

Roping in 'czars' to boost employment

Strong leadership is central to managing sectors that have the highest potential to meet our employment objectives



VIKRAM KIRLOSKAR

While the Indian economy is on a stable economic footing and is expected to build on its growth momentum, concerns around providing adequate employment opportunities remain, and job creation continues to be the foremost priority for Indian policymakers. With the Union Budget to be presented tomorrow, significant initiatives to push employment generation are expected to be high on the government's agenda.

Creating gainful and quality employment is essential for India's development trajectory. This is even more critical given

the rapid advent of technology which necessitates the need for an innovative growth strategy, with a specific focus on the employment intensive sectors such as agriculture and food processing, textiles and garments, tourism, retail and automobiles, among others.

In this context, the CII has recommended the appointment of 'czars' to catalyse progress of these sectors. The model of czars is based on the way that Aadhaar was conceptualised and rolled out with Nandan Nilekani as the lead agent. A czar, or empowered mission director, would assume the responsibility of ensuring the growth of the identified sector.

Envisaged as a leading expert or a top industry person with wide knowledge about the sector, the czar would be entrusted with addressing the pain points along the entire value chain, while coordinating with ministries, state governments and industry as well as other stakeholders. This would provide a strategic boost to employment generation for each of these sectors.

Some of the areas to be addressed by such a mission director would include

ease of doing business, availability of finance, and strategic logistics and infrastructure development. A major aspiration would be to strengthen skill development, in line with the requirements of the sector and including aspects such as upskilling and reskilling for technology changes.

Building competitiveness of the sector to expand exports would also be a key target. The czar would further work on enhancing product development and design and promoting R&D and technology adaptation, especially for smaller enterprises.

A total value chain approach can be taken where employment targets would be monitored at regular intervals by the respective czar appointed for the sector. This approach will address roadblocks to investments and employment in the sector, identify solutions, help draft and introduce policies and implement them from all players. With such a targeted and intensive mission mode, the identified sectors would be expected to expand rapidly.

We believe that the strategy of a czar should be deployed for optimal results

in labour intensive sectors. For example, in agriculture, farmers' incomes are not scaling up as rapidly as is required. Linking them to markets would require setting up farmer producer organisations and ensuring that their challenges are addressed, including access to finance, technology, markets, and professional management, with a specific focus on the small and marginal farmers.

Another track could be faster adoption of the Agricultural Produce and Livestock Marketing Act (APLM) Act by the states. Fast-tracking the Ease of Doing Agriculture (EoDA) index would foster competition among states and would help create a conducive environment in agriculture, while facilitating investments. A czar would be in charge of the overall growth of the agriculture sector, and may appoint representatives and initiate action in each of these areas.

Food processing is another such sector of employment potential where a comprehensive policy must be formulated that empowers farmers, catalyzes investments and promotes ease of doing business in the sector. GST rates must be rationalised to help address anomalies between food items of similar nature.

For enhancing competitiveness of the textiles sector, an advisory council can be set up with the leadership of an expert to boost the scale and infrastructure of the sector. Areas such as priority sector lending status to apparel manufacturing, rationalizing of customs duties on syn-

thetic textiles and anti-dumping policies could be considered. Going beyond the domestic industry, the czar could also see how to tap markets such as the European Union.

Tourism employs over 40 million people and deserves special attention in mission mode. The proposed National Tourism Policy must be expedited. Hotels require beneficial terms for obtaining credit and GST rates on high-end hotel accommodation should be considered in line with global rates. Strategic and focused plans can promote international tourists from potential markets, especially China, the largest outbound source. The mission director or czar assigned to the sector would be responsible for the creation and overall implementation of such policies.

The appointment of a czar in the construction sector can have significant impact as the sector is employment intensive with high multiplier effects. Land acquisition, an effective dispute resolution mechanism and better public private partnerships are all sticky issues that can best be addressed with coordination efforts.

Strong leadership is central to the goal of catalysing sectors that have the highest potential to meet our employment objectives. A sector expert with the requisite authority can best drive this strategy.

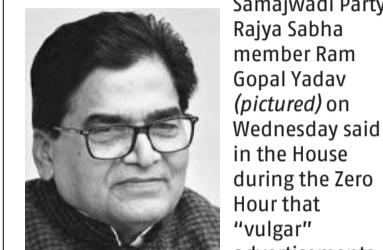
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CHINESE WHISPERS

Race heats up

After Chief Minister Kamal Nath's recent meeting with Rahul Gandhi, it was expected that the party would soon announce the name of its Madhya Pradesh Congress Committee chief. There are many prospective candidates for the post and lobbying is on in earnest. The names of leaders including Jyotiraditya Scindia, Home Minister Bala Bachchan, Umang Singh and Ajay Singh have been making the rounds for some time now. A host of ministers are openly pushing for Scindia as their state unit chief. Ministers Govind Singh, Prabhuram Choudhary and Pradyumna Singh Tomar are among them. Sources say the chief minister himself is batting for his Home Minister Bala Bachchan.

Wrong number



Samajwadi Party Rajya Sabha member Ram Gopal Yadav (pictured) on Wednesday said in the House during the Zero Hour that "vulgar" advertisements

and "wardrobe malfunctions" of models wearing lingerie on television contributed to crimes against women. Yadav demanded a ban on such advertisements to protect India's culture from bad influences. He said it had become difficult to watch news shows on television along with the family because of such advertisements shown during breaks. Yadav quoted Arnold J Toynbee's multi-volume *A Study of History* saying the historian identified nudity and alcoholism as the two major reasons for the disintegration of a civilization. "You (the BJP) promised to abolish Article 370 (of the Constitution) but what you did was that you removed (section) 377 (of the Indian Penal Code)," Yadav said. Article 370 grants special status to the state of Jammu and Kashmir, and is part of BJP's core agenda to repeal it.

Change of place



The seating arrangement in the Rajya Sabha is set to change in the coming days. With Arun Jaitley having retired from active politics temporarily, Amit Shah and Ravi Shankar Prasad elected to the Lok Sabha and four Telugu Desam Party members joining the Bharatiya Janata Party, including its leader Y S Chowdary, some of the front row seats in the treasury benches have fallen vacant. Sources said the new seating arrangement would mean Union ministers Piyush Goyal and Nirmala Sitharaman (pictured) could now get front row seats. It is possible that Lok Janshakti Party Chief Ram Vilas Paswan, who is now in the Rajya Sabha, could also get a front row seat.

In the age of flying food

The potential benefits of using drones in everyday tasks are many, but the regulators are still to lay the groundwork for the sector's growth

NEHA ALAWADHI

Over the past two weeks, two companies have made what appear to be significant advances in making drones a part of our everyday life. Food-tech startup Zomato announced it was working on creating a fleet of drones to deliver food and drinks at our doorsteps. Another start-up, Bengaluru-based Skylark Drones, unveiled its plans to deploy drones for aerial survey at an iron ore mine in Jharkhand.

The prospect of drones delivering goodies is indeed exciting.

But these remotely-controlled flying devices are not just about novelty or quick service. They are capable of doing a lot more. They can collect data in different forms such as video, audio, location, temperature (through sensors) and the like. One of the earliest deployment of drones, not surprisingly then, has been by the army — for surveillance, intelligence gathering, and even as a weapon carrying device in enemy territory.

In recent years, though, they have become more ubiquitous. The technology behind drones has evolved from simple radio communication to remote control through smartphones and more sophisticated digital systems making their



deployment in everyday tasks easier.

The potential benefits are manifest:

from photography and camera work in films, Instagram pictures and videos, movie and wedding shoots to more serious use cases in the logistics industry where drones have the capability to bring in efficiency and save time and money. Work is under way to explore their utility in agriculture, insurance, energy, infrastructure, mining, and media and entertainment.

They can also come in handy for a quick inspection over large tracts of land or high buildings. In 2016, it was reported that the Gurugram administration was using drones to map the city, to update the lay of the land that dated back to 1957.

There are plenty of other ways drones are being used elsewhere in the country. Recently, Hyderabad-based

start-up Terra Drone India got on board to help with multi-sensor scanning of the city's most famous historical monument, the Charminar, after a big chunk of plaster fell from one of its minarets.

Similarly, power companies, in a bid to reduce cost and improve efficiency, have been working on a project to use drones for monitoring project development in critical areas since 2016.

Drones also have utility in jobs that are fraught with stigma and danger.

Young entrepreneurs are mulling plans to use drones for applications like sewer inspections, a mass use case that can help eradicate the practice of manual scavenging altogether.

So is the drone age upon us then? "Drones are useful for monitoring or inspection of industrial assets, especially at high altitudes, long distances or remote locations. For instance, daily inspection of railway tracks over thousands of kilometres or monitoring of progress in construction of highways by the National Highways Authority of India. Collection of remote sensing data becomes easier with drones since you can control its flight as opposed to relying on satellite imagery," said Anirudh Rastogi, managing partner at Ikgai Law, a law firm that was actively involved in the regulatory consultations for the drones policy.

India, though not a manufacturer of drones, has an edge in this field because of its capabilities to build software for various applications. Drones imported from China are easily available, and much cheaper.

"The camera or sensors installed in a drone are just one part of it, but building a useful application will require great software that can make sense of the data that a drone collects. That is where real value add will come from India," added Ratan.

Yet India is nowhere close to unleashing the full potential of the sector. Applications like food and e-commerce delivery through drones are "at

least three years away," according to Neel Ratan, regional managing partner-north and government leader at PwC.

Elsewhere too the progress is slow because the regulators are still to lay the groundwork for the growth of the sector.

The biggest hurdle to mass adoption and use of drones has been the policy uncertainty.

In 2014, the civil aviation regulator in India, the Directorate General of Civil Aviation (DGCA), released a public notice prohibiting use of drones for civilian operation because it posed a safety and security threat, and mandated a host of permissions before flying a drone.

In April 2016, a set of draft guidelines was released by the DGCA for comment, but the consultation didn't move further. In October 2017, the DGCA again released a new set of guidelines for use of drones in civilian airspace.

Finally, in December last year, the DGCA formalised the drone policy, set up an online IT portal called Digital Sky, designed as a one-stop-shop for several clearances, and allowed drones weighing 250 grams or less to fly legally.

Anything above that weight, however,



Source: BIS Research, Goldman Sachs, industry

AGE OF DRONES

- The Indian Unmanned Aerial Vehicle market to grow at 18 per cent during 2017–23 in terms of revenue
- The market for commercial end-use of drones might supersede the military market by 2021, cumulatively hitting about \$900 mn
- Global spending on drones will be around \$100 bn by 2021
- In 2014, Mumbai's Francesco's Pizzeria successfully used a drone to deliver pizza
- Zomato is looking at using drones to deliver food

INSIGHT

The right price of water



DHAIRAJ NAYYAR

supply can be cut off if you don't pay). The only way water will be used efficiently by consumers is if they have to pay an appropriate price for it, just like they do for any other (private) good they consume.

The consequences of not charging the right price for water are serious. There is no reason that the rainfall-deficit (and water deficit) regions of Maharashtra should produce sugarcane which uses around 2,500 litres of water for every kilogram of output. But since farmers are not charged market prices for water, they indulge in farming inappropriate crops. Similarly, in the states of Punjab and Haryana where farmers get highly subsidised or free water, highly water-intensive rice cultivation has led to desertification. Crops like sugarcane and rice should only be grown in water surplus regions but populist "free water" policies have achieved the opposite.

Apart from farmers even industry and individual consumers need to be charged an appropriate price to ensure best use. In industry, incentives/penalties can be given for water recycling/reuse. The simple point is that consumers are more likely to respond to price signals/incentives/d disincentives than appeals for voluntary conservation.

The obvious objection to market pricing of water is that it will hurt the poor. The reality is that the poor are disproportionately hurt by water shortages. In urban areas, the middle class and rich are able to organise alternative supplies of water by paying a premium, usually to tanker mafias. These mafias are a creation of an inability to price water appropriately — remarkably most claim to be supplying water from the reservoirs of the local Jal Board. Essentially, a parallel economy which prices water at a premium is running to the detriment of the poor. Instead,

the government should allow market prices for water and give upfront subsidies to poor consumers through direct benefit transfer.

Admittedly, there is a real challenge in implementing water pricing in the absence of robust institutional structures. For a start, water is a state subject so the Union government is not in a position to impose pricing across the board. Within states, there is a need for water regulators — a proposal which has been around for a number of years but which has not been implemented barring a couple of states because of a reluctance to move to a market-based pricing regime for water. Since the supply of water (particularly in cities) is often done by a single supplier (most often state owned but could potentially be private), there is a need for a regulatory authority to ensure that there is no monopolistic pricing. Also, if the regulatory authority is independent and operates at an arms-length from the government, presumably it can resist political pressures while determining/upholding the right price for water.

Unfortunately, the experience from electricity regulators in states is not encouraging. The reason for the miserable state of discoms is at least partly attributable to electricity regulators not stamping their authority. However, that is not an argument to do away with regulators. They must be given teeth.

Obviously, elected governments would be tempted to supply water (and indeed electricity) at subsidised rates to various constituents. It is a government's right to subsidise, but it must not do so by distorting the market, but through direct benefit transfers to a targeted set. The alternative is a highly water scarce (and indeed energy scarce) economy.

The author is chief economist, Vedanta Ltd

Improving bond yields

This refers to "Signs of maturing bond market" (July 3). India's economy is slowing, inflation is breathing hard and the central bank is cutting interest rates. But the cost of long-term money is refusing to budge. What could be troubling the market is the unknown quantum of public spending via borrowings, which are but sovereign liabilities, beyond the ₹7 trillion fiscal gap. This highlights the need for deepening of Indian corporate bonds to meet the funding requirement of the infrastructure sector, particularly by insurance companies and pension funds.

Despite interest-rate cuts, the 10-year Indian government bond yield was at 7.4 per cent till recently, only to slip to sub-7 per cent now. Banking sector and bond markets reforms were soft-pedalled when the global economy was in a better shape. But the Trump-disruption era, of uncertain duration, is upon us and the finance ministry needs to be pro-active.

R Narayanan Navi Mumbai

More powers to RBI



This refers to "RBI may get regulatory powers over HFCs" (July 3). At a time when the financial intermediaries, particularly the non-banking financial companies (NBFCs), have defaulted in honouring its financial commitments, the move to bestow more regulatory powers to the RBI to regulate housing finance companies is welcome. The audited financial statements and the ratings assigned by the rating agencies proved untrustworthy. Investors lost a lot due to the beaten down values of

the shares of many NBFCs. Lending to NBFCs by banks, especially by the state-owned ones are more likely to slip into non-performing assets (NPA).

The NBFCs must make arrangements to improve the liquidity position to prevent further defaults. It is essential to make them financially strong to continue lending. It is therefore imperative on the part of the banking regulator to open ways to enable NBFCs to have access to the banking regulator. The oversight of banks and NBFCs must be made more effective to ensure that the lending by these drivers of growth do not defeat the economic goals of the government.

Despite some improvement in the NPA level, the Insolvency and Bankruptcy Code cases waiting for resolution are still huge in number and as such, it is paramount to ensure the quality of the lending of all the financing institutions. The RBI must get more powers to control all financers including state-owned banks and for that, the government should not hesitate to amend the relevant acts.

VSK Pillai Kottayam

Together we can

This refers to "Rural job scheme to pump ₹15,000 crore into Jal Shakti" (July 3). It is heartening to see MGNREGS workers being part of the flagship development scheme. It would be ideal if all the workers come together through the efforts of NGOs and CSR sponsored corporates, and are made aware about the save water mission.

HAMBONE



It is also vital to distribute messages on their mobiles or hand over pictorial books to familiarise them with the resurrection of water bodies of their regions. We are all aware of the water crisis; once these workers are shown the ways to harvest water and the tricks of desalination, not only will MGNREGS workers get specialisation in water saving techniques but they will be absorbed on contract in nearby fields, farms and agriculture belts. We need to make videos of successful MGNREG projects and circulate on their mobiles praising their contributions.

When the humble milk producers of Anand, Gujarat, could revolutionise milk production in India, there is no reason why these warriors can't change the water scarcity scenario in India.

