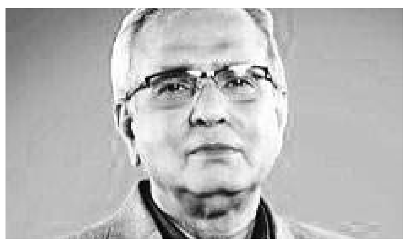
The Economic Survey 2019 depicts the gains from advancement in the social sector, adoption of tech and energy security

NARENDRA MODI
Prime Minister



The Survey reflects the govt's resolve to maintain fiscal stability while pushing GDP growth rates by measures to accelerate private investment

RAJIV KUMAR
Vice-chairman, NITI Aayog

Industry expects several positive factors, like stable govt, declining oil prices and GST buoyancy in FY20, to improve the fiscal situation

NIRANJAN HIRANANDANI
CMD, Hiranandani group

The Survey shows importance of an ecosystem balance displaced due to climate change realities. Hence, the need for sustainable manufacturing

PUNEET DALMIA
Managing Director, Dalmia Bharat

It is heartening to see govt promoting health care start-ups. However, it's sad to see life-saving equipment placed under heavy taxes

MEENA GANESH
MD & CEO, Portea Medical

ACCESSING DATA ▪ AIM IS TO IMPROVE TARGETING IN WELFARE SCHEMES

Govt can monetise citizen data

NEHA ALAWADHI & KARAN CHOUDHURY
New Delhi/Bengaluru, 4 July

The Economic Survey suggested the government monetise citizens' data as part of its larger plan to use it as a public good.

Making a case for digital storage and processing data, the Survey said technology brought down the cost and effort of data collection, storage, processing, and dissemination.

"Data is generated by the people, of the people and should be used for the people. As a public good, data can be democratised and put to the best possible use," it noted.

The Survey proposes improving the delivery of government services by building on the "administrative, survey, institutional and transactions data" that the citizens willingly or lawfully share with the government.

The government would be able to improve targeting in welfare schemes and subsidies by reducing errors, it said. "The private sector may be granted access to select databases for commercial use. Consistent with the notion of data as a public good, there is no reason to preclude commercial use of this data for profit... Although the social benefits would far exceed the cost to the government, at least a part of the generated data should be monetised to ease the pressure on government finances. Given that the private sector has the potential to reap massive dividends from this data, it is only fair to charge them for its use," the Survey notes.

It further says "datasets may be sold to analytics agencies that process the data, generate insights, and sell the insights further to the corporate sector, which may in turn use these insights to predict demand, discover untapped markets or innovate new product".

At present, there is no law that explicitly deals with monetising government or other data. The proposed Personal Data Protection Bill, in its last draft, does not deal with this issue comprehensively.

Legal experts are not enthused by the suggestion to sell data.

"Governments usually do not monetise citizen data. But, the Ministry of Road and Highways announced a policy for sale of vehicular registration data. This is of concern because India does not have any meaningful data protection law," said Apar Gupta, executive editor, Internet Freedom Foundation.

According to Salman Waris, managing partner at TechLegis Advocates & Solicitors, two proposed pieces of legislation, if passed, would militate against the plan the Survey has charted.

"Currently there are no specific provisions that prevent the government from giving the private sector access to select public databases for commercial use."

"However there are two proposed pieces of legislation (Digital Information Security In Healthcare Bill, 2018, and the Personal Data Protection Bill, 2018) pending in Parliament, which, if implemented in their current form, could have a direct bearing on the proposed activity and the same could lead to a situation where the government may be directly violating its own laws by engaging in such activities, at least from the commercial perspective," said Waris.

Another expert pointed out the proposed applications were problematic.

"Research has proved there is no fully secure way of data anonymisation and it is possible to re-identify data... this means the data of minors can get re-identified or misused," said Smitha Krishna Prasad, associate director, Centre for Communication Governance, National Law University, Delhi.

"We also don't have anti-discrimination laws in India... so data can be misused."

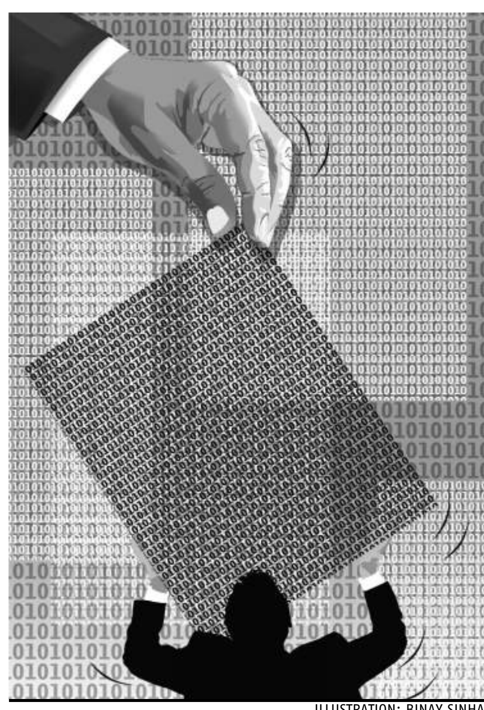


ILLUSTRATION: BINAY SINHA

DATA AS PUBLIC GOOD

GATHERING
- Digitise existing paper-based data
- Initiate digital data collection at source

STORING
- Initiate real-time storage for select data
- Reduce time lag between collection and data entry

PROCESSING
- Build capacities of govt bodies to analyse data
- Involve private sector in analysis and insight generation

DISSEMINATING
- Create scheme dashboards
- Open district-level dashboard to the public
- Open data from third-party studies to the public

COMMUNITY DATA

Democratising data, bit by bit

The first suggestion for sharing of community data that serves larger public interest came in the draft e-commerce policy, introduced in February this year.

Building on that premise, the Economic Survey explained how the cost of per gigabyte of storage has dropped from ₹61,050 in 1981 to less than ₹3.48 today, and data analytics has grown as a much sought-after field.

Given that the cost of disseminating data over the internet is also negligible, with mobile data and broadband becoming increasingly affordable, the Survey has proposed connecting citizen data across ministries and departments into one comprehensive database.

The white paper that was floated by the Ministry of Electronics and Information Technology, before the draft Personal Data Protection Bill, spoke about issues concerning the unregulated collection and use of data by private entities and the government alike.

"Some of the concerns relate to centralisation of databases, profiling of individuals, increased surveillance, and a consequent erosion of individual autonomy," the paper had noted.

However, the government's thinking on the issue of data has evolved in the past couple of years.

NEHA ALAWADHI

COMMENT

GAURAV KAPUR
Chief economist, IndusInd Bank

Survey eyes a virtuous cycle

The annual Economic Survey of the finance ministry, while projecting a shallow recovery in the current fiscal year, has set the policy path for increasing the size of the economy to $5 trillion by March 2025.

In that endeavour, the Survey targets a real growth rate of 8 per cent, which, along with 4 per cent inflation, or 12 per cent growth in nominal terms, would allow for reaching the target set by the government.

The journey towards that goal is envisaged through a virtuous self-sustaining growth cycle created by enhancing savings, investment and exports. The Survey draws on the experience of China and high-growth East Asian economies to identify investments, particularly private investments, as the key driver of that cycle.

Analysing the growth experience of these economies, the Survey establishes the primary role of savings in driving growth and calls for pushing up savings rates in order to enable an investment cycle funded from domestic resources.

It notes that since higher savings would preclude domestic consumption, it is imperative to develop an aggressive exports strategy in order to absorb domestic capacity created in the process. And, in order to gain a global market share, the Survey emphasises exports growth led by productivity gains rather than just currency depreciation.

Furthermore, taking into account India's demographic advantage of a rising share of working-age population, the Survey notes that mildly positive real interest rates would be enough for driving the savings rate higher and that will also help in keeping the cost of capital low. That conclusion is based on the evidence that favourable demographics helped drive savings higher in China and other high-growth East Asian economies.

Specifically, on the issue of cost of capital, the survey notes that real interest rates in India are quiet high in comparison to other countries and that affects prospects for investments. An investment-led growth model therefore requires lowering the cost of capital. In the financial sector otherwise, the Insolvency and Bankruptcy Code and banking sector clean-up, have laid the foundation for boosting investments. A key area of reform identified by the Survey is restrictive labour regulations and perverse incentives which encourage small firm size. It recommends labour law changes to enhance investments and foster job creation. The Survey also makes the case for a more supportive tax policy, monitoring and reducing economic policy uncertainty and creating an ecosystem for promoting private investment, especially in start-ups and new economy, to enable the investments driven growth cycle.

For the current year, the Survey projects a growth pick-up to 7 per cent from 6.8 per cent in FY19, helped by a nascent investment recovery, political stability, accommodative monetary policy, and lower oil prices. In terms of key risks to growth, an erratic monsoon and lower credit off-take from the non-banking financial companies sector are to be watched out for on the consumption front. Slower global growth and increased uncertainties around trade tensions, could affect external demand too.

