to put it all together. The Cable Act itself was a reaction to the