NK Bakshi Vadodara

Letters can be mailed, faxed or e-mailed to: The Editor, Business Standard Nehru House, 24 Bahadur Shah Zafar Marg New Delhi 110 002 Fax: (011) 23720201 E-mail: letters@bsmail.in All letters must have a postal address and telephone number



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A new urgency

New Delhi must move forward on FTA with EU

The conventional wisdom that globalisation has gone into reverse and that the world is turning against trade agreements and openness was delivered a major shock last week. The world's largest trading entity, the European Union, came to an agreement with four of South America's biggest economies — Brazil, Uruguay, Paraguay, and Argentina — the four surviving full members of the trading bloc Mercosur, which was till recently the world's fourth-largest of such blocs. (Venezuela, which was also a member, has been suspended for over two years.) Once free trade begins between these two blocs, they will form by far the largest free-trade area in the world. It took the EU and Mercosur 20 years to strike this agreement; and both sides have had to make compromises. Brazil's combative right-wing president has had to temper his plans to ignore past climate change agreements in order to keep the Europeans on-side; and the powerful European farm lobby, in turn, had to make a few sacrifices. These represent, in a way, the importance that political and bureaucratic leaders on both sides attached to this trade agreement.

There are major lessons for other players in this development — not least for New Delhi. The biggest losers are perhaps in London and in Washington, DC. The United Kingdom is, of course, supposed to break with Brussels on the assumption that it will be able to negotiate such deals for itself in the future. The complexity of the EU-Mercosur deal reveals this as hubris. The United States, under Donald Trump, meanwhile, has been markedly sceptical of the possibility of gains from freer trade — but the EU and Mercosur, both large trading partners of the US, have demonstrated through this deal that they do not intend to follow where the US leads.

But among the countries that should take note is India, which also has been noticeably unenthusiastic about concluding new trade agreements. Meanwhile, many of its trading partners are finding new ways to integrate their markets — while other preferential trading norms are increasingly closed to Indian exporters. Indian textile exporters, for example, were already at a disadvantage in Europe compared to those with tariff-free access from countries such as Bangladesh. Now there is additional competition from Mercosur to consider. The United States just ended the tariff exemption for several Indian imports under the Generalised System of Preferences scheme; that too will mean that Indian exporters are disadvantaged as compared to those from, say, Mexico. It is time for India to revive, in particular, its stalled negotiations with the European Union on a free-trade agreement.

The EU has shown a willingness to compromise on agricultural issues, and India should take advantage of that — even if it means that powerful interest groups such as dairy, automobile manufacturers, and pharmaceutical companies are not happy. The cost of not moving forward with the EU trade deal — and, for that matter, of allowing the Regional Comprehensive Economic Partnership to move forward without India — will be an ever-increasing isolation for India on the world trading stage. Labour-intensive sectors, crucial for employment generation, such as leather and textiles, will suffer the most. India cannot afford such isolation at this stage of its development.

Hard-hitting crisis

Assaults on public servants are becoming mainstream

It is a potent sign of the rapidly deteriorating standards of public behaviour when the prime minister has to take time out of his party's first parliamentary meet to condemn an assault with a cricket bat by a Bharatiya Janata Party MLA on a municipal official earlier this week. Caught on camera, the MLA, who is also the son of a senior party functionary, was arrested but remained arrogantly unrepentant. Worse, he was welcomed with sweets and garlands at the local party office after being released on bail. Stung by the popular outrage, Mr Modi said such behaviour would not be tolerated, irrespective of the person's status. The prime minister's admonition is welcome but such violent displays of power against public officials is a party-agnostic trend.

In another recent incident, a woman forest officer and her colleagues were beaten with sticks by a group of men led by the brother of a Telangana Rashtra Samithi (TRS) MLA. Last year, two Aam Aadmi Party MLAs assaulted the Delhi chief secretary in the presence of Chief Minister Arvind Kejriwal. And then, of course, was the infamous case of the Shiva Sena MP who beat an Air India staffer with his shoe, which caused the domestic airline industry to introduce the concept of a no-fly list.

Incidents such as these highlight the wilful institutional weakening of the country's law and order apparatus by the political class. It is worth noting that the police hesitated to act in several of these incidents, principally because the political connections of the perpetrators of violence raise the possibility of punishment for the law enforcers. The law did take its course in some of the incidents listed above because they were circulated on social media and attracted a public outcry. But there is no guarantee that politicians will side with the law. Mr Modi and the head of the TRS Working Committee publicly condemned the assaults by their party workers, who were duly booked. But others did not think it necessary to apologise for their associates' behaviour.

Equally, few saffron politicians have condemned unequivocally the cases of communal and casteist lynching that have occurred with distressing frequency over the past few years. This variable response, dictated most often by the exigencies of electoral politics, is not an overnight trend, either. It represents a steady erosion of societal values, has created a vicious circle of lawlessness, and contributed to the rise of the strongman (or woman) culture. Over the years, so many police personnel have been physically threatened and transferred to the boondocks, or have seen their career progression blocked for enforcing the law of the land. Their successors mostly opt to follow the line of least resistance to the powerful and well-connected.

The upshot of this has been a steady diminution of the authority of the state's law enforcement machinery, which enables those with clout to exploit the system by garnering followers based on protection rackets. Mr Modi's very public admonition may have a salutary effect of reining in his party members, but whether India's power elite chooses to exercise such restraint is extremely doubtful.

Winning ways



BOOK REVIEW

DHRUV MUNJAL

Those slightly bewildered or exasperated with Carlos Braithwaite's match-ending dismissal against New Zealand earlier in the World Cup — with six required off seven balls, he tried to smash it out of the park when the ideal thing would have been to take a single to get back on strike the next over — Paddy Upton has a much-needed explanation.

The Indian cricket team's former mental conditioning coach, Mr Upton, in his new book, *The Barefoot Coach: Life-Changing Insights from Cricket*, makes for compelling reading because they are so essential to

understanding a player's psyche and attitude towards the game. Perhaps more important is deciphering the exact role performed by a coach, an enduring question that Mr Upton tries to answer in one of the earlier chapters of his book.

The coach's responsibility, after all, is a complex one. Any athlete will tell you how different coaches swear by different methodologies. Alex Ferguson, the former Manchester United manager, for instance, made up for tactical deficiencies by being a terrific people person who knew how to get the best out of his players. Jose Mourinho, one of his successors at the club, was the complete antithesis: brilliant in a footballing sense but personally abrasive, a trait that often led to dressing room rifts and triggered a general sense of unhappiness. Mr Upton goes on to list out in immense detail how coaches can adopt a wide range of leadership styles: instruction, advising, mentoring and abdicating, adding that sometimes coaching is a combination of all of them.

Some of Mr Upton's expositions may seem banal, but they make for compelling reading because they are so essential to

the personal story he has written.

Much like the book, Mr Upton's personal

story is a fascinating one. He was the fit-

ness trainer for the South African national team — the first full-time physio in international cricket — when Hansie Cronje was skipper, before taking on the role of a mental conditioning coach with the Indian side, where he worked with long-time friend Gary Kirsten and helped India win the 2011 World Cup. Now, of course, he has transitioned into mainstream coaching, most recently with the Rajasthan Royals in the Indian Premier League. In between all this, in the archetypal journey to self-discovery, he travelled the world alone and even got himself an MBA.

The sight of Mahendra Singh Dhoni striking the winning blow against Sri Lanka on that mystical Mumbai evening is one of the great sporting images of our times, but the road to becoming world champions wasn't easy. Mr Upton writes how soon after he and Mr Kirsten took charge, they had to fix the team's depleted morale, a by-product of the scandalous Greg Chappell era that had seen India crash out in the group stages of the 2007 World Cup. After creating a more joyful dressing room, they got around to helping the team prepare better — Mr

Upton notes that with the exception of Sachin Tendulkar and Rahul Dravid, almost all other players prepared poorly — and worked tremendously hard on their fitness. More than anything else, the fitness part of it is perhaps Mr Upton's most significant contribution to Indian cricket — he, in many ways, helped kick-start a culture that is clearly reflected in the current bunch of players' admirably high level of athletic prowess.

This book, however, is more about the mind than the body. In a chapter on "The Myth of Mental Toughness", Mr Upton reckons that the term is "currently the most overused and least understood concept in sports psychology", and there is no such thing as mental toughness. The same segment has an entertainingly revealing passage about Gautam Gambhir, who Mr Upton describes as one of the "weakest and mentally most insecure" he has ever worked with. Some have been suggesting how Mr Gambhir must give Shahid Afridi's autobiography a miss; I would suggest the same with this one as well. (Just to balance things out, though, Mr Upton does write

gloriously of Mr Gambhir while talking about the 2011 World Cup final.)

As insightful as Mr Upton's analyses are, the book sometimes veers into management territory. Many pages are splattered with overly detailed diagrams, tables and flow charts, robbing the book of the clarity that would have made it much more appealing to younger sports enthusiasts interested in knowing about the secrets of world-class coaching. Moreover, it is a bit tedious in its length, with several of Mr Upton's thoughts making multiple appearances across chapters. At the same time, it's an engrossing, plain-speaking account of working with elite athletes. In fact, it just might come in handy for the Indian team as it heads into the high-pressure phase of this World Cup.

THE BAREFOOT COACH: Life-Changing Insights From Coaching the World's Best Cricketers
Paddy Upton
Westland Sport, ₹799, 377 pages

ILLUSTRATION: BINAY SINHA



Fix problems before complete failure

We need some real solutions on the ground

There is much talk about improving the big picture in India. What we really need, though, is some successes on the ground — some actual resolution of problems as building blocks for further success. Two instances are discussed below.

The first is a puzzling business failure: Jet Airways running aground in slow motion. It is already bankrupt, but unravelling the sequence could make such financial predicaments, of which there are many, more tractable. India's once dominant airline slipped up and, inexplicably, was allowed to collapse. Over 16,000 employees are affected, and India's airline services are in turmoil. One estimate of liabilities was ₹26,000 crore.

Why didn't lenders and government agencies use a combination of executive action, judicial process and bridge financing to keep the airline afloat? Did legal obstacles genuinely prevent resolution? Or was it irresolute collective action, including lenders being gun-shy because of the Non-Performing Assets (NPAs) and witch-hunts, or manipulation, complicity, or vindictiveness? Answers and corrective action could help fix other high-profile NPAs.

The second is a macro-level example from telecom: The mishandling of BSNL and MTNL. Since the 1990s, successive governments have repeatedly attempted to give a fresh impetus to these hapless telecom entities, while depriving them of what could actually have made them successful, namely, strong, informed leadership, with independence/non-interference. Consequently, BSNL's accumulated losses amount to nearly ₹1 trillion. This is nearly five times Jet Airways', and double Air India's accumulated losses until March 2018, the latter being roughly the size of India's annual health budget.

Sorting out these infrastructure service problems is crucial because of their effect on everything from security, education and healthcare, to work and entertainment. If BSNL and MTNL can change course con-

structively, we may be able to get them off their collapsing trajectory. Resolving this situation would remove severe impediments to our effectiveness and convenience, and an enormous drag on productivity. Connectivity and communications are so critical to social and economic capabilities, and our approach for decades has been so flawed and on a disastrous trajectory, that it is incomprehensible that we should be resolutely following this failing path without changing it. Now, the government is reportedly considering infusing thousands of crores into the same business, together with monetising land and assets.

What is in the public interest?

The first step is setting appropriate objectives for BSNL and MTNL. What public-interest needs do they serve? The communications minister mentioned strategic areas like home and defence, and services for crisis management during times of disaster such as cyclones and floods. Two others that he mentioned appear unjustifiable: That they are national assets, and leading providers of free services. The

first is just an assertion, while the second is inappropriate for commercial undertakings. It's time to drop wishful thinking and take honest stock. For instance, after policy statements supporting spectrum sharing, regulations were framed to be so restrictive as to make it not worthwhile. Instead, policy-makers should set objectives that actually serve the public interest.

Thus far, we have had confused and absurdly contradictory objectives in practice: High government collections from auction fees and charges, while expecting ubiquitous, reasonably-priced, good-quality services. It seems self-evident that such contradictory objectives cannot possibly be achieved. The fact that high government charges deprive networks of funds and increase user costs are documented in the following reports:

"A Study of the Financial Health of the Telecom

first, just an assertion, while the second is inappropriate for commercial undertakings. It's time to drop wishful thinking and take honest stock. For instance, after policy statements supporting spectrum sharing, regulations were framed to be so restrictive as to make it not worthwhile. Instead, policy-makers should set objectives that actually serve the public interest.

Third, consider the bizarre move to ask e-commerce companies to disclose who is funding the discounts as part of the pricing details of a product.

This is to make sure that the sellers, and not the e-commerce portals, give the discounts. Companies could even need to get yearly audits of discounts done mandatorily by independent auditors to ensure there has been no predatory pricing. But detailed guidelines already exist around discounting, and the focus should be on their effective implementation, instead of erecting fresh barriers. In any case, it is the government's job to get into such micro-management?

Fourth example is the fiasco over an accelerated deadline for two-wheelers with engine capacity of up to 150cc, predominantly used by the middle class. The timing is not right as the two-wheeler makers are already struggling with the adoption of BS VI technology that requires massive investments. The diktat comes even as there is no clarity over the supply chain and the charging infrastructure to support mass adoption of such vehicles.

And, the fifth is the Cabinet decision earlier last week to dilute the powers of the Airports Economic Regulatory Authority (AERA), with regard to setting user charges for passengers as well as airlines. Once the amendment is passed by Parliament, it is the civil aviation ministry which will have the power to bid our private airport projects on the basis of predetermined tariff, and in such cases the airport regulator will have no power to set or revise user charges. AERA can set tariff only for the 13 bigger airports. At least, the timing of the decision could have been better, as a private operator is set to enter the airports business by emerging the highest bidder for five of the six non-metro airports being privatised.

Unfortunately, these moves don't inspire much confidence in the government's seriousness in bridging the trust deficit with industry.

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SHYAM PONAPPA

without commensurate accountability. Many high-profile cases have vilified the entire business community, though their closure is still pending.

A case in point is the one involving former ICICI Bank MD Chanda Kochhar and her husband. Nothing has been heard after the Central Bureau of Investigation filed a charge sheet against them in January this year. No one is expecting the CBI to give daily media briefings on the case, but five months should be enough for the agency to show some progress. Such questions arise because of the

royal mess that the CBI created on its own by naming several top bankers without any specific charge, prompting then finance minister Arun Jaitley to say whether "a journey to nowhere (or everywhere) was being undertaken".

At least five recent decisions show why the government-industry trust deficit is widening. Take the GST Council's decision to go aggressive on anti-profiteering. The two-year extension to the National Anti-

Profiteering Authority is a bad idea as it reflects deficient trust in the power of competition in the Indian marketplace and in the ability of the Competition Commission of India to handle any deviant market conduct. Though profiteering has not been clearly defined, stiffer penalties have been proposed for "violations". This is nothing but evidence of a control raj mindset.

Second, the over-aggressive tone taken by the ministry of corporate affairs on the auditing fraternity defies logic. The guilty should be punished after the evidence provided is proved in a court of law, but is it fair to see criminality in every audit lapse or rating error? For example, in its charge sheet, the ministry said the fraud committed by the auditors at IFIN was nothing short of "organised

crime", actively aided and abetted by the statutory auditors. Such observations are unfair before a proper investigation.

Third, consider the bizarre move to ask e-commerce companies to disclose who is funding the discounts as part of the pricing details of a product. This is to make sure that the sellers, and not the e-commerce portals, give the discounts. Companies could even need to get yearly audits of discounts done mandatorily by independent auditors to ensure there has been no predatory pricing. But detailed guidelines already exist around discounting, and the focus should be on their effective implementation, instead of erecting fresh barriers. In any case, it is the government's job to get into such micro-management?

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Sector": http://icrier.org/pdf/Working_Paper_380.pdf and "The Impact of High Spectrum Costs on Mobile Network Investment and Consumer Prices": https://www.nera.com/content/dam/nera/publications/2017/PUB_High_Spectrum_Costs_0517.pdf.

Suggested objectives

A genuine reset could be attempted on the following lines:

■ Connectivity is the most essential objective. The ideal must be balanced with the practical, through trade-offs and phasing. The top cities and clusters have a major share of economic and social activity and are therefore a priority, of which 35-50 may be the fastest growing, with the next 50 requiring attention because of sheer size. For instance, Sweden's phasing for 2025 is for 98 per cent of the population to have a minimum of 1 Gbps at home/work, 1.9 per cent at least 100 Mbps, and 0.1 per cent at 30 Mbps. But to the extent communications are available in our hinterland together with roads, water and sanitation, activity and prosperity will spread, with less pressure to migrate to urban centres. The longer term objective therefore needs to be good connectivity everywhere (within reason).