Ahead of the Budget presentation, the survey also strikes a note of caution on the fiscal front. It notes that slowing growth has implications for revenue collections and therefore meeting higher allocation requirements for welfare schemes without a diversion from the newly revised glide path of fiscal consolidation, remains the foremost challenge.

The Budget may pay heed to that caution and may incorporate survey suggestions to kick-start investment activity.

Views are personal

PRICE RISE ANALYSIS ▪ CPI INFLATION HAD DIPPED IN FY19, COURTESY LOW GROWTH IN FOOD PRICES

Tuition, doctor fee contribute most to inflation

ABHISHEK WAGHMARE
New Delhi, 4 July

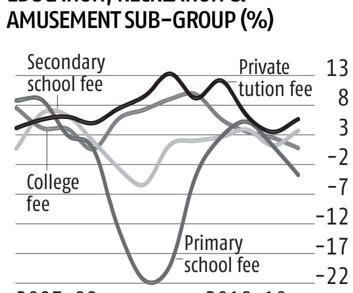
In a first-of-a-kind analysis of price rise in important services, the Economic Survey has shown that private tuition fees, doctors' fees, bus fares and telephone charges were the areas that contributed the most to consumer inflation in the fiscal year 2018-19 (FY19).

This analysis has been done from Labour Bureau estimates of consumer price index inflation for industrial workers (CPI-IW).

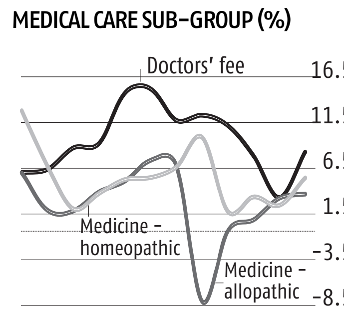
This is an important insight into price situation in the economy, especially when inflation in health and education was more than the average general consumer price index-based (CPI) inflation. General CPI inflation had dipped in FY19, courtesy low growth in food prices.

INFLATION BASED ON CPI-IW

EDUCATION, RECREATION & AMUSEMENT SUB-GROUP (%)



MEDICAL CARE SUB-GROUP (%)



Source: Computed from Labour Bureau data

The Survey used the general CPI estimated by the National Statistics Office to show the interplay between goods and services inflation, and the CPI-IW to demonstrate those services under health, education, transport and communication which witnessed higher-than-average inflation in 2018-19.

When it comes to education, analysis of general CPI shows that inflation in goods such as books and stationery was lower than that in services such as tuition and private coaching.

Analysis of CPI-IW showed that inflation in private tuitions, which had the highest inflation among education related spending, is on the rise again.

In terms of health expenses of industrial workers, doctors' fees have been rising the fastest among other expenses such as medicine. But for the populace in general, inflation in health goods such as medicine and family planning devices has been lower than that in health services such as consulting fees and lab tests.

Telephone charges showed an inflation of more than 6 per cent in 2018-19 after many years of zero inflation.

Similarly, three years of low inflation in major transport modes used by workers — bus, rail and auto — was followed by a near 6 per cent inflation in 2018-19, the Survey showed.

Rail was the only mode of transport that showed flat inflation in 2018-19 for industrial workers. This suggests that rail fares have not risen commensurate with overall price rise in recent years.

MGNREGS ▪ DIRECT BENEFIT TRANSFER IMPROVED WAGE PAYMENT AND REDUCED DISTRESS AMONG VULNERABLE SECTIONS

Aadhaar-linked payments checked leakages

SANJEEB MUKHERJEE
New Delhi, 4 July

Citing Awadh Nawab Asaf-ud-Daula's flawed "food-for-work" programme for famine-stricken people, the Economic Survey 2018-19 has criticised the execution of the Mahatma Gandhi National Rural Employment Generation Scheme (MGNREGS) under previous governments and described how things improved after Aadhaar-linked payments (ALP), tied with Jan-Dhan accounts, were introduced in 2015.

Under Asaf-ud-Daula's "food-for-work" programme, started in 1784 in Lucknow, one set of workers was employed during daytime to construct the Imambara while another lot was hired at night to demolish what had been built.

Chief Economic Advisor (CEA) K V Subramanian has given a chapter in the Economic Survey — his first — to highlight how direct benefit transfer (DBT) in the MGNREGS has improved wage payment, raised the number of muster rolls filed, increased the demand for and supply of work, and reduced distress among vulnerable sections. More importantly, it has checked leakages in the scheme by eliminating "ghost workers", the Survey said.

The Survey advocated creating a real-time data base of rural distress, using the MGNREGS job demand data.

It said in blocks not affected by drought, there was no effect of Aadhaar-linked payments on the number of persons demanding work, but in drought-affected blocks the number of persons demanding work rose by 20.7 per cent after the system was introduced. In 2015, the government introduced Aadhar-linked payments in the MGNREGS in 300 districts that had a high banking penetration, while the rest were covered in 2016.

The Survey said so far of the 116.1 million active workers under the MGNREGS, 101.6 million with Aadhaar (87.51 per cent) had been collected and seeded.

Almost 55.05 per cent of payments under the MGNREGS are through the Aadhaar-based Payment Systems.

Subramanian has advocated using the Aadhaar-linked payment system and other technological advancement in other schemes of the government such as the public distribution system, scholarships programme, and LPG subsidy.

"The adoption of DBT in programmes which involve transfer of cash benefits (scholarships or pensions) and price subsidies (such as those given for kerosene, liquefied petroleum gas (LPG), public distribution system (PDS), fertilisers and other input subsidies needs to be strengthened to minimise exclusion and inclusion errors. This will make public spending more efficient and effectively targeted," the Survey said. The Survey said in the pre-Aadhaar period, the average amount disbursed to bank accounts more than doubled from ₹1.82 crore per block per year to ₹3.98 crore per block per year.

"This indicates that more funds flowed through DBT after ALP was instituted," the Survey said.

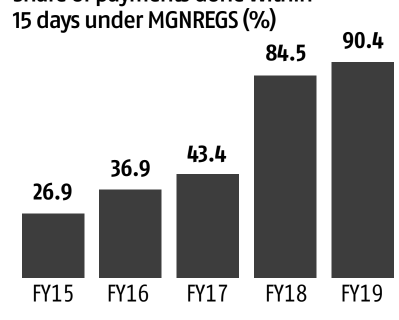
However, civil society activists and people working on the MGNREGS say the introduction of Aadhaar-linked payment and DBT have increased exclusions and, instead of facilitating payments, hurt workers more.

"Even before ALP and DBT was introduced in the MGNREGS, over 100 million bank accounts had been opened under the programme and wages were being deposited there. Aadhaar-linked payments have denied benefits to eligible people," Nikhil Dey of the Mazdoor Kisan Shakti Sangathan told *Business Standard*.

He said the Survey's claim that the number of muster rolls under the MGNREGA rose after Aadhaar-linked payments were introduced was incorrect. Demand for work has always been there in distressed districts, he said.

PAYMENT TIMELINE

Share of payments done within 15 days under MGNREGS (%)



Note: Under the MGNREGS Act, it is mandatory to make final payment to beneficiaries within 15 days of closure of muster roll after which they have to be paid a compensation at the rate of 0.05% of the unpaid wages per day
Source: Economic Survey 2018–19

We are in affirmation with the Survey's key prognosis that for sustaining growth at 8%, investment would need to be the key driver

CHANDRAJIT BANERJEE
Director General, CII

At this juncture, bold and flexible labour reforms would be crucial to create employment opportunities for millions of youth

RAJEEV TALWAR
President, PHDCCI, and CEO, DLF

Survey rightly states huge mandate augurs well for economy. Expect big-ticket reforms in Budget in farm, FDI, natural resources sectors

ANIL AGARWAL
Executive Chairman, Vedanta Resources

The Survey gives us hope of riding over some challenges. Issues like NBFC liquidity and impact on consumption would require bold moves

B K GOENKA
President, Assocham & chairman, Welspun

The Survey implies scope for expansion in the context of cooperative federalism. States can raise infra capex yet remaining in FRBM limit

D K SRIVASTAVA
Chief Policy Advisor, EY India

CHEAPER FINANCE ▪ TIME TO SIGNIFICANTLY LOWER COST OF CAPITAL

Need modest real interest rates

ANUP ROY
Mumbai, 4 July

The Economic Survey for 2018-19 stressed the need to lower real interest rates to give a boost to private investment, something that was proposed by a member in the Reserve Bank of India's (RBI's) monetary policy committee (MPC).

The real interest rate is the difference between the lending rate (the Survey took State Bank of India's base rate) and the prevailing inflation rate. Similarly, the real policy rate is the repo rate minus inflation.

Considering the latest inflation print at 3.4 per cent, while the repo rate is 5.75 per cent, and the SBI base rate is 9.05 per cent, the real policy rate works out to 2.35 per cent, while the real interest rate is roughly 5.65 per cent.

Both the real interest rate and the real policy rate are way above India's competitors. The Economic Survey made a strong pitch to bring them down.

There are various views on what an ideal real policy rate for India should be. The consensus seems to be 1.5-2 per cent.

This means at the current inflation rate, which is expected to remain till December at least, the repo rate has the scope to go down by another 35 basis points.

The Economic Survey noted that the real rate of interest had "increased significantly in India over the years".

However, with the bankruptcy code in place and capital infusion done in banks, the twin balance sheet problem is getting addressed.

"Now that the foundations for expansion have been laid, it is time to significantly lower the cost of capital," the Survey said.

According to Chief Economic Advisor Krishnamurthy Subramanian, savings are driven primarily by demographics and income growth. Therefore, keeping domestic interest rates high may not encourage savings behaviour. Rather, a "mildly positive real rate is good enough", he said.

This savings behaviour also gives a key degree of freedom to policymakers as the savers and the borrowers can be disentangled.

"As investment depends crucially on a low cost of capital, reducing real interest rates need not necessarily lower savings when the demographics are favourable. At the same time, the reduction in real interest rates can foster investment and thereby set in motion the virtuous cycle of investment, growth, exports and jobs," the Survey said.

The Survey will have powerful backers even in the RBI, particularly as the generally hawkish Deputy Governor Viral Acharya is slated to leave the central bank. Shaktikanta Das, who became RBI governor in December, has reduced interest rates thrice since February.

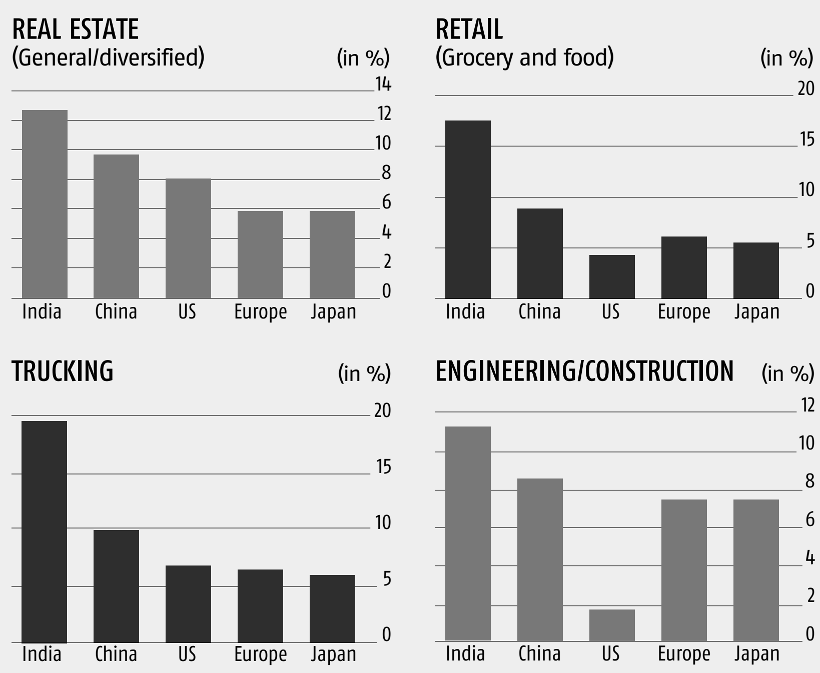
His dovish colleague in the MPC, external member Ravindra Dholakia, is a strong proponent of rate cuts.

"In my opinion, we should continue correcting our real interest rates by bringing down our policy rate," Dholakia said in the MPC minutes, advocating a 25-basis-point cut even as he preferred a 40-basis-point cut in the policy repo rate.

"Our real policy rate is in excess of 2 per cent and our real interest rates are very high, making our production globally less competitive. We must bring it down to realistic levels of around 1.5 per cent sooner than later," Dholakia had said.

HIGH COST OF CAPITAL

The cost of capital for Indian firms, across sectors, is one of the highest in the world, the Survey showed. This affects investment prospects in the country. The rates can touch nearly 20% for some sectors such as trucking, whereas the comparable rate is a little above 5% for Japan and less than 10% for China



Source: Economic Survey

COMMENT

SAMEER NARANG
Chief economist, Bank of Baroda

Shifting gear

Chief Economic Advisor Krishnamurthy Subramanian's first Economic Survey has been guided by Blue Sky Thinking and aims to adopt the appropriate economic model for India. The underlying theme of the Survey is shifting gears to catapult India to a $5-trillion economy by 2024-25. In 2018-19, the size of the economy is estimated at $2.7 trillion. For achieving the ambitious target, 8 per cent growth needs to be sustained compared with 7.5 per cent growth seen over the past five years.

So how does India shift gears? The Economic Survey points out examples of East Asian economies, which witnessed a virtuous cycle of increase in savings, investments and exports. With increase in savings and investment rate, the growth rates of East Asian economies improved. A corresponding increase was also seen in exports.

In India's case, a favourable demographic phase should support growth. Lower real interest rates can increase the savings rate. These savings can be harnessed into investments thus kick-starting the virtuous cycle. However, as the savings rate goes up, the consumption rate has to naturally fall. Thus exports form an important element of this strategy. Investments will foster job creation and thus, imply more taxes for the government to spend on infrastructure.

The investment cycle can be kick-started by public spending, which can crowd-in private spending. The government is already doing this, as seen in investments in roads, affordable housing and railways. For private sector capex to improve, the Economic Survey shows the way forward. It talks about the following reforms: a) strengthening legal systems by reducing backlog and improving contract enforcement. India ranks 163 in contract enforcement in World Bank's Ease of Doing Business, 2) labour reforms such as seen in Rajasthan can increase investments, 3) reducing the real rate of interest to make Indian firms competitive, and 4) encouraging micro, small and medium enterprises (MSMEs) to invest more and gain from economies of scale. On the fiscal front, the Economic Survey reiterates that the government should continue on the path of fiscal consolidation and maintain the trajectory of the revised fiscal glide path. This will reinforce lower inflation and thus give room to the Reserve Bank of India to reduce real interest rates. This, in-turn, will spur savings. The current global backdrop of lower interest rates should favour India. Thus, the Economic Survey sets the economic and reform agenda of the government for the next five years. In many ways the reforms undertaken by the government have laid the framework for the next phase of growth. The Insolvency and Bankruptcy Code (IBC) allows for a smooth and timely bankruptcy process. The goods and services tax sets the framework for data-driven lending and better tax compliance.

The Blue Sky approach is ambitious, but doable. It is also in contrast with the current trend where savings, investment and export rates have been falling. The decline in investments has gone hand-in-hand with rising non-performing loans in the banking system. However, with a massive recapitalisation program and implementation of the IBC, non-performing loans are now declining. Thus, the ground-work for a sustained growth path has been laid out. Much needed reforms in labour and legal systems will push growth higher.

IBC IMPACT: CULTURAL SHIFT IN ECOSYSTEM

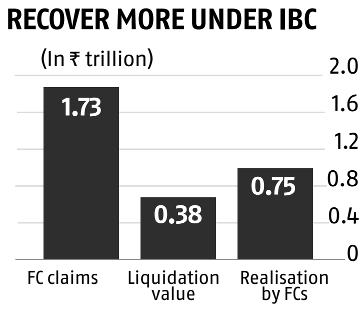
The Economic Survey said while the sustainable impact of the Insolvency and Bankruptcy Code (IBC) would be known in due course, green shoots had already emerged and some significant benefits of the IBC were visible. "The threat of promoters losing control of the company or protracted legal proceedings is forcing many corporate defaulters to pay off their debt even before insolvency can be started," it said.

Till March 31, 2019, the corporate insolvency resolution process yielded a resolution of 94 cases, which has resulted in the settlement of claims of financial creditors totalling ₹1.73 trillion. These cases include six out of 12 large accounts where insolvency resolution was initiated by banks, according to the directions of the RBI in 2017. The overall recovery in case of resolved cases is nearly 43 per cent, which is 194 per cent of the liquidation value, the Survey said.

In the two years of the IBC, real estate was the top sector, with 20 per cent of the insolvency cases being registered. Manufacturing, which includes steel, power and chemicals, comprised 40 per cent. A large number of firms also opted for voluntary liquidation. One of the objectives of the Code was to give companies a chance to exit if they did not carry out any business or if the business itself was unviable.