■ An equally important objective is to safeguard the public interest, while ensuring good, reliable services at reasonable prices. The question is not whether to shut down BSNL and MTNL, but how to provide the right structuring and support including reskilling and continuing education, so that they participate effectively in consortiums and provide safety, security, and oversight in the public interest.

■ A third is to avoid disrupting markets with unsustainable prices, including free services. Governments have done this repeatedly in telecom, airline and electricity services. It needs to stop. People need high-quality infrastructure for productivity, not shoddy services that undermine productivity and waste their time, pre-empting better services because of low pricing.

■ A fourth is to actively ensure adequate capacity and quality in services to not constrain or waste public resources and potential. This is to avoid the shoddy services referred to above, that are bottlenecks that subvert alternatives as low-priced barriers to competition, through constraining revenues while draining public resources.

■ Finally, we must embrace infrastructure- and spectrum-sharing. Sweden provides a model not only for the European Union, but also for India. Singapore had a model public-private partnership until some years ago, when SingTel, a passive anchor partner, took over OpenNet. We need mandatory active network sharing (including spectrum) through consortiums run by the private sector, with BSNL and MTNL as guardian anchor participants. A report by Stokab, the City of Stockholm's IT infrastructure company, provides details of an operator-neutral fibre and mobile infrastructure (March 2017): https://www.stokab.se/Documents/Nyheter%20bilagor/Provin%20rapport%20mars%202017_en.pdf



THURSDAY, JULY 4, 2019

RationalExpectations

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India needs an Agriculture Budget

Giving farmers market prices will boost GDP; it is also possible to fix problems like water scarcity and double farm incomes

THOUGH FINANCE MINISTER Nirmala Sitharaman has to deal with all manner of issues in her maiden budget, from stimulating consumer demand to reviving flagging investment sentiments, perhaps the most important sector for her to focus on is agriculture; not just in terms of increased outlays for irrigation or MNREGA, but in terms of broad policy direction.

One clear direction set out by prime minister Narendra Modi before the elections, is PM Kisan where each family gets ₹6,000 per year; after PM Kisan was extended to more farmers, it will cost around ₹85,000 crore. Ideally, the budget should double or triple this direct cash transfer and, simultaneously, reduce subsidies on fertiliser or agriculture loans since these are, by and large, used by richer farmers.

The government spends around ₹170,000-180,000 crore each year on FCI procurement at the Minimum Support Price (MSP); buying at MSP raises farmer incomes and the grain purchased meets demand from ration shops. Ideally, the budget should indicate a dramatic shift from this, with a timeline to reducing FCI's operations to the minimum. Given the ₹20-25 per kg difference in market- and ration-prices of wheat and rice, even the Food Security Act's excessive 5kg-per-person-per-month will cost ₹6,000-120,000 crore. This ₹70,000 crore saving can be given to farmers in lieu of scrapping MSPs which, at best, benefit 20-25% of farmers, and mostly rich ones. Selling FCI's excess food stocks can fetch the FM ₹100,000 crore.

While NITI Aayog is pushing a Price Deficiency Payments (PDP) in place of MSP, this is a bad idea even though PDP means winding down the MSP system; to that extent, it cuts FCI's inefficiency costs. But PDP is open to large abuse. Under PDP, all farmers will register their cropping details with the government (bit.ly/2L0RcO) and, at the end of the season, they will be paid the difference between the market price and the MSP for their crop. While this amount will be much lower than the MSP—the MSP could be ₹100 while the gap between it and the market price could be ₹10 or 20—it will have to be given for all the produce while the MSP, by definition, is paid only to the produce that is brought to the market and sold to government agencies. And, to the extent traders know the government is paying a PDP, there is nothing to stop them from colluding to further depress market prices.

What of the PM's plans to double farmer income; how will this happen if subsidies like on fertiliser and interest subvention or the MSP are scrapped? On average, each farm household earns around ₹10,000 per month, so they need around ₹1.2 lakh more per year to double their incomes. Icrier professor Ashok Gulati (bit.ly/2Xidfhj) points out that, if solar panels are installed at a height of 15-20 feet in fields, this does not have a negative impact on crop growth—in which case, farmers can earn from 1-2 crops a year, as they do now, along with earning from solar power. To the extent this solar power replaces diesel for pumping water, farmer costs also fall. The budget then needs to fund the farmer's capital costs for solar panels—tax relief for solar-power firms or a capital subsidy perhaps—and ensure the solar power produced is mandatorily purchased by electricity boards; this is the law anyway, but it has to be enforced.

The budget, similarly, should have a subsidy for water-stressed areas, like Punjab, to ensure farmers move away from, for instance, water-guzzling rice to corn which uses around a fifth of the water rice does. This corn can be used to produce ethanol and while the extract is still good protein-rich feed for poultry/cattle, at ₹55-60 or so per litre of ethanol, that's a lot of money for farmers. The budget, then, needs to give incentives to industry that produces corn-based starch, poultry- and animal-feed, etc, and it is vital to ensure—with the oil ministry's cooperation—that oil marketing firms buy all the ethanol produced; blends of upto 15% with petrol require no change in engines of cars/two-wheelers. If farmers still earn less than they did from rice, a direct subsidy must be given to fund the difference. Indeed, the ₹6,000-7,000 crore of electricity subsidy that the Punjab government gives to farmers to pump up water can also be saved, apart from solving the state's water crisis. Since eastern India is flush with water, growing rice there is, in any case, a better solution—India's water crisis cannot, it is vital to keep in mind, be fixed if agriculture keeps guzzling water.

Indeed, along with the solar solution, the government should encourage sugar-cane cultivation in eastern UP and Bihar. Water availability is not an issue here and frequent floods will also regenerate the water table. Once again, the key here is ensuring ethanol purchases since, at the current levels of ₹55-60 per liter fixed by the government, ethanol production is as lucrative as sugar, perhaps even more so. It is critical to ensure that GST levels remain the same 5% on ethanol since, if this is taxed at the same level as petrol, oil marketing firms have no incentive to buy ethanol.

And, if the government can free up agriculture markets, as the Icrier-OECD study points out, farmers can get around ₹2.5 lakh crore extra per year for their produce. In other words, the FM will do well to use the budget to indicate the government's new policy and, wherever needed, make the necessary fiscal allocations or policy changes to facilitate the change.

HitWICKET

The BJP failing to act against Akash Vijayavargiya, despite the PM's rebuke, shows the party in poor light

THINGS CAME TO such a pass at the ruling party, the BJP, that PM Modi himself had to admonish party-leaders over the Akash Vijayavargiya incident, saying action must be taken, no matter whose son he (or those BJP workers who celebrated with gunfire the young MLA getting bail in a case of assault of a public official) was. Vijayavargiya insists his assault of the Indore Municipal Corporation officer was "in public interest". But, even if that should eventually prove true, what he—clearly also his party, which has not taken action against him so far—has failed to appreciate is that the people's mandate is not permission to take law and order into one's hands. The assault not only reflects a broader disrespect for administration, but considering it is the BJP that controls the Indore corporation, it should have seemed to the BJP as distrust in its leadership. Instead, party functionaries threw a hero's welcome upon Vijayavargiya's release on bail.

The local BJP unit, and indeed, the party leadership is likely to wait for the controversy to die down; hence, the eyewash of a disciplinary committee inquiry. Indeed, if the party were serious, it would have at least bothered to put Vijayavargiya under suspension while the inquiry proceeded, but no such thing has been done. Worse, Vijayavargiya's father, Kailash Vijayavargiya, a national general secretary of the party, initially shut down criticism of the assault in the media and later downplayed the incident. PM Modi was right to condemn the act, given how it is an assault on the governance structure of India. If the BJP leadership still buries its head in the sand, it would have helped erode the average Indian's faith in government and governance.



BREXIT AND JOBS

British prime minister, Theresa May

I have done everything I can to ensure we leave the EU with a deal. I can look workers in the eye and tell them I voted to leave with a deal that helps jobs

WAGE GROWTH

DURING FY12-FY17, THE WAGE GROWTH, AT 5.8%, OF WORKERS IN UNREGISTERED ENTERPRISES WAS LOWER THAN THE WAGE GROWTH, AT 9.7%, OF THOSE WORKING IN AGRICULTURE

Even agriculture trumps the unorganised sector

SUNIL K SINHA & DEVENDRA K PANT

Sinha is principal economist, & Pant is chief economist, India Ratings and Research
Views are personal



THE CURRENT DISCOURSE on economy from demand side largely revolves around the analysis of gross domestic product (GDP) and its components, namely consumption, government expenditure and investment. Similarly, from supply side, it revolves around gross value added (GVA) and its components, namely agriculture, industry and services. However, much less attention has been paid to the analysis of national income as it accrues and gets distributed across labour and capital. An analysis of national income on these lines can provide an insight into the evolving wage and wealth income, and its concomitant impact on income inequality.

An IMF working paper shows that the share of labour in the national income in advanced economies is trending down since 1975. It reached its lowest level (50%) before the global financial crisis of 2008 and has not recovered significantly since then. Although reasons behind the decline in share of labour in national income are still not well-understood, authors of this paper state that, in advanced economies, it is attributed to the rapid advance of technology, and the globalisation of trade and capital. These two factors have led to steep decline in the relative price of investment goods which has lowered firms' cost of capital and, in turn, given them incentives to replace labour with capital. Even as the reasons behind the decline in share of labour in national income of advanced economies are being studied, this decline has not only harmed consumption demand growth but has also translated into a backlash against outward-looking trade policies in these economies.

Interestingly, the situation in India is different. The Central Statistics Office (CSO) provides GVA data as per four different components, namely (i) production taxes less production subsidies, (ii)

consumption of fixed capital, (iii) compensation to employees, and (iv) operating surplus/mixed income both by production sector and institutions. A reorganisation of this data gives us a glimpse into the distribution of national income across the two key factors of production—labour and capital.

Of the four components of GVA, only compensation to employees accrues to labour; the other three accrue to the owner of capital (including land). In case of private corporations, salaries of family labour are included in the compensation of employees. In case of households, though, it is clubbed with the operating surplus and is reported as mixed income.

A study of the data spanning FY12-FY17 shows that of the total income generated in the economy, nearly one-third accrues to labour and two-thirds to capital. This distribution has been fairly stable over this period despite wages and return on capital growing at a CAGR of 12% and 10.9% respectively.

Data at the disaggregated level presents a mixed picture. Let us first look at the sectoral classification. At the sectoral level, industry witnessed returns on capital grow faster than wages. Does this mean industrial production is becoming capital intensive and shedding labour? Or is it that wages are growing slower than labour productivity? The answer to these questions will require much more detailed work. However, since growth both in wages and return on capital across the sector classification was lowest in the industrial sector, it is a pointer that

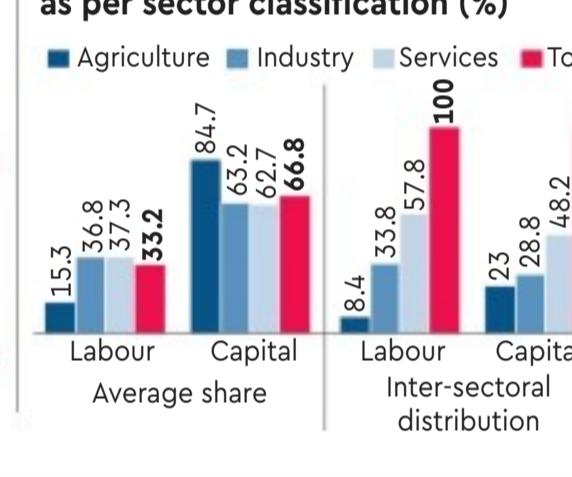
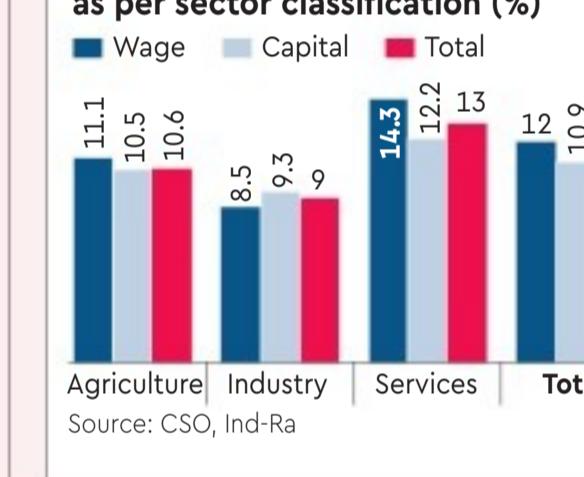
industrial sector needs to improve both its efficiency and productivity.

In case of agriculture, despite share of wages growing at a CAGR of 11.1% during FY12-FY17, the labour received only 15.3% of the income, and the remaining 84.7% accrued to the owners of the capital. Also, while agriculture contributed 18.2% to the total income generated in the economy, wages in agriculture accounted only 8.4% of the total wages in the economy and only 2.78% of the GVA during this period. This translates into annual average wages of ₹21,060 per agricultural labourer per annum (assuming the number of agricultural wage earners remains the same) which is even lower than the official poverty line.

At an institutional level classification, the wage growth of households (this includes unorganised/unregistered enterprises) was the slowest (7.7%) and that of private corporations

was the fastest (16.0%) during FY12-FY17. This means that the wage earners from the household sector, whose wages are generally low, also witnessed relatively lower wage growth during FY12-FY17, indicating that the wage gap between unorganised/unregistered enterprises and organised enterprises is widening. The plight of wage earners in the household sector, who account for 44.5% of the income in the economy but receive only 26.4% of the total wage, is quite similar to that of agricultural wage earners. A further breakdown of households by production sector reveals that during FY12-FY17, the wage growth, at 5.8%, of workers classified under households and working in industrial sector is even lower than the wage growth, at 9.7%, of the workers classified under households and working in agriculture sector.

Some of the takeaways from the foregoing analysis are: (i) an income transfer programme to alleviate agricultural distress will not be meaningful as long as it does not include agricultural labourers; (ii) the low wage growth of unorganised/unregistered enterprises is a matter of concern; and (iii) a much higher proportion of the incremental public sector income is accruing to public sector employees than to the public sector capital.



Budget must focus on data democracy

User data doesn't just "belong" to the user, instead it is an extension of the user's self; India can establish the world's first data democracy

TANUJ BHOJWANI

Fellow at iSPIRT, Bengaluru

Views are personal

dent analogy would be to say that our data is our vote. Our vote is protected by the law. We should be able to give it to whom we want, and if we aren't satisfied, we remain free to give it to someone else. The Constitution guarantees the freedom, security and privacy of the citizens to exercise their vote without fear.

By recognising that user data doesn't just "belong" to the user, instead it is an extension of the user's self, India can establish the world's first data democracy. This isn't simply a legal right, it has important economic implications as well. When users are in charge of their data, they get to decide whom to give it to, why and in return for what. This means, that a rural kirana store owner uses her phone records, currently locked up by telcos, to get better loans. This means that a farmer can show his track record, currently locked up by patwaris, to prove that his insurance claim is genuine. Instead of data being used by those who captured it, we make sure data empowers our users.

On this Friday, when the new government rolls out its first budget, we hope that we see commitments towards shaping a data democracy. The government needs to recognise that creating one involves more than installing wi-fi in trains, or launching apps for e-governance. We need to encourage the creation of more digital platforms as public goods, and give citizens control over the data about them within the government. In fact, if we encourage citizens to join the current structure of the internet, without laying out a framework on data, we risk jeopardising their ability to partake of the prosperity that the internet creates from their data. If we don't decide that now is the time for a data democracy, the internet, just like the railways before it, will decide for us what time it is.

LETTERS TO THE EDITOR

Bedi's acerbic comments

Puducherry Lieutenant Governor Kiran Bedi's acerbic comments blaming the people and the political class of Tamil Nadu for the crippling water crisis presently engulfing the state has, as expected, invited sharper rebuttals from parties across the political spectrum in the state. She may be right in attributing blame for the water scarcity to the Tamilian populace and government, but the language she deployed to articulate her views is undesirable.

As a constitutional functionary, Bedi should have exercised restraint and refrained from making such unwarranted remarks about the people and government of another state. Bedi's dubbing of the Tamil people as cowards and selfish is unbecoming of the coveted constitutional post she holds now.