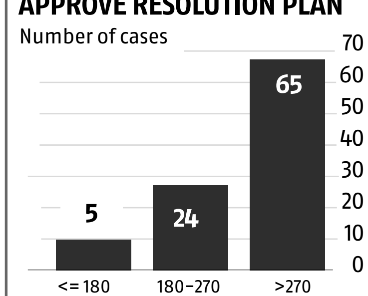
COMPILED BY VEENA MANI

FINANCIAL CREDITORS RECOVER MORE UNDER IBC

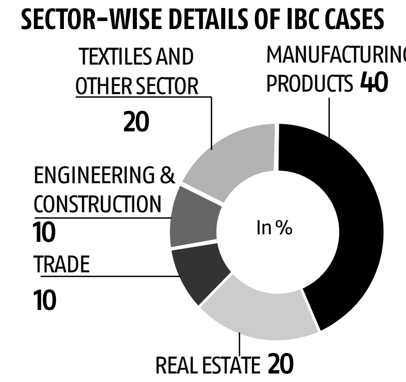


FC: Financial creditors

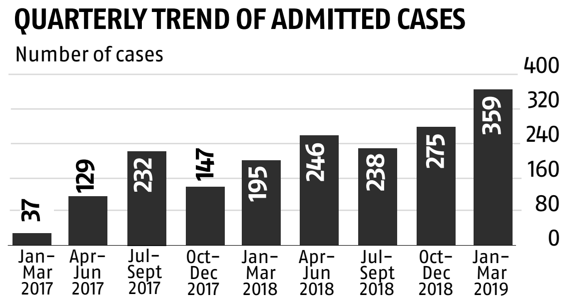
NUMBER OF DAYS TAKEN TO APPROVE RESOLUTION PLAN



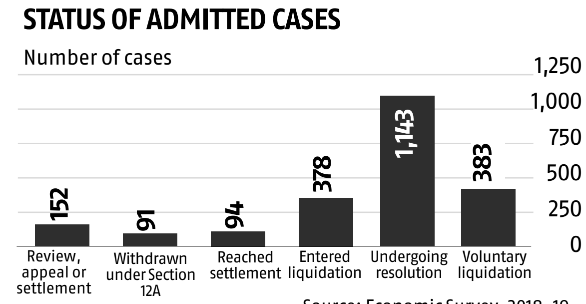
SECTOR-WISE DETAILS OF IBC CASES



QUARTERLY TREND OF ADMITTED CASES



STATUS OF ADMITTED CASES



Source: Economic Survey, 2018-19

NBFC stress poses risks to growth, says Survey

JASH KRIPLANI
Mumbai, 4 July

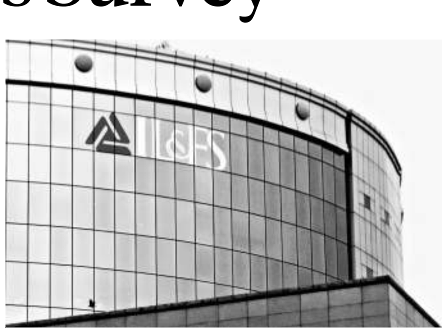
The Economic Survey for 2018-19 highlighted contagion risks posed by stress in non-banking financial companies (NBFCs). It has hurt consumption growth in the automobile sector affecting manufacturing, the Survey said.

It warned that if the impact of the stress in the NBFC sector spilled over this year, it might lead to lower credit offtake from NBFCs, which might impede consumption spending growth. The Survey charted the origin of the NBFC crisis to mutual funds' (MFs') risk aversion after the IL&FS crisis in September.

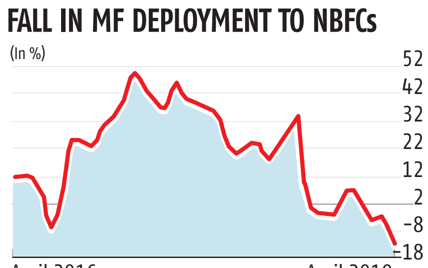
"Immediately after the IL&FS crisis, NBFCs faced a severe liquidity crunch as MFs stopped refinancing the loans of NBFCs," the Survey said. It added MFs' deployment towards NBFCs stood at -12 per cent in April.

Banks' attempts to provide liquidity after the IL&FS crisis were short-lived as the Survey pointed out that "resources from the banking side started contracting from November 2018".

"This squeeze in the flow of resources to NBFCs has affected the lending capability of the sector in recent quarters," the Survey read. Credit growth in NBFCs in March 2018 stood at 30 per cent on a year-on-year (YoY) basis. In March 2019, it was at 9 per cent (YoY). The Survey showed how some key performance indicators of NBFCs had deteriorated in 2018-19. The return on assets for the NBFC sector was down at 1.4 per cent in December 2018, from 1.6 per cent in March 2018. The capital to risk asset ratio or capital adequacy slipped to 22.2 per cent, from 22.8 per cent in the same period.



FALL IN MF DEPLOYMENT TO NBFCs



Source: Estimated from Sebi data

Net non-performing assets of NBFCs were up at 3.6 per cent from 3.2 per cent. The return on equity for the sector slipped to 6.1 per cent from 7 per cent.

Last August, MFs put in ₹1.3 trillion in short-term paper (of less than 90 days) that NBFCs had issued. By the end of 2018-19, it had dropped to ₹95,708 crore, showed the data sourced from Sebi. This shows a fall of 27 per cent.

Households are spending more on discretionary items

ABHISHEK WAGHMARE
New Delhi, 4 July

Indians are increasingly spending more on discretionary items and less on basic necessities such as food, according to the Economic Survey for 2018-19.

Private consumption forms the biggest chunk in the gross domestic product (GDP) basket. Changes in consumption pattern are crucial to the growth dynamics of various sectors of the economy.

The last two quarters of 2018-19 saw growth slowing in private consumption — contracted auto sales and subdued FMCG sales — pushing down economic growth to the lowest in 20 quarters. Private final consumption expenditure, the way it is defined in national income accounts, forms nearly 60 per cent of India's GDP.

"Although the share of private consumption in GDP remains high, the pattern of consumption has undergone some change over time — from essentials to luxuries and from goods to services," the Survey said.

The trend is important as it gives a hint about the outcome of the Consumption Expenditure Survey (CES), which will be released by the National Statistics Office within a month or two. The CES forms the basis for deciding the sources and weights of private consumption expenditure in the national accounts; the data that is used for GDP formulation.

"From food and beverages, transport and communication, which are more of necessities, the spending has been shifting towards clothing and footwear, health and education, and housing and maintenance," the Survey said.

WHERE PEOPLE ARE SPENDING

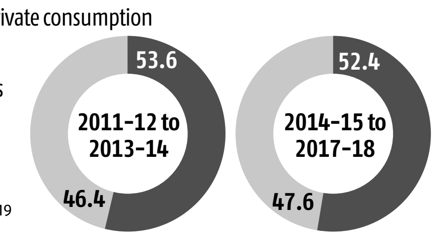
Share in private consumption

Purpose of consumption	2011-12	2017-18
Food and beverages	33.2	30.0
Housing, basic housing needs and maintenance*	19.6	17.3
Clothing and footwear	6.3	7.1
Health and education	7.4	9.2
Transport	15.1	16.0
Miscellaneous goods and services	12.8	15.8
Others **	5.6	4.6

* includes gas, electricity and water ** includes communication
Source: National Statistics Office

SERVICES OCCUPY A BIGGER SHARE

Share in private consumption



Source: Economic Survey 2018-19

The data from the NSO shows the share of food and beverages has reduced from 33.2 per cent of private consumption in 2011-12 to 30 per cent in 2017-18 — a reduction of over three percentage points.

As more children are attending school and college, incomes are rising. Spending on health and education has started occupying a larger pie in the consumption mix. Their share increased from 7.4 per cent in 2011-12 to 9.2 per cent in 2017-18.

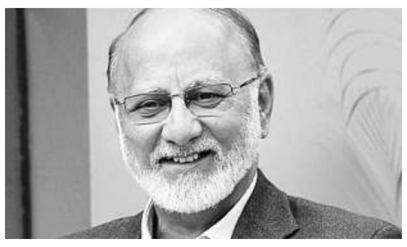
"This shows an increase in discretionary spending by households, compared to necessities," noted the Survey.

Spending on housing, its maintenance and basic household necessities, such as electricity and water, reduced as a share of overall spending, from 19.6 per cent to 17.3 per cent, over six years.

The Survey noted spending on services was rising vis-à-vis goods. In another chapter, the Survey found inflation in services in recent times has been higher than that for goods.

Incentivising private sector to share transaction-level data with the govt can provide rich insights for futuristic policy formulation

ARINDAM GUHA
Partner, Deloitte India



Electric vehicles finding a space in the Survey shows how crucial this industry is for economic and ecological condition of the country

SOHINDER GILL
Director General, SMEV

In line with the $5-trn vision, it is imperative that public and private sectors work in unison. Adoption of tech is needed to achieve the lofty vision

VARUN BHUTANI
MD, WorkKey, Trihund Solutions

Spent 3 hours speed-reading the two volumes of the Survey. It's a cloudy, overcast afternoon in Delhi. Enough said

DEREK O'BRIEN
Rajya Sabha member, Trinamool Congress

There are no growth projections sector-wise. The govt, speaking through the Survey, is pessimistic about the economy

P CHIDAMBARAM
Former finance minister

Q&A WITH CHIEF ECONOMIC ADVISOR
KRISHNAMURTHY SUBRAMANIAN

'Divestment to make up for tax-revenue shortfall this year'

Just a day before the Union Budget 2019-20, Chief Economic Advisor **KRISHNAMURTHY SUBRAMANIAN** said asset monetisation and disinvestment were expected to make up for the expected shortfall in revenue. Subramanian, after presenting the Economic Survey 2018-19, told **Arup Roychoudhury** and **Somesh Jha** the topics not covered in the Survey, like banking sector reforms, would find place in the next Economic Survey seven months from now. Excerpts:

The Survey states the fiscal consolidation road map needs to be adhered to. But we also have a massive shortfall in direct and indirect taxes.
Money has no colour. What I am saying is that non-tax revenues have the potential to expand and make up for the revenue shortfall. Our public sector undertakings are sitting on large pools of land, which can be monetised. This is also an opportunity for greater returns from divestment. To be classified as a state-owned firm, instead of looking at the government retaining 51 per cent, you can perhaps look at 40 per cent of the government and 11 per cent by LIC. That will get in more capital receipts. Divestment is expected to fill in some of the gaps in tax revenue. We have to adhere to the fiscal glidepath.

The main plank of your Survey is that investments will lead to more growth and, in turn, job creation. Where will the investment come from, given the under-utilisation of capacity and slowdown in private consumption?
When we wrote this chapter, we had the choice of trying to get into each of these details or focus on conveying the big picture message of moving to 8 per cent growth. We had the answers to these questions but we wanted to stay focused on the Survey. Let me answer a couple of important things. Some overhang from the previous period has unwound completely, banks have cleaned up their balance sheets, and credit to large firms has started going up. There is also an important opportunity we have not tapped enough. If you look at the global environment, in terms of liquidity, surplus and interest rates, it is as benign as it ever was. There is a lot of flush liquidity. If the economy is growing at 8 per cent, this money will find it profitable to invest in such opportunities. We have to rely on some foreign savings. They can come in and create investment and once that starts, it will be the beginning of the virtuous cycle of productivity, jobs, and demand. And, people have asked me questions on jobs, exports, and investments — in silos. These are complementary to the macroeconomic formula. The other key departure we have made is that economists love to think of equilibrium whereas the eastern Asian economies, including China, went on a virtuous cycle. And we are saying "double down on investments" and as long as that happens, other things will come through.

PHOTO: SANJAY K SHARMA

"WE WILL WRITE ANOTHER SURVEY IN 6 MONTHS ... THIS IS A SURVEY FOR A NEW GOVT THAT WILL HAVE FIVE YEARS TO IMPLEMENT POLICY

"ON THE NBFC CRISIS, WE HAVE TO ENSURE WE DON'T PERPETUATE A SITUATION OF PRIVATE PROFITS AND PUBLIC LOSSES

The Survey gives banking reforms, which you have been talking about since assuming office, a miss, and it offers no solution to the NBFC (non-banking financial company) crisis. Any reason?
We will write another Survey in six months — January 2020 for the Budget. So, we had to make the choice. This is a Survey for a new government that will have five years to implement policy.

But don't we have to immediately address the NBFC crisis?
On the NBFC crisis, we have to ensure we don't perpetuate a situation of private profits and public losses. We have to take cognizance of the moral hazard that comes from it. People use the global financial crisis as an example but that was a one-off case. And there too, the US government made money. We cannot use that as an example. Instead, we have to think about structural issues, especially the asset-liability mismatch in NBFCs. If you look at the short-term money they raise, the ratings in almost 95 per cent of commercial papers is L1 plus. This means there isn't any distinction between these firms. Their long-term ratings are substantially different and this creates an incentive for the asset-liability mismatch. We need to fix structural problems.

You have spoken about the need to access foreign capital, perhaps through instruments such as sovereign bonds. Are India's macroeconomic indicators strong enough to issue such bonds?
We have had average growth at 7 per cent, and inflation is low and stable. These are the components of macro-economic stability. We are following the path of fiscal consolidation and should look at opportunities that are there for us. You look at the US, Japan, Europe — the cost of capital is so low. If our economy grows at 8 per cent, and the other global economies don't, it would be a real opportunity to take overseas debt.

Is further liberalisation of foreign direct investment on the cards?
If you are growing at around 7 per cent, foreign money will want to come in. Liberalising FDI further is one aspect we can think about.

More on business-standard.com

'DEMOGRAPHIC DIVIDEND' ON THE DECLINE

Increase in retirement age could be considered: Economic Survey

India is set to witness a sharp slowdown in population growth in the next two decades, the Economic Survey report has flagged. It says that although the country as a whole will enjoy the "demographic dividend" phase, some states will start transitioning to an ageing society by 2030s. With life expectancy for both males and females is likely to continue rising, increasing the retirement age for both men and women going forward could be considered in line with the experience of other countries. Population growth in India has been slowing in recent decades from an annual growth rate of 2.5 per cent during 1971-81 to an estimated 1.3 per cent as of 2011-16. Going with the trend, the Survey suggests that policy makers need to prepare for ageing, which will need investments in health care as well as a plan for increasing the retirement age in a phased manner. COMPILED BY DILASHA SETH

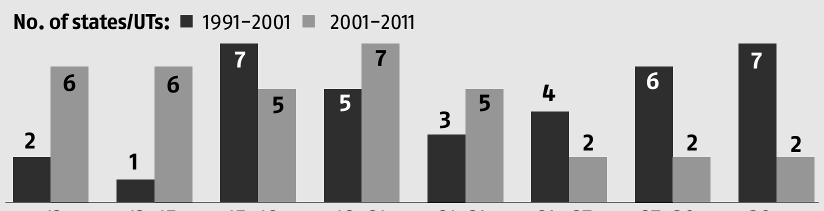
POPULATION AND ITS GROWTH

Census years	Decadal growth %
1961	21.64
1971	24.8
1981	24.66
1991	23.87
2001	21.54
2011	17.64

DECADAL TRAJECTORY

(%)

In 2001, only two states had a decadal growth in population at less than 12%, against 6 in 2011. Similarly, 7 states posted an over 30% growth in 2001, against just 2 in 2011



Source: Economic Survey 2019

ANNUAL POPULATION GROWTH RATES OF STATES

Annual population growth is expected to come down to 0.46% between 2031 and 2041 from 1.77% during 2001-11. In fact, Tamil Nadu is projected to see an annual decline in population by 0.05% in the decade ending 2041, Andhra Pradesh to barely grow at a rate of 0.02%

Top 6	2001-11	2011-21	2021-31	2031-41
Bihar	2.54	1.82	1.34	1.0
J&K	2.36	0.88	0.82	0.49
Chhattisgarh	2.26	1.17	0.76	0.57
Jharkhand	2.24	1.39	0.97	0.82
Rajasthan	2.13	1.47	0.96	0.75
Uttar Pradesh	2.02	1.48	0.93	0.73
Bottom 6				
Kerala	0.49	0.66	0.45	0.18
Andhra Pradesh	1.1	0.65	0.31	0.02
Himachal Pradesh	1.29	0.64	0.57	0.24
Punjab	1.39	0.71	0.42	0.11
Odisha	1.4	0.82	0.63	0.38
Tamil Nadu	1.56	0.56	0.25	-0.05
INDIA	**1.77**	**1.12**	**0.72**	**0.46**

PUSH COMES TO NUDGE
▪ DEPLOY BEHAVIOURAL ECONOMICS, RELIGIOUS NORMS TO ACHIEVE GOALS

Giving change a big 'nudge'

NITIN SETHI & RUCHIKA CHITRAVANSHI
New Delhi, 4 July

From citing religious tenets and making people repay their debts to improving the efficacy of social welfare programmes such as financial inclusion, the Economic Survey 2018-19 has emphasised that the government deploy behavioural economics as a tool to improve outcomes.

This branch of economics gained traction in policymaking in recent times and earned more popularity after economist Richard H Thaler, popular for his work on *Nudge* theory, won the Nobel Prize in 2017.

The chief economic advisor, Krishnamurthy Subramanian, has given a chapter to utilising insights from this branch of economics in furthering the government's social and economic objectives.

He noted the government had deployed concepts and principles of behavioural economics to get better results from schemes such as the *Swachh Bharat Abhiyan* and *Beti Bachao Beti Padhao*.

Subramanian said it could be leveraged across social, economic, and political arenas — from increasing tax compliance, to get people to surrender subsidies, and to influence policymakers and politicians to take tough economic decisions.

On deploying behavioural economics to improve tax compliance, the Survey recommended changes in automatic deduction of taxes as a default option to public shaming of individuals who do not pay taxes, and tax withholding, followed by refunds at the time of tax filing.

The Survey further suggests that religious norms can also be used to further the cause of tax compliance. In India, where social and religious norms play such a dominant role in influencing behaviour, behavioural economics can therefore, provide a valuable instrument for change.

The Survey said, "Repayment of debt in one's own life is prescribed as necessary by scriptures across religions. Given the importance of religion in the Indian culture, the principles of behavioural economics need to be combined with this 'spiritual/religious norm' to reduce tax evasion and wilful default in the country."

The Survey suggested 'nudges' and consistent messaging across the spectrum of the government's socioeconomic agenda. This included people being made to make deposit contracts to achieve goals of weightloss and ceasing to smoke and auto enrolment of citizens to saving schemes to improve financial inclusions. The Survey recommended that "every programme must go through a 'behavioural economics' audit" before its implementation.