— M Jayaram, Sholavandan

Indian IT coping well

Curbs on H-1B visa are not new. They came into prominence in 2010-11 as a dipping US economy impacted jobs under Obama. If it was out of necessity then, Trump now uses it for vote banks. Through the last decade, Indian IT has had to wrestle as much with rapid change in technological environments as with visa curbs. Thus, value creation became a recurring IT issue and a priority. IT departments realise that they must focus on improving service to the user and to departmental needs, outsource non-essentials and focus on value creation. Even small or mid-sized firms need to go on the cloud for standardised services. Leading Indian IT firms are diversifying products and showcasing pioneering ideas in blockchain, and artificial intelligence to clients, using innovation hubs, research and development centres, for differentiated offerings.

— Janaki Narayanan, Navi Mumbai

● Write to us at feletters@expressindia.com

THE MSME SECTOR contributes 30% to GDP; India is aiming to increase this share to 50% of GDP. MSMEs are vital in generating employment, output and exports, as this sector contributes one-third to India's manufacturing output and 45% to exports. According to a recent CII survey, MSMEs are the second-largest employment generator after agriculture, by engaging 12 crore persons. There are 6.34 crore units contributing around 24% to the services GDP. However, the sector has been facing a number of challenges—from accessing credit to marketing—and more so after demonetisation and GST. In this context, the RBI report headed by former SEBI chairman UK Sinha is timely and comes up with recommendations that are necessary and implementable.

MSMEs registered annual growth rate of 4.35% during 2006–15 (from 3,618 crore in 2006–07 to 5,105 crore in 2014–15). During September 2015 to July 2018, 48.4 lakh MSME units were registered on the Udyog Aadhaar Memorandum (UAM) portal. The sector has advantages in realisation of inclusive growth agenda of India as one-fifth of MSMEs are residing in rural areas. Besides, the start-up community is growing rapidly—India is now the third-biggest start-up hub in the world—and providing a platform to MSMEs to access a larger market base. Today, India has around 7,200 start-ups, including 1,200 start-ups that came up in 2018 only. They have created 40,000 new direct jobs and are robust in accessing finance as these start-ups saw a 108% growth in total funding during 2017–18. City-based start-ups connect local SMEs and in many ways address the problems of MSMEs relating to product standardisation and market access.

Although MSMEs are the backbone of the economy, they suffer from access to finance, apart from low scale, technology, branding, competition, etc. At aggregate level, credit growth plunged in the recent years, reaching 5.1% in FY17, the lowest in last six decades. Moreover, bank credit remains skewed towards large enterprises as only around one-fourth of bank credit (₹14.8 lakh crore, of the total ₹62.3 lakh crore) goes to the MSME sector. This highlights the potential of the MSME sector as it receives one-fifth of bank credit but contributes one-third of manufacturing output with large employment opportunities. As per a CIBIL report, mid and large corporate segment held the biggest share of the overall credit at about 43%, with an exposure of ₹47.5 lakh crore. The contribution of public sector banks in the MSME sector lending has declined by 19% during 2013–18, and touched around 40%, implying that MSMEs have to explore other avenues for meeting their credit requirements. Moreover, 'new to credit' (NTC) borrowers entering the formal credit sector have accelerated from approximately 2.7 lakh in the first half of 2016 to 5.2 lakh in the first half of 2018. This indicates the rising pressure to enhance the lending envi-



ILLUSTRATION: ROHITPHORE

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UNION BUDGET

Why MSME sector must be the priority

We can certainly get back to 8% growth and create enough jobs provided we strengthen our MSME sector. The RBI report on MSMEs is timely and the Union Budget should focus on its important recommendations

ronment for MSMEs. The sector also experienced an increase in NPAs—from 7.3% to 9% during 2013–18.

In this context, the recommendations of the RBI committee to create a ₹5,000 crore corpus, the Distressed Asset Fund (DAF), to assist MSME units in clusters

where a change in the external environment led to a large number of MSMEs becoming NPA are important. Also, recommendations to move towards cash flow-based lending and revising collateral-free loan limit from ₹10 lakh to ₹20 lakh are useful. To reduce the credit gap,

a new intermediary, i.e. loan service provider (LSP)—an agent of the borrowers—is a welcome proposal. Most of the cluster development initiatives are funded by public sector agencies. Private sector contribution should be enhanced through debt instruments like bonds, CDs, etc., with tax incentives through SIDBI. The committee also recommends strengthening of the MSME Export Promotion Council and a national (and state-level) council as a special purpose vehicle for crowd funding of MSMEs. A government-sponsored Fund of Funds (FoF) to support VC/PE firms to invest in the MSME sector should be in place. Considering their vulnerability and size, Insolvency Code/delegated legislation should provide out-of-court assistance to MSMEs that are mainly proprietorships, such as mediation, debt counselling, financial education, etc. The government should provide insurance coverage to MSME employees such as coverage under Ayushman Bharat-PMJAY to cope with natural calamities. All these proposals, which are doable, will strengthen the financial position of MSMEs.

Some recommendations to improve accountability, transparency and efficiency in lending and its uses are (1) online due diligence and appraisals of MSME loan proposals by banks using data available from sources, including GSTN, Income Tax, Credit Bureaus, Fraud Registry, etc., and (2) bringing all credit guarantee schemes under the purview of regulation and supervision of RBI.

RBI has some recommendations for more efficient functioning of MSMEs. These include moving away from investment volume to a turnover-based definition, 25% mandatory procurement by PSUs from MSMEs, and creating a unique enterprise identifier (UEI) for procurement, availing benefits, etc. Currently, MSMEs have to do multiple registrations with many entities such as Udyog Aadhaar portal, GSTN, NSIC, etc. Successful Indian start-ups within the country and those that are moving outside due to enabling environment, encompassing tax concessions, well-developed infrastructure, ease of doing business, exit policy, etc., should be retained with suitable financial and non-financial incentives.

The government should also facilitate collaboration between MSME clusters and companies/universities offering innovation infrastructure, R&D institutions, etc., in a specific industry or knowledge area. This is because MSME clusters are not properly equipped in areas such as tool rooms, innovation centres, testing facility, etc. The recommendation to build networks of service providers to offer expertise to MSMEs by giving them customised solutions in areas such as technology, product development and marketing techniques will create an enabling environment for MSMEs.

We can get back to 8% growth and create enough jobs if we strengthen our MSME sector. The RBI report on MSMEs is timely and the Union Budget should focus on its recommendations.

● TRANSFER PRICING Raise threshold for compliance

JITENDRA JAIN

The author is executive director, Transfer Pricing, PwC India

Remove compliance for non-residents, rationalise safe harbour rules

TRANSFER PRICING IS ONE OF the most litigious areas in India. This litigation will intensify with the availability of more information with tax administrators in view of the alignment of Indian transfer pricing requirements with OECD/G20 Base Erosion and Profit Shifting project. These requirements provide administrators an opportunity to understand taxpayers' business and conduct transfer pricing assessment.

The government introduced measures to ease compliance burden and make transfer pricing environment non-adversarial. These include rationalisation of safe harbour rules, risk-based selection of cases for scrutiny and advance pricing agreement roll-back provisions. The upcoming Budget is an opportune time to highlight measures that can further ease the compliance burden and reduce litigation.

Increase threshold for compliance: Taxpayers with international related party transactions exceeding ₹1 crore are required to maintain detailed transfer pricing documentation. This threshold limit is low and has not been revisited since FY02, when regulations were introduced. Increasing the threshold will contribute towards reducing the compliance burden on small taxpayers. It would not be out of place to highlight that China prescribes a threshold of ₹40–200 crore, depending on the nature of the transaction.

Remove compliance for non-residents: Transfer pricing provisions require compliance by a non-resident if it derives taxable income from transactions with its related party in India despite the Indian related party undertaking compliance for the same transaction. This leads to duplication of efforts. Non-residents should be excluded from the ambit of transfer pricing compliance in India, provided its Indian related party has undertaken the compliance with respect to same international transactions.

Remove certification requirement: Taxpayers entering into related party transactions are required to prepare a transfer pricing disclosure form and get the same certified by an accountant. This requirement should be done away with. If the idea of obtaining such a certificate is to ensure that the taxpayer doesn't miss reporting a reportable transaction, the existing penalty of 2% of the value of the undisclosed transaction should act as an adequate deterrent for taxpayers. While several countries have the requirement of filing

a detailed disclosure form, only a handful (Argentina, Saudi Arabia, etc) require taxpayers to obtain such a certificate.

Rationalise secondary adjustment provisions: It requires the overseas related party to repatriate the amount of transfer pricing adjustment to the Indian entity and also reflect the adjustment in the book of accounts. If such an amount is not repatriated to India, it is treated as an advance and interest is levied thereon. This is also called constructive loan approach. This creates an issue when the foreign entity faces regulatory hurdles in repatriating the money or where it does not acknowledge the adjustment. In such cases, the interest on the adjustment could be levied till perpetuity.

Many countries that follow the concept of secondary adjustment follow the constructive dividend approach—a one-time event whereby the transfer pricing adjustment is treated as deemed dividend. This is unlike the constructive loan approach, whereby the deemed loan may remain in place for many years or even indefinitely, if not acknowledged by the related party. There is a need for India to shift to the constructive dividend approach.

Rationalisation of safe harbour rules: These were introduced in 2013 and were rationalised in 2017. These rules offered taxpayers an alternative to transfer pricing audits, if they declared profits as specified. While these have been rationalised, there is room for increasing the threshold for eligibility of safe harbour for specified services, which is at ₹200 crore currently. Further, the margin for specified services should be moderated in line with the margins concluded in the APA proceedings.

Vincent van Gogh said: Great things are not done by impulse, but by a series of small things brought together. Most recommendations made above do not require major changes existing provisions and instead just involve fine-tuning. These changes will go a long way in easing the transfer pricing compliance burden and minimising disputes.

BASANT KUMAR BIRLA (1921-2019)

A tall business leader, a great philanthropist

HARSHAVARDHAN NEOTIA

The author is chairman, Ambuja Neota

SRI BASANT KUMAR BIRLA was a colossus in the business firmament of our country. In his passing away we have not just lost a tall business leader, but also a great philanthropist. He had nurtured and set up many institutions in the field of education and culture that are centres of excellence today. He together with his wife late Sarala Birla were great patron of arts and actively supported and promoted the rich artistic and cultural traditions of our country.

On a personal note, I have had the great privilege and pleasure of interacting with

him on several occasions. Our families were closely known to each other and I would often accompany my late uncle Suresh Neota when he went to visit BK babu—who was a great disciplinarian and very punctual, and I remember we had to be particular to be there absolutely at the appointed hour. BK babu was soft-spoken and kind-hearted, and had a curious bent of mind. In spite of the fact that our businesses were very small compared to the vast empire he presided over, he would often ask fairly detailed questions on the working of our business. This clearly gave me an insight into a man who was always curious to know more, and to learn.

I have had the privilege of receiving his affection and blessings from ever since I can remember, and indeed they will remain cherished memories.

He was fond of music, and at the annual Gulab Bari concert in the lawns of our house, he would make it a point to come, even if it was for a short period of time.

He maintained high personal discipline. His diet was frugal and simple, and he was very particular about the timing of his eating, resting and walking.

I pray to Almighty that his soul may rest in peace.

He will remain a great source of inspiration to his various well-wishers and admirers. He leaves behind a rich legacy that is more than ably steered forward by his accomplished and celebrated grandson Kumar Mangalam Birla, and his two enterprising daughters, Jayashree ji and Manjushree ji, both of whom are actively involved in family businesses and philanthropic activities.



We've to rethink our mining policy

Little is currently being spent on exploration of minerals, regulation of mining also remains an issue

Professor of Economics, JNU, and co-author of 'What's the Plan? India's Development and Planning—Its Past and Future' (Cambridge University Press)

firms will need to be incentivised. However, the government can well claim that 100% FDI has been permitted in mining. So, what is holding investment back?

Regulation of mining remains an issue. Given the widespread regulatory failure, there is a need to create an independent mining regulatory authority for oversight at the central and state level to restore investor confidence. Primary regulatory responsibility must lie with state governments. The first National Mineral Policy (NMP 1993) allowed FDI up to 50% with no limit on captive FDI, but little interest was shown by foreign investors. Mean-

while, the lack of resources with public sector agencies such as the Geological Survey of India, Mineral Exploration Corporation Ltd, and other state and central agencies

resulted in limited promotional exploration. Then the National Mineral Exploration Policy came in 2016, which is a structured framework for comprehensive exploration in the country with a judicious interplay of government support and private innovation and enterprise.

However, FDI has not increased in mining, although it has grown sharply in other sectors (mainly in services, and to some extent in brownfield manufacturing in the form of takeovers). The amount of FDI in mining was \$1.32 million in 2000–01 and \$55.75 million in 2016–17. Clearly, mining is not attracting foreign investment.

There have been repeated violations by existing mining companies (Indian and foreign), as well as governments, of social and environmental impact assessment

guidelines. As part of its industrial policy, the Union government will have to rethink mining policy. The situation was brought to a head by a August 2017 Supreme Court judgment, which regarded the mineral policy as outdated, and stated that a "fresh, more effective, meaningful and implementable policy" needs to be developed.

Several issues are important (TERI studies have pointed out). First, data from the Geological Survey of India's geological mapping should be available in a geographic information system format to facilitate entrepreneurs to take investment decisions for exploration. Second, the Mines and Minerals (Development and Regulation) Amendment Act, 2015, has made auctions as the only mode of granting mineral concessions. This



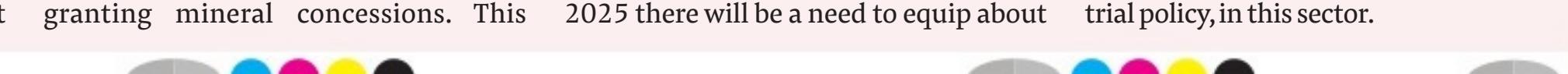
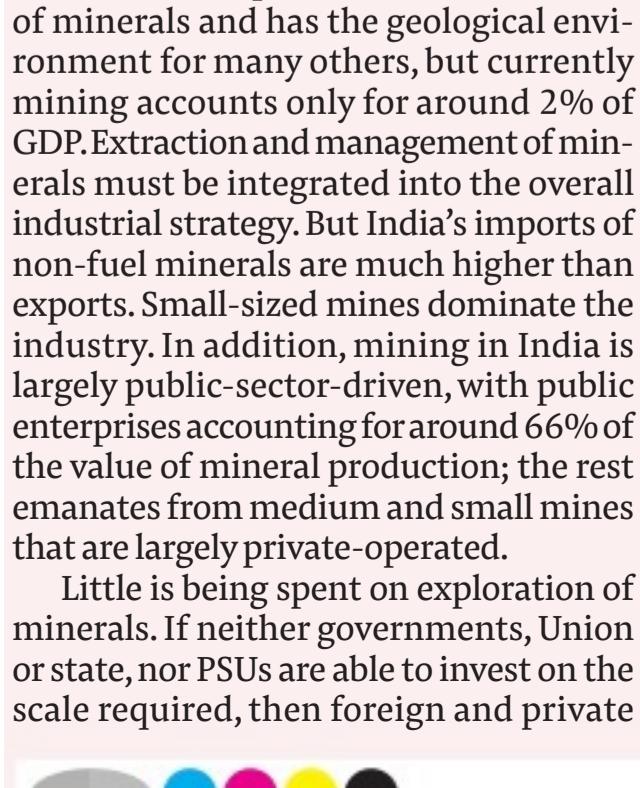
implies that the Indian Bureau of Mines and the State Directorates of Mining need to have the capacity to undertake mineral resource estimate and reserve valuations. This requires their capacity-building.

Third, mining has both backward and forward linkages; these need to be encouraged. This can be done by allowing free transfer of concessions including mining leases, and by giving a preference to value-addition and end-use when calling bids for mineral deposits. Fourth, scientific human resources including knowledge at the frontiers of geoscience has emerged as a bottleneck. India will need more mining engineers, geologists, geophysicists, geochemists and geoinformation experts. The ministry of mines estimated that up to 2025 there will be a need to equip about

3,000 geoscientists and 40,000 mining engineers over and above the normal supply (Kumar and Ganeshan, 2015).

Finally, because past mining operations had not given much attention to rehabilitation of people uprooted by mining, the MMDR Act 2015 provides for the creation of a District Mineral Foundation in every district affected by mining-related operations to work for the benefit of persons and areas affected by such operations. These foundations should deliver on rehabilitation of old mines as well as affected peoples; else, the affected will agitate and demand mines to be closed.