The Survey served the successful implementation of the scheme as proof of how 'nudging' citizens to choose against open defecation and high-use of toilets worked well.

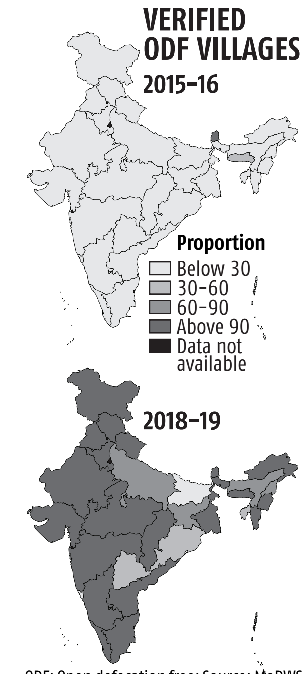
The Survey said the national sanitation coverage in rural areas went up to 93 per cent in 2018-19, from around 40 per cent in 2014-15 because the campaign emphasised a behavioural change.

However, this is also the period over which funds allocated for the Swachh Bharat Mission increased from ₹2,850 crore in 2014-15 to ₹16,948 crore in 2017-18.

The Survey showed how more than 500,000 foot soldiers, one for each village, leveraged their social ties to effect change.

Financial savings from a household toilet exceed the financial costs to the household by 1.7 times, on average, and 2.4 times for poorest households, according to the Survey.

The authors of the Survey note: "Behavioural economics is, however, not a panacea to policymaking; its potential needs to be understood and put in perspective. Nudge policies cannot and should not supplant every incentive-based and mandate-based policy... However, the majority of public policy issues are amenable to incorporating nudges."



ODF: Open defecation free; Source: MoDWS

Survey calls for coordinating body for resource efficiency

SHREYA JAI & SHINE JACOB
New Delhi, 4 July

Shifting focus on sustainable development and infrastructure creation, the Economic Survey this year called for resource optimisation and energy efficiency.

The Survey has suggested that India, like several countries such as the United Kingdom and Iceland, should invest in resource efficiency through recycling, reusing, minimising consumption and reducing wastage.

In its first stint, the BJP-led central government had initiated and rechristened several schemes for energy access, notably Saubhagya for household electrification and Ujjwala for free LPG connections. Around 71.8 million LPG connections have been provided under the Ujjwala scheme and 99 per cent households were electrified under Saubhagya till April 2019.

The Survey lauded these schemes for their impact, but noted that as India aggressively looked to push energy access, it would exert pressure on the environment and raise sustainability concerns. To address this, the Survey suggested setting up a national coordinating body — the bureau of resource efficiency (BRE) between various ministries.

"Various studies have analysed the economic impact of effective RE strategy and identified that ₹6,000 crore can be saved in the manufacturing sector. Effective waste management policies can generate 1.4 million jobs and nearly $2.7 billion opportunity can be created from the extraction of 8 million tonne of steel from the end of life vehicles," the Survey said.

To push the agenda for resource efficiency, the Survey has asked for the formulation of a national policy on the same.

Additionally, it has asked for a policy on sustainable public procurement to minimise consumption of resources, reduce waste generation and greenhouse gas emissions, as well as, contribute to innovation in the space of RE.

The Indian government is already running various energy efficiency programmes alongside access schemes.

Energy efficiency programmes have generated cost savings worth more than ₹50,000 crore and a reduction of about 110 million tonne of CO2 emissions in 2017-18, the Survey noted.

Among the energy efficiency measures suggested, the Survey said India would need a comprehensive energy policy taking into consideration the economies of coal and renewable. It also said renewable energy needs of $250 billion investment over the next decade.

FOR A GREENER TOMORROW

- The Survey suggests setting up of a coordinating body for environment and sustainability concerns
- National policy on resource efficiency
- A policy on sustainable public procurement to minimise consumption of resources, reduce waste generation, greenhouse gas emissions
- An energy policy taking into consideration the economies of coal and renewable

Infra over incentive to promote EVs

The Economic Survey has quoted studies showing that more than incentives offered to manufacturers and users, good charging infrastructure is key to mass adoption of electric vehicles (EVs). This is because the driving range of batteries in electric vehicles is less, compared to those which run on fossil fuel.

The suggestion by the chief economic advisor comes at a moment when the industry and the government's policy think tank NITI Aayog have expressed conflicting views about the road map. "We find that the market share of EVs is positively related to the availability of chargers and larger availability of chargers corresponds to greater adoption of EVs. The market share of EVs increases with the increasing availability of charging infrastructure," the Survey said. It said in India, the limited availability of charging infrastructure appeared to be a major impediment to increased adoption of EVs, another being the time taken for completely charging EVs.

However, despite the challenges, the Survey noted that electric vehicles will be the future in India and even said that the country can emerge as a manufacturing hub of EVs with favourable policy support.

ARINDAM MAJUMDER

Listen to kibitzer

Smart leaders know nobody is too small to make an impact

THE WISE LEADER

R GOPALAKRISHNAN

Kibitzer is a Yiddish word for a spectator of bridge or chess, who offers unsolicited advice in chess, bridge, sports or even business. Some leaders respond positively to unsolicited ground signals, incorporating the messages into their transformation programme — like JJ Irani did at Tata Steel in the 2000s, or SN Subrahmanyan of L&T did during the Mindtree acquisition recently. Nelson Peltz of Trian Fund Management pushed hard for PepsiCo to split. Indra Nooyi engaged without giving in. Nelson Peltz sold his shares and took his money. Unilever engaged and fended off the bid by Brazilian investor 3G and Kraft Heinz.

Others like ICICI, Ranbaxy and Jet Airways failed to do so in their recent episodes in India. 3G had bought Kraft, engineered its merger with Heinz and ran the company to the ground. Klaus Kleinfeld, a former CEO of Alcoa, got trapped in his dealings with Elliot Management, and had to step down from his position at Alcoa. Ton Büchner at Akzo Nobel responded to the bid by an American paints major by divesting Akzo of its chemicals business. Ellen Kullman, chairman of Dupont, fended of Trian's Nelson Peltz to join the board, then quit, thus facilitating the complex surgery of Dupont and Dow. John Flannery, successor to Jeff Immelt at GE, was perceived as a very authentic and warm person, but he was removed within 15 months of taking over the leadership of GE.

The CEO response has a connection with the ability to discern subsonic messages from deep within the organisation. Like pigeons! A World Pigeon Racing competition has been going on for over a century. During the 1997 race across the English Channel from France, most of the pigeons failed to reach England — an unprecedented disaster. It appears that, quite mysteriously, the pigeons' navigation system could not discern familiar subsonic signals from ocean waves crashing into the coast. Why? Because a supersonic Concorde had left Heathrow around 11 am, emitting its own subsonic signals as the plane broke the sound barrier. The pigeons got confused by the plane subsonic signals. They lost their way.

Likewise, in companies, a CEO receives subsonic sounds from the employees, customers and business observers. Good CEOs realise that nobody is too small to make an impact. The founder of Bodyshop, Anita Roddick, was credited with the comment, "If you don't believe it, try going to bed with a mosquito." For example, an American university published an ill-researched analysis about a consumer product in India, and an obscure activist drummed up a public scare in India. Investors and analysts exert great pressure on the board by their comments and demands. Boards cannot be dismissive and must respond astutely.

The case study method has been widely and successfully used in management education. One unintended effect is that the method produces kibitzers. I recall my training days when I found fault with various CEOs while discussing case studies. Heaven knows how stupid I must have looked to my team while they observed my decision-making and actions as a CEO!

Offering newspaper critiques, writing case studies and television commentaries, all kibitzer activities, are a darned sight easier than doing the job. Howsoever irritating their suggestions may be, kibitzers are not to be ignored. In an earlier column (June 7), I had mentioned that a controlled degree of narcissism is essential for a CEO to be successful.

CEO narcissism manifests through seven skills: ruthlessness, charm, focus, mental toughness, fearlessness, action and mindfulness. I am personally familiar with all seven skills, thanks to my two decades as CEO. Without making technically controversial statements, I have also noted the view of professional psychiatrists, that narcissists and psychopaths have similarities. They are along a continuum and belong to the same species. Both have a high self-opinion, accompanied by a low opinion of others. Success is to their credit, failures are due to external factors.

When these characteristics are bound within a limit, they work positively; if that limit is breached, the same characteristics cause damage.

The author is a corporate advisor and distinguished professor of IIT Kharagpur. He was a director at Tata Sons and a vice-chairman at Hindustan Unilever. His latest and new book is Doodles on leadership: experiences within and beyond Tata. Email: rgopal@themindworks.me

CHINESE WHISPERS

Tejashwi is back

The leader of the Opposition in the Bihar Assembly, Tejashwi Prasad Yadav *(pictured)*, reappeared in the House on Thursday after a longish break. The Rashtriya Janata Dal (RJD) leader had been missing since the Lok Sabha results were declared on May 23. The RJD failed to win even one of Bihar's 40 Lok Sabha seats. Few knew where Yadav had been since then. Other members of the RJD-led "grand alliance", including Hindustani Awam Morcha chief Jitan Ram Manjhi, had questioned his absence. This was also the time when more than 150 children in Bihar died of encephalitis. The Janata Dal (United)-Bharatiya Janata Party (BJP) ruling alliance calls Yadav *ranchhod* (one who runs away from the battlefield). After returning, Yadav said he was in Delhi to get his injured leg treated and dismissed reports about quitting as the leader of the Opposition.