There is an electric vehicle (EV) demand rush that is likely to happen. There is a major implication for global demand for minerals used in EV batteries. Cobalt demand will rise five times, as will demand for copper and nickel. In a 2016 study (Council on Energy, Environment and Water), 12 most critical minerals (with high economic importance and high supply risk) for India's manufacturing growth were identified. The study says that for seven of these—and nearly half of the 49 minerals analysed—India is totally import-dependent. If India is going to bet big on EVs, then the challenge is even greater. Again, the Chinese dominance in EV-relevant minerals is overwhelming. This creates exclusive markets for Chinese battery and EV manufacturers, a situation similar to solar panels. India needs a comprehensive strategy, i.e. the role of industrial policy, in this sector.



TELLING NUMBERS

60 elephants killed on tracks in 3 years, nearly half in NF Rly

ELEPHANTS KILLED IN EACH RAILWAY ZONE, 2016-18

Northeast Frontier	28
South Eastern	13
Southern	5
Northern	4
North Eastern	4
South Western	4
East Coast	1
South East Central	1
2019	5 elephants killed until June 20

Source: Based on data table by Ministry of Railways in Lok Sabha

A TOTAL of 60 elephants died in railway accidents between 2016-18, and 5 in 2019 until June 20, according to figures tabled by the Railways Ministry in Lok Sabha on Wednesday. The number of deaths was 19 and 15 in the first two years, then rose to 26 in 2018.

Northeast Frontier Railway accounted for the highest number of deaths at 28 during 2016-18, or nearly half the total. In each of the three years, the number of elephants killed on in this railway zone, at 9, 10 and 9 respectively, was higher than in any other zone. Of the five elephants killed this year, one was in NF Railway zone and two each in East Coast and Northern Railways.

Railways Minister Piyush Goyal tabled the data in reply to a question on animals, particularly elephants, killed on railway tracks. He presented

separate data that showed over 32,000 animals other than elephants, including lions, leopards, buffalo, and cows, were killed during 2016-18, and another 3,479 in 2019 until June 20. From 7,945 in 2016, the number reached highs of 11,683, and 12,625 in the next two years. West Central Railway (11,489) and North Central Railway (10,927) accounted for the highest fatality counts.

About measures to control the trend, the ministry said an action plan has been formulated by the zonal railways along with the Ministry of Environment and Forests, which includes imposing speed limits, sensitisation of personnel, time-bound clearance of vegetation on sides of railway tracks within railway land, new ramps and underpasses for animals, and fencing.

OTHER ANIMALS KILLED ON TRACKS

Railway	2016	2017	2018	2019*
Northern	457	445	351	34
North Central	2,283	3,818	4,826	902
North Eastern	649	932	1,146	442
North Western	1,080	1,222	1,476	603
South Central	353	413	460	110
South East Central	125	225	393	118
South Western	0	0	2	4
Western Railway	24	39	45	7
West Central	2,974	4,589	3,926	1,259
Total	7,945	11,683	12,625	3,479

* Until June 20

THIS WORD MEANS

ARTIFICIAL GRAVITY

Spacecraft creating own gravity is staple of science fiction. Now, attempts to create it in the laboratory

IN FILMS such as *2001: A Space Odyssey* and *The Martian*, imaginary spacecraft generate their own gravity by spinning around in space. This is artificial gravity, which so far existed only in science fiction. Now, a team from the University of Colorado at Boulder is working on making such technology a reality.

The researchers are examining ways to design revolving systems that might fit within a room of future space stations and even moon bases. Astronauts could crawl into these rooms for just a few hours a day to get their daily doses of gravity, the university said in a statement.

The statement describes how lead researcher Torin Stark lay down on a metal

platform, part of a machine called a short-radius centrifuge. The platform begins to rotate around the room, gathering more and more speed. The angular velocity generated by the centrifuge pushes Clark's feet toward the base of the platform — almost as if he was standing under his own weight. The university described this as is the closest that scientists on Earth can get to how artificial gravity in space might work.

The group hopes that its work will one day help keep astronauts healthy as they venture into space, allowing humans to travel farther from Earth than ever before and stay away longer.

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THE EDITORIAL PAGE

The Indian EXPRESS

FOUNDED BY

RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

THE PM'S MESSAGE

His reprimand to Akash Vijayvargiya – if acted upon – promises to dent a dismal pattern of impunity

PRIME MINISTER NARENDRA MODI'S rebuke to Akash Vijayvargiya, reportedly delivered during the first meeting of the BJP's parliamentary party after it came back to power at the Centre on Tuesday, was much-needed. Akash, a first-time MLA, and son of powerful general secretary Kailash Vijayvargiya, who had assaulted a public official in Indore a few days ago, was arrested and then feted by his party-men when he was released on bail. Through it all, he remained unrepentant. The PM's disapproval will undoubtedly puncture his bluster – but it will hopefully do more. It will also pierce a climate of impunity that had been seen to settle down in the first term of the Modi government. In his first tenure, the pointed silences of PM Modi and the BJP high command at critical junctures, their lack of public disapproval or censure at displays of boorish or improper behaviour by lawmakers and members of the party and the Sangh Parivar, had rung loud. The reprimand to Vijayvargiya junior – and whatever follow-up action the party takes – hold out a welcome promise of a break with a dismal pattern, which only seemed to be reinforced when the PM's expression of anguish at Sadhvi Pragya Thakur's outrageous remarks eulogising the Mahatma's killer was followed by the BJP's disciplinary inaction.

PM Modi knows well the power of example and the symbol. In his first tenure, he evocatively and imaginatively enlivened and illustrated many of his political messages to the people. Now, action taken against the cricket bat-wielding Vijayvargiya junior, and also those who applauded his act, can drive the point home not just to the rank and file of the BJP, but also to elected people's representatives across the political spectrum: That they cannot get away with intimidating and obstructing public officials, that there will be penalties to pay if arrogant lawmakers take the law into their own hands, or are tempted to take a swing at political and constitutional propriety. Of course, in a system governed by the rule of law, it should not take the Prime Minister to draw this line. But in an environment where the systemic restraints and checks are weak, and especially after an election in which the mandate was seen to be, above all, for the PM himself, perhaps his imprimatur is needed on this message to the power-drunk MLA.

It is on the BJP now to respect the PM's word and sentiment. The party must recognise that it is, in the end, also in its own interest to do so. A significant part of its electoral success is made up of a revolt against the culture of entitlement and lack of accountability that the Congress was seen to preside over at the Centre and that has also congealed on the watch of many regional parties in the states. The BJP can ill afford to be seen to go any farther down that slippery road.

LOSING CONTROL

Both US and Iran are responsible for costly miscalculations that are contributing to escalation

TEHRAN'S ANNOUNCEMENT EARLIER this week that it has breached the 300 kg limit on the stockpile of enriched uranium – special material that could be turned into atomic weapons – marks a significant moment in the breakdown of the 2015 nuclear accord between Iran and the international community. It also increases the danger that the current escalation would lead to a military confrontation between the US and Iran. Washington and Tehran appear to be making political assumptions about each other that could turn out to be terribly flawed. Responding to Iran's decision, US President Donald Trump said, Tehran is "playing with fire" and promised to persist with the campaign of "maximum pressure" against it. Tehran is saying its breach is not a violation of the 2015 agreement but a response permitted under the accord. Iran says it is ready to reverse the decision if other signatories to the agreement (UK, France, Germany, Russia and China) restore its trading privileges.

The problem, however, is not with the legal niceties. It is the kind of political choices the two sides are making and the apparent absence of any diplomacy towards de-escalation. The Trump Administration chose to withdraw from an agreement that was widely seen as imposing fairly stringent restrictions on Iran's nuclear weapons programme. That move was animated less by concerns about the technical merits of the accord than a political desire to overthrow the Islamic Republic. Trump and his advisers bet that additional unilateral sanctions targeting Tehran's oil exports would deepen Iran's economic crisis and bring the clerical regime to its knees. Although sanctions are biting Iran hard, there is no sign that the regime's collapse is imminent.

On its part, Iran has been hoping that its threat to undo the agreement, if only incrementally, will mount pressure on the European powers. UK, France and Germany have refused to follow Washington's lead a year ago on walking out of the agreement. The Europeans want Iran to abide by the terms of the accord. But they have not been able to follow through on their promises to Tehran on finding ways to beat the US sanctions. Notwithstanding their rhetoric, Europe may not yet be ready to confront Trump on Iran. China and Russia have certainly rejected American unilateralism on Iran, but both have many other fish to fry with Washington. They may not be ready to make Iran the decisive breaking point with the US. With no significant political give by either side, Washington and Iran are likely to persist with what they see as "calibrated escalation". That is a sure recipe for losing control and sliding into a conflict whose outcomes can't be taken for granted by either side.

A THING OF BEAUTY

Rohit Sharma's craft may have hidden the fact that his numbers showcase a growing maturity

ROHIT SHARMA'S BATTING leaves you with impressions, not details. So even as his fans would struggle to recollect his 104 against Bangladesh – or any of his four hundreds this World Cup – stroke by stroke, they would vividly remember the unhurried rhythm of his exquisite late cut, or the crack of a drive than rang from his bat, or the flowing arc of those strokes.

The stress on beauty has been a blessing and a curse for Rohit. Blessing, because graceful batting is increasingly a relic. Curse, because the phrases his fans use to evoke his style – languid brilliance, casual panache, lazy elegance – all include adjectives that can be taken down and used by the prosecution. His relaxed charm and easy smile compound the offence. He's not the one to mope after losing. Hence, Rohit has been verbally dispatched to the gallows and hung for what seemingly comes across as casualness, the self-destructive proneness to smell the roses.

The beauty of his strokes is also distracting, in that it buries the revelatory numbers. However irrefutable the statistics are, they are a footnote, almost incidental to how we judge him. In the last three years, he has emerged as great a batsman as Virat Kohli. The latter has scored 4,420 runs in 68 games since the stroke of 2016. Rohit's corresponding numbers are 3,987 in 70. Considering that he's an opener, and takes on the risk of a moving new ball, those are numbers that are worth their weight in gold. Both have scored an equal number of centuries too (18). The century conversion rate is something Rohit has worked on. Since the turn of 2016, he has scored 18 in only 70 games. Before that he had managed eight in 143 games, highlighting a soaring maturity. He has smoothed the brazen edges, eschewed risk-prone strokes like the cover drive in the first hour of his innings, and is less impatient. It's time we remembered Rohit's numbers as much as we do the beauty of his strokes.

Spectrum of possibilities



RAJAT KATHURIA

Government needs to assist the telecom sector to facilitate a smooth transition to 5G

IN THE YEARS following the liberalisation of the telecom sector in India that began gingerly in 1994, the biggest barrier to private entry was a licence or the right to operate telecom services under the Telegraph Act. Licences were scarce since the government had limited their number in the same manner that licences were controlled pre-1991. So, when India allowed private players in telecom, potential investors showed extraordinary exuberance by committing huge sums of money to obtain a licence. And for several good reasons. Competition was limited to two private operators, telecom services were constrained everywhere in the country, and therefore, there was a huge addressable market.

Unfortunately, the revenue enthusiasm of the private entrants was belied, not least because tariffs for the new services were set at impossibly high levels. The Rs 156 per month rental and Rs 16.80 per peak minute tariffs encouraged subscription but not usage. Revenues did not materialise and besides, the incumbent public sector monopoly made life hard for the private sector entrants.

In 1999, the government took a "brave" decision in favour of the sector. On a collective plea by private operators, the government agreed to reduce their licence fee burden that threatened business continuity. The sector successfully migrated to the revenue-share licence fee regime that continues today. It was a courageous call then that allowed the sector to resurrect itself from the overhang of horizontal bidding. The massive growth of telecom that followed vindicated the government's decision to migrate to a licence fee regime based on a percentage of revenue. Evidence shows that the government too has benefited. Some still take the view that private entrants should have been made to pay what they bid and that they got away.

A similar predicament confronts the sector today. It is in the grip of a severe financial crisis. The migration package has been in place for two decades. Meanwhile, spectrum or airwaves that make services possible, were unbundled from the licence in 2012. This was a significant change in the operating conditions of telecom operators and one that has gone largely unnoticed. Licences are now available on tap – anyone who wishes to offer telecom services can get one. But, there's a catch. The binding constraint is imposed by the availability of spectrum – with-

out it, the licence is not worth the paper on which it is printed. Thus, the effective barrier to entry is now spectrum and not the licence. How spectrum is assigned will determine the nature and extent of competition in the market, and facilitating it is one of the primary mandates of regulators.

In this backdrop, we find the rules and the reserve prices for the upcoming spectrum auction including radio waves for 5G mobile services issued by TRAI to be incompatible with the goal of facilitating competition and market growth. In brief, the reserve prices are too high, reflect an extractive mindset, ignore the prevailing circumstances within the sector and run the risk of losing money for the government, while indefinitely compromising India's 5G adoption ability. Luckily, the Department of Telecommunications (DoT) has returned the recommendations to TRAI for reconsideration. We hope that it will. The other positive development is that the new minister has set up a committee under the telecom secretary to review levies on the sector.

This is not a brief for India's much-vaunted and at the same time vilified telecom sector. It is a recognition that the industry's debt levels have burgeoned, due in part to the enormous amounts paid for spectrum and other regulatory charges, and in part due to competition from technological disruptions via apps which have put pressure on traditional revenue streams. There are also the sectors' own indiscretions somewhere along the way, but let's keep that aside in the larger interest of what's at stake.

Regulatory bravado would advise that it is an operator problem, and if they bid high or did not anticipate or accommodate technology, they ought to deal with it. And that's the point of this piece. Give the sector a chance to deal with circumstances, but with a little bit of help. Just like in 1999.

The year 2010 was a watershed moment in the life of Indian telecoms. Until then, spectrum was administratively assigned, and thereafter by auctions. The pre-2010 administrative assignment of spectrum suffered from lack of transparency, favouritism and avoidable scandals. The Supreme Court thus ordered the government to auction spectrum for "all times to come".

Telecom auctions have unquestionably had their advantages. Usage has become efficient and the government has generated

substantial revenue. When combined with other fees such as for licences and spectrum usage charges, the government has collected Rs 4,84,198 crore since 2010-11. This amounts to over 28 per cent of the cumulative non-tax revenue receipts of the government during this period.

But auctions are also risky and the outcomes depend upon its design. The reliance on high reserve prices could be counterproductive and could result in unsold spectrum, delayed services and a permanent loss of revenue for the government. This has happened in the past. Bidder turnout, market conditions and the choice of auctioning agent are all important. We currently follow a simultaneous multi-round ascending auction method, which could be designed to produce high revenue for the government, and the auctioneer (if auctioneer fee is linked to the auction outcome), but at a cost to the sector. If this is done for the upcoming 5G auctions, India could well miss the 5G bus, or even come under it.

If the Supreme Court's diktat endures for "all times to come", we must learn to conduct spectrum auctions that balance transparency in allocation and revenue expectations for the government. The combinatorial clock auction is a popular alternative that has been tried elsewhere to reduce risks and improve efficiency. On the other hand, if we could infuse trust in administrative assignment and link spectrum allocation to market development, it can be the elixir the sector needs.

Neither is going to be easy. But when the problem is knotty, so are the solutions. We must recognise that spectrum is the new entry barrier or the manifestation of market power. No operator should be allowed to hoard or capture it. Large amounts need to be assigned on reasonable terms for 5G services to maximise the technology's potential. And we need to do it concurrently with the rest of the developed telecom markets. Else we will play catch up, like we did for 2G, 3G and 4G. And there will be no next time. The time to act is now. Else Ghalib's lament, *Hum ne maana ki taghaful na karoge lekin, khaaq ho jayenge ham tum ko khabar hote tak*, (I know you may not neglect me/ but it may be too late by the time you act) might just ring true.

The writer is director & chief executive, ICRIER. Views are personal



RAMENDRA SINGH

ARTICLE 15, starring Ayushmann Khurana, is an incisive statement against the caste system. At least that is how upper-caste audiences, or anyone who has not been at the wrong end of the caste hierarchy, would feel after watching the film. Still, a few voices have come forward against the logic of having a Brahmin hero as a torchbearer against the system that Brahmins created. But as expected, not many seem disposed to accept this argument.

That this kind of argument has always been less favoured among a certain section can be seen from the clear preference of the privileged urban upper classes (easily interchangeable with upper castes) for Mahatma Gandhi over B R Ambedkar, and the parties like the Congress and BJP over the BSP and RJD.

"It's the privileged who should challenge privilege," argues the film's director, Anubhav Sinha. Now, this could be read as a fair argument or a condescending one, depending on which side of the debate you are on. As we know, politics and culture shape one another. And Bollywood can work as a guide to Indian politics, at least on caste.