Battleground Maharashtra

The Bharatiya Janata Party and Shiv Sena have started preparations for the Maharashtra Assembly polls, but the Congress-Nationalist Congress Party (NCP) alliance is still recovering from their decimation in the Lok Sabha polls in the state. The NCP is waiting for the Congress to appoint its state unit chief before initiating seat-sharing talks. Maharashtra Pradesh Congress Committee (MPCC) Chief Ashok Chavan has stepped down from the post. Former Maharashtra minister Balasaheb Thorat is considered Chavan's successor. NCP President Sharad Pawar and Congress General Secretary Mallikarjun Kharge, who is in charge of Maharashtra, met at Pawar's residence in New Delhi on Wednesday. Sources in the NCP said the party would seek 144, that is 50 per cent, of the 288 Assembly seats as part of the understanding with the Congress. The Congress is frustrated that the Prakash Ambedkar-led Vanchit Bahujan Aghadi is not amenable to a seat-sharing agreement with the alliance.

Study on substance abuse

Social Justice and Empowerment Minister Thaawar Chand Gehlot has said more than 160 million people in India drink, around 31 million use cannabis, and 7.7 million people take opioids. More than 57 million drinkers, 7.2 million cannabis users, and 7.7 million opioid users are addicted and need help, according to the minister. He said the findings were part of a national household survey done by his ministry in 2018. The survey revealed around 11.8 million people in the age group 10-75 years took sedatives and 7.7 million used inhalants. Children and adolescents used inhalants more than others. Gehlot said the government was conducting a survey in 10 cities to assess the pattern and profile of substance use among students.

Pushing bond & currency mkt development

Work by regulators, market infrastructure institutions and market participants needs to continue to ensure these markets move to the next phase of development

VIKRAM LIMAYE

The fixed income and currency markets in India have operated primarily over the counter (OTC). While government bonds trade on an electronic platform, corporate bonds are mainly OTC traded with reporting and settlement on clearing corporations. Currency spot and forwards trade primarily in OTC markets, whereas futures are exchange traded. What measures could then be adopted to accelerate the pace of growth in these key markets?

Government bonds are very actively traded on the Negotiated Dealing System — Order Matching platform. However, liquidity is concentrated largely in the 10 year bucket. While the average daily traded volume is large at ₹38,650 crore for the last financial year, liquidity is not easily available across the curve. In 2018, for the first time, stock exchanges were permitted to distribute government bonds through the non-competitive bidding route to retail participants. The NSE has seen good interest from retail participants. In India, retail investors are very active participants in direct equities and can potentially be large participants in government bonds too. The large sums of money invested by retail investors in bank fixed deposits clearly indicates a preference for risk free fixed returns.

Government bonds compare favourably to FDs in many ways. They provide longer maturity, are much safer investments and provide an exit opportunity through secondary markets. Further, with some of the recent credit situations observed in the corporate bond space, government bonds would be the ideal asset class. Bringing in newer classes of investors to the government bond market is key to enhancing depth and liquidity. To incentivise investments in government bonds, these instruments need to be brought on par with investments in other fixed income products. For retail investors, interest income up to a certain threshold may be made exempt from tax.

The NSE is proposing to introduce some new proposals to facilitate secondary market liquidity, which would further aid in building this market. The RBI, in its last policy, had announced that stock exchanges will be permitted to offer State Development Loans (SDLs) through non-competitive bidding route. This will be an additional fixed income product that will widen the offering to meet varying investor needs and risk appetites. Appropriately incentivising interest income on this asset class could see substantial investment being channelised to government securities and SDLs. Taking the learnings from equities market, another potential avenue to explore could be unifying wholesale and retail markets. Currently, institutional participants

trade on NDS-OM and retail participants have a separate segment on NDS-OM and on the stock exchanges. Having a seamless and connected trading and settlements infrastructure could help in developing this market.

Corporate bonds have seen the most policy measures in the last five years to aid transition from a bank loan dominated market to a balanced distribution between market borrowing and bank funding. More corporate entities have started looking at capital markets for debt raising and the Securities and Exchange Board of India (Sebi) too has nudged corporate India towards capital markets.

Importantly, recent instances of default and the markets inability to price these risks satisfactorily, has created more uncertainties around corporate bonds. With more default resolution experience with the bankruptcy code in operation, pension and insurance companies could be directed to widen their investment horizon to slightly lower rated paper in a phased manner.

Sebi's recent initiative of credit rating agencies providing disclosures on liquidity and default indicators is a welcome step. Additionally, India could look at developing a junk bond market. As international investors gain more confidence in IBC, we could see foreign investment in this space, which has more experience in trading and dealing in these assets. It is time for India given the IBC framework to more actively promote this new class of investors — domestic and foreign; who could help grow this market.

Most international markets actively trade credit spreads, that is, a spread over the sovereign curve. However, given that India does not have a liquid sovereign curve across maturities and an underdeveloped derivatives market, it is tougher to price credit risk. While steps are being taken to develop the cash markets, derivatives markets can't be ignored. Regulators especially for mutual funds, insurance and pension need to facilitate this participation as current regulations are excessively restrictive. Perhaps regulators of all institutional investors need to take a combined view to develop the credit markets.

Coming to currency markets, an urgency in permitting longer trading hours at domestic trading venues is needed. Onshore markets operating for eight hours as against offshore trading venues being accessible for 16 to 23 hours creates a distinct disadvantage for onshore venues. India is perhaps among the fewer regimes where domestic currency transactions are still mired in substantial documentation requirements. Documentation may only be sought when an actual remittance takes place, to ensure regulatory compliance. For trading and hedging without delivery, proof based documentation could be eliminated. Another measure that needs evaluation is permitting stock exchanges to offer a spot FX platform to SMEs.

Financial market regulators have taken several measures to accelerate the pace of development of bond and currency markets. Many recent steps will bear fruit in the years to come. The stock exchange distribution network which has largely distributed equities, is now being utilised for increasing access points for fixed income products. Currency futures and options that are offered by stock exchanges have expanded the number of participants in this asset class. Work by regulators, market infrastructure institutions and market participants needs to continue to ensure these markets move to the next phase of development.

The author is managing director & CEO, National Stock Exchange of India Ltd. Views are personal

INSIGHT

The rise of the silver generation

AMBI PARAMESWARAN

In the late 1980s there was a rather popular ad on Indian television for Bajaj Bulbs that had a highly hummable jingle which went something like this — 'When I was a young boy I was a naughty little brat, but now I am a *boodha* and I live on tablets, but Bajaj still fills my life with light'. I wonder if the ad in its original form will get a positive reaction today; or will it get critiqued for being so derogatory about the aged. There was also a charming ad featuring thespian Shriram Lagoo where his grandkid asked him to play badminton; "*Dadaji* Badminton? '*Nahin, pehle Dabur Chyawanprash...*'"

The aged in India were shown to be consumers of pills potions and Chyawanprash, who went on pilgrimages. And prayed through the day. That was then when the aged were called the *boodhas*.

But that definition went through its first change two or three decades ago when they were renamed a more respectable "senior citizens", now in marketing lexicon they have developed an even better name, "silver generation". The seniors are no longer just being used as props in happy family photographs in ads. They are being wooed by multiple categories, ranging from travel to automobiles to investments to diapers.

It may come as a surprise to some of the readers that the magazine *Modern Maturity* was once among the largest circulated magazines in the US. So the western markets discovered the Silver or should I say Gold in the senior citizen segment many years before they were spotted in India.

Demographers tell us that we have around 130 million senior citizens in India, roughly 10 per cent of the overall population. This number is set to rise to 300+ million by the year 2050, almost 20 per cent of the total population. The growth in the number of elderly is being driven by increased life expectancy [moving from 68.35 to 75.9]. Interestingly, the gender ratio is highly skewed towards women [63:37] today and this may undergo some change in the next three decades.

The Aegon Retirement Readiness survey [2018] says that nearly 49 per cent of Indians are confident of their healthcare expenses after quitting full time work. Indians, the report says, top the "readiness to retire" index, 7.3 vs US (6.5). The Orb Media study that tracked attitude towards elderly across the world showed that there was no meaningful correlation between average GDP and respect towards the elderly. May be that explains the Indian "readiness" score.

There could be many factors helping the rise of the "Silver Generation" in India. For one many of them, at least in the upper- and upper-middle classes in urban India own the home they live in. The Agewell Foundation study puts the number at 70 per cent. This is a big contrast to the previous generation who may have lived in rented houses all their lives. Along with that their children's homes [mostly sons] when they retired. With that one big expense handled, they do have a lot more stability in their lives.