Bollywood, for all its progressive appearances and stances, has remained an industry by the upper classes and for the upper classes (and upper castes). There is no need to point out that Sinha and his co-writer, Gaurav Solanki, belong to upper castes as do Khurrana and most other actors in 'Article 15'. This is one of the reasons why the understanding of caste in

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Bollywood, for all its

THE IDEAS PAGE

The new idea of India

Clean government led by a charismatic and strong PM has redressed trust deficit between citizens and elites



MAKARAND R
PARANJAPE

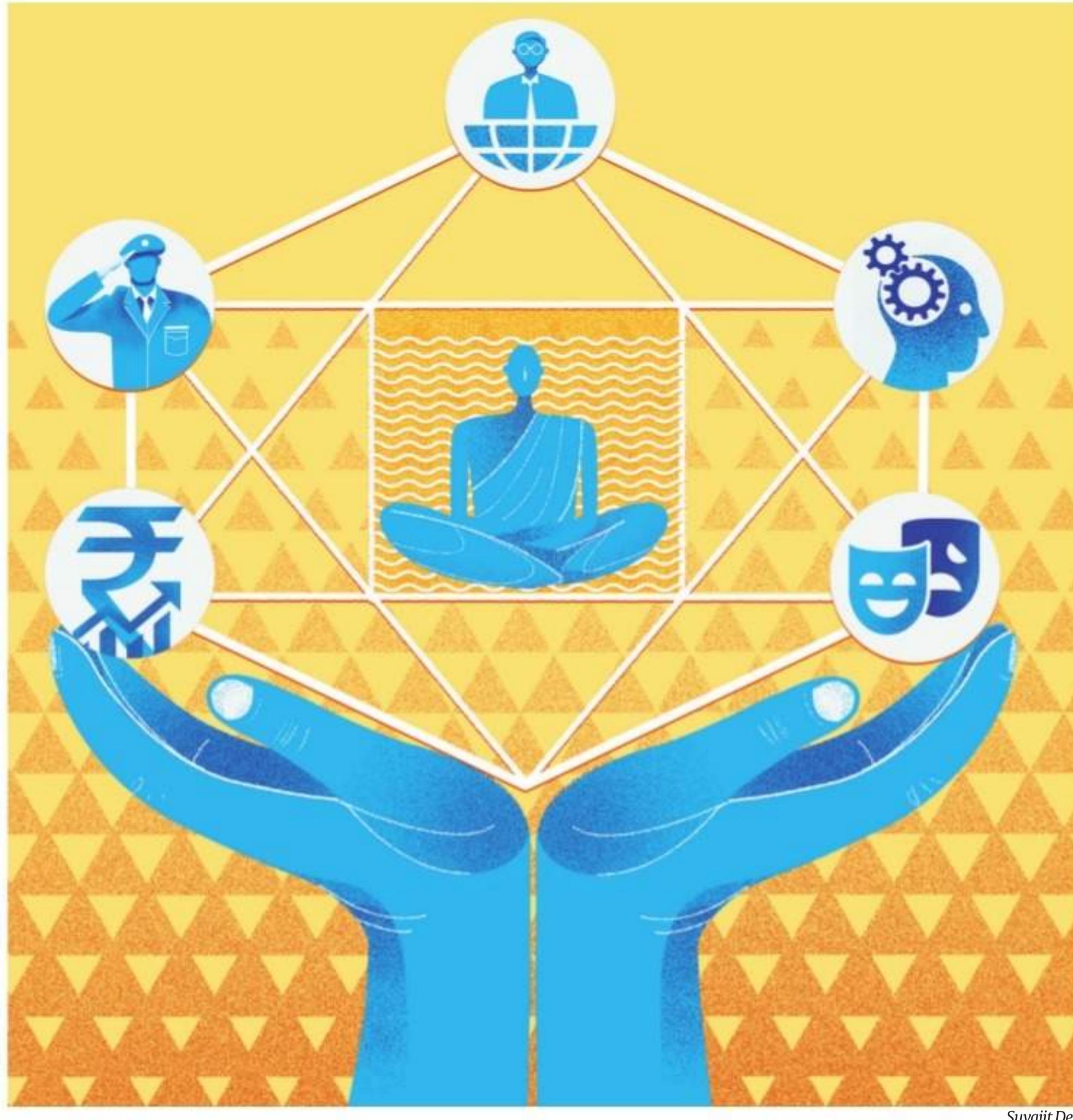
LAST YEAR, I co-curated the Pondicherry literature festival (PLF). Scheduled for August 17-19, after Sri Aurobindo's birthday on August 15, this was the first event of this scale and magnitude in the erstwhile French enclave and still picturesque Union Territory. Alliance Française de Puducherry, whose then president was my co-curator, had offered us venues as well as support. The Lt Governor of Puducherry, Kiran Bedi, had herself blessed the event and agreed to host the inaugural at Raj Niwas, a beautiful colonial mansion.

Just when everything seemed to be moving along smoothly, we encountered a series of unaccounted setbacks. Five political outfits, including some Dravidian and left parties, called for a suspension of the festival, even threatening disruption if we went ahead. The Alliance Française developed cold feet, pulling out at the last minute. On August 16, India's beloved former prime minister and a significant literary figure in Hindi, Atal Bihari Vajpayee, passed away. A three-day national mourning followed. That put paid to central government ministers and dignitaries coming to the PLF as scheduled. Events in the Raj Niwas and the French Consulate had to be cancelled. Almost miraculously, the Sri Aurobindo Society generously helped us with the venues. Our lunches and dinners at heritage properties in the white town were widely appreciated. All the other events including press conferences, book releases, readings, interactions with the public worked out better than expected. The festival was a huge success, with thousands of footfalls, not to mention stimulating panel discussions and lively interactions.

This long prelude is meant to highlight one important point. We titled the festival, "Bharat Shakti: The Pondy Lit Fest". What did we mean by Bharat Shakti and why did we select it as our title? Bharat Shakti refers to the rise of India as predicted by Sri Aurobindo. In a remarkable booklet called *Bhawan Mandir*, written in 1905 when he was in Baroda, Aurobindo urged Indians to throw out the British as an act of devotion to the nation as the Mother Goddess, Bhavani Bharati. Aurobindo also wrote a beautiful, rousing poem in Sanskrit by the latter title. In another essay, 'Is India Civilised?', he declared: "India is the Bharata Shakti, the living energy of a great spiritual conception, and fidelity to it is the very principle of her existence. For, by its virtue alone she has been one of the immortal nations, this alone has been the secret of her amazing persistence and perpetual force of survival and revival." Powerful words, indeed.

Under Modi, India has progressed more, in the real sense of the word, in five years than possibly in the whole of its previous six decades. This great transformation cannot, of course, be measured merely in economic terms, although the figures indicate that our growth rate is amongst the highest and inflation is certainly the lowest since Independence. In addition, access to government services and schemes, whether the Jan Dhan Yojana, Ujjwala, Saubhagya, Swachh Bharat, etc, has been unprecedented. A clean government led by a charismatic and strong prime minister with ministers and officials who deliver has redressed the trust deficit between the citizenry and the ruling elites. The concomitant rise of India on the world stage, thanks to the Modi doctrine, has led to a quantum leap in the respect accorded to India.

Furthermore, the improvement of both national security on the borders and reduction in crime, lawlessness, and violence on the home front suggest an era of peace and stability. Last but not the least, a new pride in our identity, culture and heritage, especially



Suvajit Dey

eral of my writings, is a watershed moment for India. To my mind, only he has understood the idea of Bharat Shakti and is therefore the best instrument to confirm and fulfill Aurobindo's augury. When Modi visited the Ashram and Auroville on February 25, 2018, I was fortunate to be present and cover the event. Before his address at Bharat Niwas, Auroville, he came forward to the edge of the stage and bowed to the audience on all sides. I was struck by the rare combination of humility and confidence, coupled with an inordinate sense of mission to lead India to new heights.

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The new nationalism that Modi 2.0 represents is Bharat Shakti in its manifold dimensions: The augmentation of India's hard power through military prowess, economic empowerment, and determined diplomacy on the one hand, combined with Soumya Shakti, the soft power of culture, spirituality, yoga, cuisine, couture, and so on, on the other hand.

The writer is director, Indian Institute of Advanced Study, Shimla. Views are personal

to the dialogue process in contrary to the legal and political position of Bharat". It credits India for isolating "the masters of Hurriyat in Pakistan", who, it says, are facing a "severe economic crisis". It says the "Pakistani stooges" have used the "Ramzan ceasefire and around Amarnath Yatra" to "engage in some form of dialogue and use it for some regrouping to perpetrate violence". It asks India to ignore the offer of dialogue and says that the Hurriyat do not hold any ground in the Valley, nor does it "represent the true voices of J&K". It quotes Syama Prasad Mookerjee saying "no compromise on the fundamental issue of complete integration of J&K" to be followed as the "cardinal principle" by India.

Panchayana too has a piece on Hurriyat's offer for talks. The Hindi magazine says that "experts believe that Hurriyat has done it out of compulsion because people are not willing to believe them anymore" and "to prevent themselves from becoming irrelevant, Hurriyat is being forced to kneel in the changed scenario".

LYNCHING CONSPIRACY

PANCHAYANA HAS devoted its editorial space to raise doubts about the lynching of Tabrez Ansari in Jharkhand, wondering if the communal tones it has been given is part of a conspiracy. "At the first instance, there are two sides to the incident," it says. Then laying

out both the sides, Panchayana mentions that first, "people taking law into their hands," and second, "a death, which is suspected to be a murder". It wonders if the possible murder was at the hands of the "police or the society... or could it be someone else?"

The magazine then succinctly provides the facts of the case saying that while Ansari was beaten up on the suspicion of theft, "but he had not suffered serious injuries". Though the police and the people are blaming each other, it says, then asks for a proper inquiry. "It should be brought to attention," it says, that Ansari's death "has given those who indulge in politics of violence and animosity an issue of their choice". Rather than seeing this crime as a crime, Panchayana states that "it has been given the colour of "Muslim ut-p�an" or Muslim oppression".

It compares Ansari's murder to other incidents of violence where the victims were Hindu and comments "it is easy to intensify a crime by dividing it on the lines of sections, religion or caste, but solving them is tougher". It wonders if society is losing faith in the justice system or obstacles in the path to justice have given birth to anger. It says the so-called intellectuals who see issues of beef, etc are as dangerous those who take up the role of "Robin Hood" and take action on the spot.

MOOKERJEE TRIBUTE

THE COVER story of Organiser is on Syama

Prasad Mookerjee, the founder of Bhartiya Jana Sangh, which preceded the BJP. Mookerjee's 66th death anniversary fell on June 23 and the report starts from BJPs acting president JP Nadda's recent comment that "the whole country demanded an inquiry into Dr Mookerjee's death" but was ignored by the first prime minister, Jawaharlal Nehru.

"It was not just Nehru but Sheikh Abdullah, who was the main culprit in this suspicious death got away with this colossal injustice done to the illegally detained political prisoner who stood for the unity and integrity of the nation". The package quotes from several stories printed in the magazine at the time of Mookerjee's death in 1953.

It also reprints a piece authored by Mookerjee himself, a couple of months before his death in Srinagar titled "Let Nehru pause and ponder". In the article, focusing on Kashmir, Mookerjee wrote that no unit had the right to secede from India. He says: "Our objective is not only to espouse the cause of the people of Jammu and Kashmir but also to resist the increasing intolerance and megalomania of the present leadership in Delhi and Srinagar which, if unchecked, may sound the death knell of democracy in India. Through sacrifice and suffering and peace resistance we expect to rouse the consciousness of the people before which the proudest dictator must bend."

Compiled by Krishn Kaushik

WHAT THE OTHERS SAY

"The awkward end to the match has been just as much of a dampener for Pakistani fans who in a rare instance had backed India against England to brighten their own team's chances of reaching the semi-finals."

—DAWN

Our electricity future

The poor must be included as change agents in the roadmap for clean energy

ASHWINI K. SWAIN,
ANNA AGARWAL &
PARTH BHATIA

THE UNION POWER minister has asserted the government's commitment to an electricity future with uninterrupted supply for all, increasingly from renewable energy sources. Simultaneously, institutional rearrangements are being pushed to enable a transition to this future. Will the poor be a part of this electricity future, with reliable supply and from cleaner sources? The answer depends on how they are placed — as welfare beneficiaries or change agents.

Making the poor a part of this electricity future will require a shift in India's approach to electricity access, away from "redistributive welfarism" that prioritises subsidised costs for the poor at the cost of quality of service. In a policy note produced at the Centre for Policy Research — "Beyond Poles and Wires: How to Keep the Electrons Flowing?" — we suggested an agenda going forward.

The immediate priority is to better target central aid for the poor. We identify three ideas that build and improve existing programmes, and should be prioritised by the Ministry of Finance in making budgetary allocations. All are important for ensuring the welfare of the poor.

Shifting agricultural demand to solar energy is a justifiable goal. It helps the farmers with day-time supply, reduces seasonal peak for discoms, and reduces subsidy burden on the discoms and states. Despite sustained central aid for solar pumps, only about two lakh units are deployed. Slow uptake is caused by farmers' inability to pay their share, states' reluctance to contribute their share and delay in subsidy payment inflating the costs.

Earlier this year, the government approved the 'Kisan Urja Suraksha evam Utthaan Mahabhiyan' (KUSUM) with Rs 34,422 crore central aid which seeks to harness 25.75 GW solar capacity for agricultural use. KUSUM offers 30 per cent of benchmark cost as central aid and requires the states to match with 30 per cent subsidy. The farmers can finance another 30 per cent of the cost, which will be paid through monthly instalments, and they have to make a one-time payment for the remaining 10 per cent. Given the state of agrarian distress, farmers who have already invested in pumps have neither the incentive nor the ability to pay their share. The monthly instalments are an additional burden.

The way forward must build on a partnership of the beneficiaries, including the Centre, the states, discoms and farmer communities. Maharashtra chief minister's Solar Agriculture Feeder Programme provides a useful template. This model eliminates fiscal burden on farmers and assures reliability of supply with grid connectivity. Moreover, it retains the control on supply duration to manage groundwater withdrawal, which is lost in standalone solar pumps. The Centre must put focus on scaling up.

The Centre should extend financial aid to expand and expedite the National Energy Efficient Fan Programme, with some cost-sharing for low-income households. It will reduce highly subsidised consumption and thus help the discoms reduce their subsidy burden, while helping the poor to access basic cooling facilities. With the rising incidence of heatwaves, making efficient fans affordable for the poor has welfare benefits and contributes to the sustainability agenda.

India's electrification programmes have always targeted the poor, but as welfare beneficiaries. These suggestions are a step towards empowering them to be change agents in shaping the electricity future.

Swain and Agarwal are fellows, and Bhatia is a senior research associate at the Centre for Policy Research

LETTERS TO THE EDITOR

LISTEN TO PM

THIS REFERS TO the report, 'PM on Vijayvargiya Junior: No matter whose son, behaviour unacceptable' (IE, July 3). In an obvious reference to the incident where BJP National General Secretary Kailash Vijayvargiya's son, Akash, had beaten up a municipal corporation official, Prime Minister Narendra Modi has said that misbehaviour and arrogance is unacceptable. The vital question is whether the BJP leader will listen to Modi and set an example by expelling the power-drunk Akash Vijayvargiya.

MC Joshi, Lucknow.

ASSET QUESTION

THIS REFERS TO the article, 'The budget's dilemma' (IE, July 3). Public assets cannot be properly utilised with a lackadaisical attitude. BSNL has spilled the beans about the government's apathy towards it vis-a-vis Jio. Also, we have so much fragmented land without proper records. A recent heavy industry ministry report states that about 90 per cent of PSUs barely generate any surplus capital and yet, the government is still clinging to these. Smarter monetisation of public assets requires serious brooding.

Isha Shukla, via email

ter becoming an MP, created a record of sorts — maximum days of absenteeism from the House.

Arun Malankar, Mumbai

THIS REFERS TO the editorial, 'After the hand-pump' (IE, July 3). MP Sunny Deol's act of delegating his parliamentary duties to Gurpreet Singh is devoid of sense. He should realise that after winning the elections he is not expected to behave like a film star but function as an MP. He cannot shirk his responsibilities.

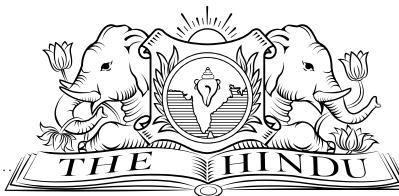
Sanjay Chawla, Amritsar

LETTER OF THE WEEK AWARD

To encourage quality reader intervention, The Indian Express offers the Letter of the Week award. The letter adjudged the best for the week is published every Saturday. Letters may be e-mailed to editpage@expressindia.com or sent to The Indian Express, B-1/B, Sector 10, Noida-UP 201301.

Letter writers should mention their postal address and phone number.

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Power play

BJP senses an opportunity to return to power in Karnataka through a series of defections

With two MLAs of the Congress resigning from the Karnataka Assembly, it is clear that horse-trading to pull down the State government is under way. The BJP is not just waiting in the wings; it is actively trying to re-enact a script it has perfected over a decade and more. The resignations of Vijayanagar MLA Anand Singh and Gokak MLA Ramesh Jarkiholi can only be seen as a replay of a strategy the BJP used earlier, luring Opposition MLAs to resign from the Assembly, thereby forcing by-elections. The BJP's confidence in winning the by-polls stems from its spectacular showing in the Lok Sabha election. The party is yet to reconcile itself to the role of the Opposition after having emerged as the single largest party in the May 2018 Assembly election. At 105 seats in the 224-strong House, it was eight short of a simple majority and began plans to manoeuvre its way to power. The BJP appears to be convinced that the time is ripe for a strike, both because of its success in the parliamentary election and the disenchantment in the Congress over the alliance with the JD (S). If enough number of coalition MLAs resign, the BJP could claim a majority with its present strength in an Assembly of reduced strength, and by-polls could follow. The Congress-JD(S) coalition could be facing a stormy Assembly session, scheduled to begin on July 12.

A Karnataka model had come to inspire non-BJP parties nationally after the formation of the coalition government. The Congress decision to concede the Chief Minister's position to junior partner JD(S) in order to prevent it from joining hands with the BJP was remarkable. But it was also remarkable for its opportunism. Instability is inherent in coalitions led by smaller partners, but the present contradictions in the Congress in Karnataka, the only southern State where the party is face-to-face with the BJP, have another dimension. Legislators yearning for positions of power is nothing unusual, but they usually think twice before crossing over to a different party. The skills of leaders and claims of a larger purpose, however meagre those may be, are factors that hold together vastly divergent ambitions within a political party. The Congress is lacking in these aspects and is paying a heavy price. If power is the only glue, it is natural that legislators who are denied ministerial berths would rebel. The party still enjoys significant public support in Karnataka, as was demonstrated in the local body elections weeks after its rout in the Lok Sabha election. The Congress cannot lend itself to brazen business and rent-seeking rivalries that overshadow politics in Karnataka. If the party and its coalition survive the current turmoil it will still be only a hiatus. Their long-term survival will be even more challenging, requiring an ideological reorientation and commitment to addressing the people's larger livelihood concerns.

Mumbai marooned

Despite past experience, the metropolis remains unprepared for the monsoon

Mumbai once again struggled to stay afloat after the first heavy spell of rain this year, bringing back memories of the July 2005 flood. Each massive rainfall event is making it evident that the city is putting on a brave front and projecting resilience, but the failure of the Maharashtra government to upgrade its tattered infrastructure is taking a heavy toll and weighing down on the financial capital. A single day of rain has killed 22 people in a wall collapse in north Mumbai, while many more died in Pune and elsewhere. In Ratnagiri, a dam gave way creating a catastrophe; flights have been cancelled and normal life is affected. Clearly, the State government should have regarded the 94 cm of rain that paralysed Mumbai in one day 14 years ago as the baseline disaster to prepare for. That it could not manage 37 cm in 24 hours, that too after incurring a massive expenditure on management projects, shows a lack of resolve among political leaders, rampant inefficiency and lack of integrity in the administrative machinery. As one of the wettest metropolises in India getting about 210 cm of rain annually, it should have been a top order priority to restore rivers and canals to manage floods. The government of Chief Minister Devendra Fadnavis needs to explain why Mumbai is yet unprepared to cope, especially when rainfall is projected to become erratic in coming years, and when scientific insights point to intense rainfall in a short span of time, driven by warmer oceans and hotter cities.

In a recent report, the Comptroller and Auditor General identified prolonged delays in the upgrading of storm water drain infrastructure in Mumbai. On the other hand, after the deluge of 2005, the consensus was for the flood-carrying capacity of the Mithi river in the city to be increased. But the choked and polluted river was again overflowing this year. Beyond the sclerotic management of flood waters that relies on storm drains in Mumbai, and several other Indian cities, there is a need for a new urban paradigm. For one thing, Mumbai, Thane, Ratnagiri and Raigad have, during the last century, displayed a high seasonality index, indicating a relatively small monsoon window bringing a lot of rain. This is in contrast to steady, prolonged rain in the central districts in Maharashtra. So a new climate change-influenced normal could mean fewer days of torrential rain and erratic monsoons. Managing them calls for a new approach that is ecological, and makes restoration of existing urban wetlands and creation of reservoirs and water channels a high priority. The water question is the biggest challenge for Indian cities today, as both drought and flood are common. State governments should give it priority and address it by making urban planning people-centric. A strong framework is needed to manage water, starting with Mumbai.

Hurdles, ideas and silver linings

The economy needs a stimulus and the Budget has to push for growth while ensuring fiscal responsibility



RAGHUVIR SRINIVASAN

Faltering GDP growth, a consumption slowdown, a truant monsoon that has already hit kharif sowing, global trade tensions and a freeze in the credit market that has set alarm bells ringing across the financial system. This is the backdrop to the maiden Budget of the Finance Minister, Nirmala Sitharaman.

Walking a tightrope

The Minister has had less than a month to work on this crucial Budget which is expected to work its magic on the economy. Ms. Sitharaman's position is untenable. She has to push for growth, which means stimulus measures, but also stay fiscally responsible, which means sticking to the fiscal deficit glide path. This balance is almost impossible to achieve in an environment where tax revenues do not offer enough support for a stimulus package.

The questions before Ms. Sitharaman are simple: Should she opt to stimulate consumption in the economy even if it means putting the fiscal deficit glide path in temporary cold storage? If yes, what is the best way to do that?

Following from the above are subsidiary questions such as these: Will the resultant higher borrowings crowd out the private sector borrowers and push up market interest rates at a time when the monetary authority is driving rates down? What will be the impact on inflation? Should the stimulus be in the form of cutting taxes and putting more mo-

nies in the hands of the consumer? Or should it be in the form of even higher spending on infrastructure that will have definite fiscal spin-offs? And what about welfare spending? The government has already announced an expansion of the Pradhan Mantri Kisan Samman Nidhi Yojana that will take away ₹87,500 crore this fiscal. And there are many other pet schemes of this government that need to be funded.

Ground realities

To be sure, the answers are not easy. But just consider these. GDP growth fell to 5.8% in the fourth quarter of 2018-19, with important industry segments reporting a fall in growth. Sales of automobiles, the bellwether for the larger economy, has been sliding since October last year and in the first quarter of this fiscal, sales volumes are down by about 18%. Fast moving consumer goods, two-wheeler and consumer durables manufacturers are all reporting dull rural sales.

Real estate and construction, one of the biggest job creators in the economy, have been in stupor for several months and are a direct cause of the credit freeze in the markets now. It is clear that the bottom has fallen off consumption demand, something reflected in the annual results of a host of companies in the consumer sector.

Given these, there is little doubt that the economy needs a stimulus. The downside to the government embarking on this path is clear. Direct tax revenue growth failed to meet budgeted levels in 2018-19, falling short by ₹82,000 crore from the target of ₹12 lakh crore. Goods and Services tax collections, though rising, are still not stabilising at the required level of between ₹1,00,000 and ₹1,10,000 crore a month.



It will be next to impossible for the government to meet its overambitious tax estimates in the interim Budget for 2019-20. And then there are the bills to pay from last year to the Food Corporation of India and a couple of other public sector undertakings which helped the government 'achieve' the fiscal deficit target last year.

Pros and cons of options

There are a few options that the government can consider for off-balance sheet financing. First, go big on asset sales. The interim Budget had earmarked ₹90,000 crore from disinvestment but if the government is able to successfully pull off the Air India sale, it would be almost half-way there. There are a host of other government companies that can be sold off to raise the targeted proceeds.

Second, a one-time transfer from the Reserve Bank of India's reserves, which is under the consideration of the Bimal Jalan Committee. However, if reports of the committee's deliberations are to be believed, it may be futile for the government to hope for a major windfall here. The committee will anyway submit its report well after the Budget is presented.

Third, 5G spectrum auctions. While there is reason to hope for some support here, it is unlikely that it would materialise this fiscal. The telecom companies are still

licking their wounds from the combined effect of past excesses and bruising competition in the market. Their appetite, as it is, is poor for any more spectrum. So pushing through a ₹5G auction now would be disastrous.

That leaves us with just one option – that of increasing borrowings which will, of course, mean curtains for the fiscal deficit target of 3.4% this fiscal. Higher government borrowings may elbow the private sector borrowers out.

Increased borrowings by the government will have the unintended negative consequence of pushing up market rates which is something that the government would not desire. And then, of course, there will be questions to answer from Standard & Poors and Moody's which are certain to take a dim view of the fiscal indiscretion.

But then there is some good news too. Thanks to the recent directive of the stock market regulator, the Securities and Exchange Board of India directing mutual funds to put away 20% of their liquid scheme investments in government securities, a new market opens up for the government. Whether it is deep enough to absorb the increased borrowings is a matter of detail but it can certainly cushion the market to some extent.

Second, yields on government securities are at around 6.82% currently. So even a 10 or 20 basis point rise due to higher borrowings may not cause much dissonance. The market is aware of the difficult circumstances now and should be able to take this in its stride.

As for the ratings agencies, the government needs to be in dialogue with them, reiterate its commitment to fiscal discipline and reassure them that this is a tem-

porary aberration.

On stimulus

So, once the decision is made to be accommodative, Ms. Sitharaman's problem will be to identify the best way to impart stimulus. There are two choices – either to cut taxes and let consumers to go out and spend the excess. Or just borrow and spend on asset creation in infrastructure. Given that there is a serious slowdown in consumer-facing sectors, the better option may be to put more money in the hands of consumers.

A good option to consider would be adjusting income tax slabs and increasing deductions under Section 80C which is a measly ₹2 lakh now. Better still would be to increase the interest deduction for housing loans which would also give a boost to the real estate market. These measures would run counter to the reform objective of easing out all exemptions and lowering rates. But then that is under examination by the Direct Tax Code (DTC) panel; the concessions given now will automatically become a temporary measure assuming that the DTC is soon implemented.

The fall in tax revenues from the concessions will be eventually made up downstream from indirect taxes if consumers spend the extra money in their hands. The choice to borrow and spend is indeed a difficult one but in the current circumstances this may be inevitable. Fiscal conservatives are bound to frown at this and there would be dire warnings of the consequences of not adhering to the fiscal deficit commitment. The best answer is that this government now has five years to make up for the indulgence. Will Ms. Sitharaman go the whole way?

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The primacy of the elected

The questions the constitutional crisis in Puducherry raises are fundamental to the concerns regarding federalism



MATHEW IDICULLA

The return of the Bharatiya Janata Party-led National Democratic Alliance government in 2019 with a resounding majority in the 17th Lok Sabha raises pertinent questions about the future of federalism in India. Will a "strong" Union government which does not require the support of "regional" allies be detrimental to the interests of States? While the Prime Minister has often invoked the need for "cooperative federalism", the actions of his government in its first term sometimes went against this stated ideal. These include dismantling the Planning Commission and transferring its power to make state grants to the Finance Ministry; introducing terms of reference to the Finance Commission which threaten to lower the revenue share of the southern States; and the partisan use of the Governor's office to appoint Chief Ministers in cases of hung Assemblies.

The most blatant abuse of power was the imposition of President's Rule in Opposition-ruled Arunachal Pradesh and Uttarakhand, decisions the Supreme Court subsequently held as unconstitutional. Further, through the Lieutenant Governor (LG), the

Centre ran a protracted war with the Delhi government which brought its administration to a stalemate until the Supreme Court affirmed the primacy of the elected government. A similar long-running battle between the LG and Chief Minister of Puducherry has now reached the Supreme Court. This case will further test the strength of Indian federalism in the Modi era.

Distinct provisions

Since the appointment of Kiran Bedi as the LG in May 2016, Puducherry Chief Minister V. Narayanasamy has protested her continual interference in the daily affairs of the Puducherry government and running an alleged parallel administration. The Union Government, in clarifications issued in January and June 2017, further bolstered the case of the LG. When this was legally challenged, the Madras High Court quashed the clarifications issued by the Union government and ruled that the LG must work on the aid and advice of the Council of Ministers. It held that the executive power of the NCT government is co-extensive with the legislative power of Delhi's Legislative Assembly and the LG must follow the decisions of the cabinet on all matters where the Assembly has the power to make laws.

Puducherry, like Delhi, is an Union Territory with an elected legislative Assembly and the executive constituted by the Lieutenant Governor and Council of Ministers. However, Puducherry and Delhi derive their powers from distinct constitutional provisions. While Article 239AA lays out the scope and limits of the powers of the legislative assembly and council of ministers for Delhi, Article 239A is merely an enabling provision which allows Parliament to create a law for Puducherry. Interestingly, while Article 239AA restricts Delhi from creating laws in sub-



case, a five-judge Bench unanimously held that the Chief Minister and not the Lieutenant Governor is the executive head of the NCT government, and that the LG is bound by the aid and advice of the Council of Ministers. It held that the executive power of the NCT government is co-extensive with the legislative power of Delhi's Legislative Assembly and the LG must follow the decisions of the cabinet on all matters where the Assembly has the power to make laws.

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jects such as police, public order and land, no such restriction exists for Puducherry under Article 239A. In fact, the Government of Union Territories Act, 1963 which governs Puducherry vests the legislative assembly with the power to make laws on "any of the matters enumerated in the State List or the Concurrent List". Hence, the legislative and executive powers of Puducherry are actually broader than that of Delhi.

After analysing the laws and rules governing Puducherry, the Madras High Court held that the LG has very limited independent powers. Under Article 239B, the LG can issue an ordinance only when the Assembly is not in session and with the prior approval of the President. If there is a "difference of opinion" between the LG and the cabinet on "any matter", like in Delhi, the LG can refer it to the President or resolve it herself if it is expedient. However, the Supreme Court in the NCT Delhi case held that "any matter" shall not mean "all matters" and it should be used only for "exceptional" situations. Hence, there is no legal basis for the LG to exercise powers independently and bypass the elected government of Puducherry.

Respecting federalism

Ultimately, the question is whether state actions should respect the underlying principles of democracy and federalism. Why should a legislative Assembly be elected and a Council of Ministers ap-

pointed if actual powers are independently exercised by an unelected nominee of the Centre? The Supreme Court, in the NCT Delhi case, rightly employed a purposive interpretation of the Constitution to hold that since representative government is a basic feature of the Constitution, the elected government must have primacy. Given this precedent and the fact that Puducherry has lesser legal restrictions on its powers, the Supreme Court should uphold the Madras High Court judgment and ensure that the LG acts only as per the aid and advice of the elected government.

Perhaps because of its distance from Delhi, small area and relatively low political heft, the constitutional crisis in Puducherry has received far less attention than it deserves. However, the questions it raises are fundamental to the concerns regarding federalism in India. While Puducherry may not be a "State" under the Constitution, the principle of federalism should not be restricted to States but also include the legislative Assemblies of Union Territories and, arguably, councils of local governments. As more centralising measures such as simultaneous elections to Parliament and State Assemblies are being proposed by the Centre, it is important to reaffirm the values of federalism at every forum.

Mathew Idiculla is a research consultant at the Centre for Law and Policy Research, Bengaluru

LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

Lip service

Prime Minister Narendra Modi's warning that he would not tolerate arrogance and misbehaviour is just lip service and, in reality, he wouldn't take any action against erring members, as can be seen from his past record (Page 1, "Won't tolerate bad behaviour, PM Modi warns BJP members," July 3). He maintained studied silence against legislators following the Kathua and Unnao rape incidents and numerous attacks by cow vigilantes. He never condemned remarks by leaders from his party like Yogi Adityanath, Jayant Sinha and Pragya Thakur. It is futile to expect such action from him now. KSHIRASAGAR BALAJI RAO, Hyderabad

Trump's Korea gambit

U.S. President Donald Trump's off-the-cuff personal diplomacy is an excellent way to bring some thaw to a frozen relationship (Editorial, "Trump in North Korea," July 3). One only hopes that this leads to meaningful dialogue and the two countries move away from their rigid positions on denuclearisation and sanctions relief to strike a middle path. KOSARAJU CHANDRAMOULI, Hyderabad

Unrealistic goal

Prime Minister Narendra Modi's goal of a \$5 trillion economy by 2024 seems to be unrealistic (Editorial page, "Not by wishful thinking," July 3). India has to grow at an annual rate of

13%, which is impossible without an increase in agricultural productivity

and transfer of semi-skilled labour from agriculture to other sectors. Escalating trade tensions, stagnant exports and low consumer demand are among the challenges in our path. A.G. RAJMOHAN, Kottayam, Kerala

Health-care woes

Pathogens cause disease in general but it is poverty that causes disease in India (Op-Ed page, "Health care's primary problem," July 3). Many patients visiting the tertiary health-care institutions are from rural areas who cannot afford private medical care. Policymakers can bring down their numbers by equipping better the

Primary Health Centres and Community Health Centres – an astonishing number of them are poorly manned and resourced. As long as apathy plagues the decision-makers, it would be futile to expect any positive change.

A.G. RAJMOHAN, Kottayam, Kerala

Sunny's representative
Bharatiya Janata Party (BJP) MP Sunny Deol's act of appointing a 'representative' to attend meetings and follow up on important matters on his behalf is not only strange but also unheard of (News page, "Sunny Deol appoints representative, draws ire," July 3). Mr. Deol, an actor who has played macho roles, is trying to assume a larger-than-life image as a

politician. Fortunately, he has not so far authorised the 'representative' to attend the Parliament and take part in the deliberations on his behalf.

C.G. KURIAKOSE, Kothamangalam, Kerala

Policeman suicides
The article, "Why policemen kill themselves," (July 3) has sensitised readers to the high emotional costs borne by our country's police

CORRECTIONS & CLARIFICATIONS:

A report headlined "LCA Tejas drops fuel tank on farmland in Coimbatore

Hindutva's onward march in Kerala

The growth is not just ideological, but can also be clearly seen in electoral terms



P.K. YASSER ARAFATH

Secular and democratic Malayalis are hoping that Hindutva will continue to remain undesirable in Kerala, where the Bharatiya Janata Party (BJP) got no seats in the 2019 parliamentary election. Political commentators and non-Hindutva Malayalis are busy providing a long list of factors that ensured the BJP's defeat in the State. These include 'enlightenment', 'education', 'political awareness', 'progressiveness', and 'strong communist sensibilities'. In the process, the argument for a rethinking of Hindutva and an understanding of its everyday growth amongst the upper castes and new upwardly mobile social groups has effectively been contained.

A different trajectory

Unlike many northern States where Hindutva has been making consistent electoral inroads, its growth in Kerala has a slightly different trajectory. In Kerala, ideological Hindutva took precedence over electoral Hindutva. And in the process, it built a cohesive network of informed loyalists across the State. From the formation of the Hindu Mahasabha in the first quarter of the 20th century to the present, Hindutva has been successful in ideologically shaping a substantial section of the Hindu middle class in the State. Starting with disgruntled elites, former ruling households and landed aristocracy in the 1940s, Hindutva managed to reach out to middle class entrepreneurs by the 1970s. Over the last 20 years, it has been successful in attracting a significant section of aspirational lower/intermediary caste groups like the Ezhavas. However, people overlook how Hindutva has made steady electoral inroads into the State over the last 15 years.

A microanalysis of the National Democratic Alliance/ BJP vote share in Kerala in the last three parliamentary elections questions the Malayali euphoria. Electoral data show that if Hindutva can sustain its current acceptability among the larger Hindu



"The 'poach Northeast' policy, which successfully attracted a significant number of Christian religious outfits and leaders, is being attempted in Kerala too." A BJP campaign in Thiruvananthapuram. ■ S.GOPAKUMAR

population, Kerala is only 10 years away from what West Bengal has become today, where Hindutva has established its strong presence after working patiently for more than a century. In the 2009 parliamentary election, the BJP alone secured more than 10 lakh votes in Kerala (6.31% of the total votes polled). With no 'wave' in sight and the BJP's chances in every single parliamentary constituency being zero, each voter in this 10 lakh block stood testimony to the ideological reach that Hindutva made after a hundred years of beginning its work since the early 20th century.

A better picture emerges when we take a closer look at the total vote share in Kerala, where Muslims and Christians constitute over 45% of the population. If we assume that the bulk of the votes was from the Hindu community, as the BJP is seen as a Hindu majoritarian party, and that Muslims and Christians had little reason to vote for the BJP in 2009, then the BJP actually secured more than 11% (around 10 lakh votes) of the total Hindu votes (around 90 lakh), who constituted 55% of the total voters,

numbering around 1.65 crore. Thus, the popular perception of the BJP's 6.31% votes in 2009 does not reflect the appropriate picture of Hindutva's electoral and ideological growth in Kerala. Going by the same logic, in 2014, the BJP alone secured 19% (around 19 lakh votes) from the Hindu majority electorate (around 1 crore), jumping from the previous 11%. However, political analysts continue to assert that the BJP only secured 10.33% vis-a-vis the total votes polled in the State.

The results of this general election show a tremendous inclination among the majority of voters to adopt the social, moralistic, and ideological sensibilities of Hindutva. The BJP-led NDA secured around 32 lakh votes from this constituency of voters (over 1.11 crore), who comprised about 50% of the total polled votes (around 2.3 crore). Such a shift is quite an eye-opener in the wake of massive resentment in the State against the Modi government's lukewarm response to the devastating floods in Kerala and its aftermath in 2018. The Hindutva mood in the State seems to have enhanced as the

This growth rate can be further strengthened if Hindutva succeeds in building what can be termed the 'Christian electoral corridor' in southern Kerala with the support of a number of prominent Christian notables in the NDA such as Alphons Kanthanathan, P.C. George, Tom Vadakkan and P.C. Thomas.

Clearly, the 'poach Northeast' policy, which successfully attracted a significant number of Christian religious outfits and leaders over a period of time, is being attempted in Kerala too.

P.K. Yasser Arafath is Assistant Professor, Department of History, University of Delhi

Not a bloodless option for India

A cyberattack may not prove to be a feasible retaliatory measure for strategists in New Delhi

SIDHARTH KAPOOR

Amidst U.S.-Iran tensions, an American drone was shot down by Iran's Islamic Revolutionary Guard Corps in June. President Donald Trump delivered a customary response on Twitter stating that Iran had made a "very big mistake". A military strike was planned, and even authorised, but later called off by Mr. Trump who apparently favours bloodless wars.

In pursuance of this bloodless war, the U.S. cybercommand conducted online attacks against Iran. It is speculated that the strikes targeted Iran's military command and systems such as those that control Iran's missile and rocket launchers. In this context, a general question that arises is: Can India conduct such retaliatory attacks?

After every terror attack, India has few kinetic options to retaliate. Primarily, they comprise air strikes, ground-based surgical strikes, stand-off strikes from inside the border and covert operations. Additionally, there is the option to impose diplomatic pressure on Pakistan.



The implicit criteria

Following India's response against Pakistan, especially on the past two occasions, a few implicit criteria relating to the handling of the aftermath of an operation can be deduced. It is necessary to meet, or foresee the meeting of, these criteria before any operation is incorporated into India's arsenal of retaliatory options. It is pertinent to note that these criteria are not in the context of the operational requirements of the Indian armed forces. The criteria are: pre-emption, non-military nature, and deterrence.

It is, however, noteworthy that the dependency of terrorist groups on computers, networks and the Internet has increased. Various, if not all, terrorist groups use the Internet for propaganda. This can certainly be curtailed by any necessary cyberoperation. Most importantly, such an operation should not be a 'retaliatory operation' but a 'regular operation'.

A cyberattack can certainly be an option when the situation changes, and India decides to act against providers of safe haven to terrorists. In such instances, the Pakistani establishment might be targeted beyond diplomatic pressures. The ability of the Indian armed forces to conduct such cyberstrikes is not completely known, and rightly so, given that disclosure of such details would take away the element of surprise.

The writer is a researcher at the Observer Research Foundation

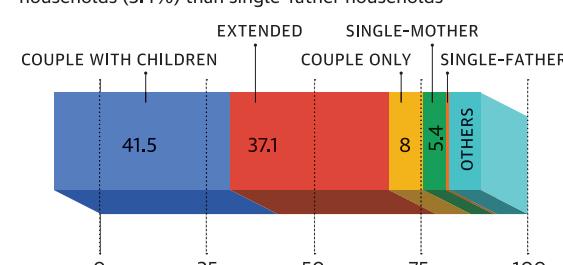


DATA POINT

Families & the gender divide

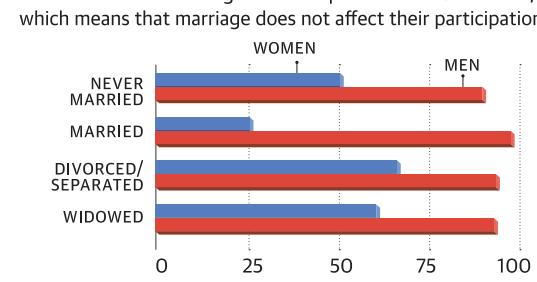
Society dynamics

Nuclear families (couple with children) form the highest % of households. Extended families (one or more parents or relatives) are also common. There are more single-mother households (5.4%) than single-father households



Participation in the workforce

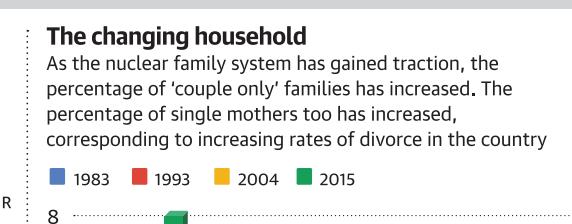
Over half the unmarried women aged 25-54 are part of the labour force. This proportion halves when they are married, possibly due to family constraints or requirements. A higher % of married men than single men are part of the labour force, which means that marriage does not affect their participation



Source: UN Progress of the World's Women, UN Household Composition DB

The changing household

As the nuclear family system has gained traction, the percentage of 'couple only' families has increased. The percentage of single mothers too has increased, corresponding to increasing rates of divorce in the country



Global low

Central and Southern Asia have the lowest % of women in the labour force, irrespective of their marital status. All the figures indicate % of women who are part of the workforce

Region	Married/In union	Divorced/separated	Never married
Central and Southern Asia	29.1	65.2	50.5
Eastern and Southeastern Asia	74.4	83.7	87.1
Europe and Northern America	78.2	86	84.7
Latin America and the Caribbean	60.3	80.7	77.7
Sub-Saharan Africa	73.8	75.6	64.3

A scheme for farmers that has not reached most farmers

PM-Kisan is limited in both scope and implementation



BJP used the Sabarimala issue to expand its electoral and ideological base. Thus, the NDA's 32 lakh votes in 2019 shows a significant increasing section of the Hindu electorate preferring the BJP's ideology despite demonetisation, the Goods and Services Tax, unemployment, the Modi government's antipathy towards the State, and the presence of strong and consistent anti-Hindutva narratives in the State.

The micro details of these three elections clearly show that the BJP has been growing rapidly fast among the majority electorate. With this growth rate, which is most likely to persist, the Sangh Parivar is not far away from garnering about 50% of the majority electorate in the next 10 years. The argument about this possibility can also be supported by a survey by the Lokniti-Centre for the Study of Developing Societies (CSDS) which clearly shows how the NDA successfully secured more than 38% of the upper caste vote in Kerala in 2019. An undivided 50% from the majority electorate would definitely help Hindutva make strong electoral inroads into Kerala as it happened in West Bengal.

Launched by the Centre at the end of its previous tenure and made effective retrospectively from December 1, 2018, the measure is a necessary state response to assuage agrarian unrest. The scheme's original objective, to "supplement financial needs" of the country's Small and Marginal Farmers (SMFs) and to "augment" farm incomes, has now been broadened to include all categories of agricultural landowners. This expansion would benefit an additional 10% of rural landed households.

PM-Kisan offers ₹6,000 a year per household in three instalments. Broadly speaking, this amounts to only about a tenth of the production cost per hectare or consumption expenditure for a poor household. Hence, though what the programme offers is meagre, it promises some relief to poor farmers by partially supplementing their input costs or consumption needs.

Not linked to land size

The cash transfer is not linked to the size of the farmer's land, unlike Telangana's Rythu Bandhu scheme, under which farmers receive ₹8,000 per annum for every acre owned. While landless tenants have been left out in both the schemes, the link with land size makes the support provided by the Telangana scheme more substantial. PM-Kisan also falls short of Odisha's Krushak Assistance for Livelihood and Income Augmentation (KALIA) scheme, which includes even poor rural households that do not own land.

This growth rate can be further strengthened if Hindutva succeeds in building what can be termed the 'Christian electoral corridor' in southern Kerala with the support of a number of prominent Christian notables in the NDA such as Alphons Kanthanathan, P.C. George, Tom Vadakkan and P.C. Thomas.

Clearly, the 'poach Northeast' policy, which successfully attracted a significant number of Christian religious outfits and leaders over a period of time, is being attempted in Kerala too.

—

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There are 125 million farming households

owning small and marginal holdings of land in the country, who constitute the scheme's original intended beneficiaries. However, at present, the list of beneficiaries includes only 32% (40.27 million) of these households.

Further, a majority of the intended beneficiary households are yet to receive even their first instalment of ₹2,000. Only 27% (33.9 million) received the first instalment, and only 24% (29.76 million) received the second. In budgetary terms, only 17% of the estimated ₹75,000 crore expenditure has been spent. Moreover, implementation in certain States has been prioritised. U.P., for instance, accounts for one-third of total beneficiary households – 33% (11.16 million) in the first instalment and 36% (10.84 million) in the second. About half of the State's SMF households have been covered. Only two other States – Gujarat and Andhra Pradesh – have gained a prominent share. A total of 17 States have received a negligible share of the first instalment, accounting for less than 9%.

Larger structural issues

For the scheme to be effective, PM-Kisan needs to be uniformly implemented across regions. However, one needs to be mindful that it is not a fix for larger structural issues. Cash transfers will cease to be effective if the state withdraws from its other long-term budgetary commitments in agricultural markets and areas of infrastructure such as irrigation. Subsidies for inputs, extension services, and procurement assurances provide a semblance of stability to agricultural production. Food security through the National Food Security Act is also closely linked to government interventions in grain markets. If the budgetary allocations shift decisively in favour of cash transfers, they will be a cause for great concern. Further, the scheme recognises only landowners as farmers. Tenants, who constitute 13.7% of farm households and incur the additional input cost of land rent, don't stand to gain anything if no part of the cultivated land is owned. Hence, there is a strong case to include landless tenants and other poor families.

Moreover, though the scheme is conceptualised to supplement agricultural inputs, it ceases to be so without the necessary link with scale of production (farm size) built into it. It becomes, in effect, an income supplement to landowning households. If income support is indeed the objective, the most deserving need to be given precedence.

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FROM The Hindu ARCHIVES

FIFTY YEARS AGO JULY 4, 1969

President's Rule for Bihar

The Internal Affairs Committee of the Union Cabinet, which met briefly after the Prime Minister's return to New Delhi this evening [July 3] to consider the Bihar situation, has accepted the Governor's recommendation for the imposition of President's rule in the State. An official announcement is expected tomorrow. The necessary proclamation under Article 356 of the Constitution will be issued from the Rashtrapati Bhavan. The Union Government has also accepted the Governor's suggestion that the Bihar Legislature should not be dissolved straightaway, but kept under suspension for the time being so that its members could participate in the Presidential election next month. The President of the Bihar Pradesh Congress Committee, Mr. A. P. Sharma, and the leader of the Congress Legislative Party, Mr. Harihar Singh, put up a brave fight against the imposition of President's rule. But they failed to convince the Central leaders that the Congress was in a position to form another coalition Government in the State. The two Bihar leaders were invited to attend the meeting of the Central Parliamentary Board tonight to personally present their case for permission to enter into a new coalition.

A HUNDRED YEARS AGO JULY 4, 1919.

Influenza in Madras.

Dr. K. Raghavendra Rao, B.A., M.B & C.M., Ag. Health Officer, Corporation of Madras, writes to us: I have the honour to request you to kindly publish the following for the information of the public: "During the last fortnight there has been an increase in the incidence of fever cases in the City and it appears to be due to a recrudescence of Influenza. Considering the distress and suffering caused to the public during the last epidemic, it is as well