The second factor leading to readiness could be the bigger roles daughters are playing in the well-being of their ageing parents. If you are unhappy with your daughter-in-law, your daughter is more than happy to help you. So there is a Plan B, in case of trouble.

One of the factors leading to "readiness to retire" could be the bigger roles daughters are playing in the well-being of their ageing parents

The "Silver Generation" today have managed to save enough to take care of their daily needs and the occasional treat. The more affluent are indeed splurging on multiple luxuries. I know of friends who have decided that they will holiday at least once a month in India and at least, once a quarter outside India. I suspect a large number of Indians cheering the Indian team in the ICC World Cup are the "Silver Generation" cohorts.

The growth in numbers and the growth in their affluence is opening new markets for products and services. There is of course the growth of managed care homes in key cities like Pune and Coimbatore. There is also going to be a boom in packaged tours for the Silver Generation. This has been a big market in countries like the US and Japan. We will start seeing this boom in India; I submit there will be multiple segments in this too. The ultra luxury, the mid-market and the economy travel segment.

Even products that could be classified as unmentionable such as adult diapers are taking wings and beaming their messages on national television. The success of Saregama Carvaan is directly correlated to the rise of the "Silver Generation". I feel this is just the tip of the iceberg. We will soon start seeing other products being tailored for the Indian Sliver Generation. Curated nutrition products are waiting to hit the mainstream and I think they will find ready takers. In fact, "Silver Generation" also need their own fashion labels, dresses that are easy to wear, easy to wash and great looking. Why should my aged mom be dressed only in a dowdy nightie ? Why can't someone create a modified saree that can be worn by the elderly?

More and more ads on television and digital media will start presenting interesting products and services for the "Silver Generation". And then we can truly say that they are no longer '*Goli Khake Jeeta Hoon*' but are the '*Masti Karke Hasta Hoon*' generation.

The author is an Independent Brand Strategist, Founder Brand-Building.com a Brand Advisory. He can be reached on ambimgp@brand-building.com

LETTERS

Rahul's principles

In his letter, former Congress party president Rahul Gandhi has held on to his stated position that he is taking responsibility for his party's electoral debacle and not continuing as the Congress president. His refusal to nominate his successor goes to show his democratic credentials when he could have easily handpicked the next party president. He has left it to the party to decide.

It would be of immense symbolic significance if a Dalit becomes the next Congress president. Mallikarjun Kharge and Sushil Kumar Shinde are now talked of as the front-runners. Winning or losing an election is not a measure of whether what you represent and stand for is right or wrong. If the coming back of the Congress party did not happen, it was not Rahul's failure. The Hindutva card was successful in swaying the voters. Remember how Pragya Singh, who called Mahatma Gandhi's assassin a patriot, won with a huge margin in Bhopal?

Rahul Gandhi fought for principles and not for political power. At times, he stood alone to fight the Bharatiya Janata Party and Prime Minister Narendra Modi. He did it without hatred or anger. In fact, he had to fight the entire state machinery. That the setback has not diminished the resolve to fight the divisive RSS ideology is worthy of a great leader. He is not stepping back from his fight for India's continued existence as a liberal, secular democracy.

G David Milton Maruthancode

Give and take

Apropos Abhijit Lele and Raghu Mohan's report "Split wide open" (July 3), it is a good sign that Indian Banks' Association will have two separate wage agreements with the staff and officers of public sector banks (PSBs). The PSBs are perhaps the only setup in public sector undertakings where the staff and the officers join in wage negotiations and intermittent strikes together, to bring the work of banks to a standstill, thereby forcing managements to agree to their exorbitant demands. Giving the flexibility to individual banks to pay their employees is another plus point. It will promote a pay-for-results culture.

The article also brings out the deficiencies in the HR policies of PSBs. When the accountability of PSBs is fixed with the top management, this gap would also be bridged. In the 2015 settlement, though bank employees got a 15 per cent rise in wages and two Saturdays in a month off, the remaining days were reduced to half-day of work and there was no commitment to improve the financial health of the organisations. There should be real productivity bargaining this time in the spirit of give and take.

Y G Chouksey Pune

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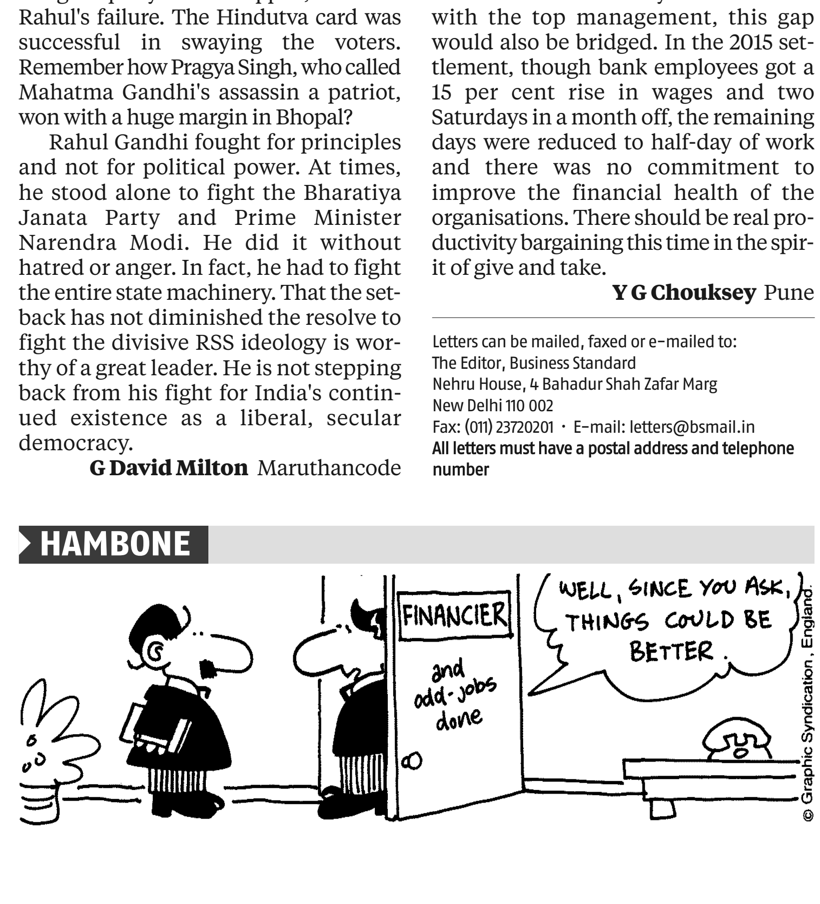
HAMBONE



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A new-old approach

Survey skilfully marshals fresh arguments for timeless policy

In his first Economic Survey as India's chief economic advisor, K V Subramanian has successfully infused a conservative and well-understood set of recommendations with a novel, and even indigenous, air. On the surface, there may appear to be nothing remarkable about suggestions that the government focus on private investment, and those on re-invigorating exports and administrative reform. Such a view would, however, miss the point. The Survey has given these policy directions a new freshness and embedded them in a view of recent economic successes in India that will be persuasive to political decision-makers. And, further, Dr Subramanian has chosen to make these broad, overall recommendations in line with traditional growth strategies at a point when many voices in India and abroad are calling instead for a return to the days of "industrial strategy". The Survey has also clearly — and correctly — poked a hole in the conventional wisdom that India must rely on consumption-driven growth by putting investment, and particularly private investment, at the centre of its strategy. As a consequence, its strategy also must prioritise export growth — an implicit rebuke to the increasing protectionism visible in some recent actions of the Indian government.

Returning private, fixed investment to the highs of the mid-2000s is indeed a pre-requisite for a sustainable high-growth trajectory. However, this is not easy to manage, as the Survey recognises. An increase in investment has to be paid for with a corresponding increase in savings, unless the current account deficit were again to explode. But in recent years the private corporate sector has essentially closed its internal savings-investment gap; and it is the household sector, which includes small and unincorporated enterprises, that is the primary net saver of the economy. The problem is where this is going. Net borrowing by the public sector — the central and state governments' budgetary and off-budget borrowing — is estimated to have grown at an average of over 10 per cent a year since 2011-12. It is, at this point, no less than an identity: For private investment to recover, government dis-saving must be reduced. The government will have to spend less or raise more in revenue. An otherwise excellent argument in the Survey could have been improved by making this point.

A granular understanding of the reasons for the crisis in private investment underlies Dr Subramanian's choice of subjects in the Survey. For one, there is clearly continuing policy uncertainty in the Indian economy, in spite of there being the confidence provided by a stable government with a working majority. This must be addressed — the Survey suggests transparent, independent quality assurance of policy-making processes, but other possibilities exist. Legal and administrative reform, alongside the preservation of institutional independence, will also aid in decreasing policy uncertainty. Crucial also is the long-delayed question of judicial reform, which would make dispute settlement and contract enforcement in India less of a nightmare. Real interest rates are too high, and need to come down.

Regressive policy, which creates perverse incentives for companies and encourage them to stay small and inefficient, must be phased out, and replaced with preferences for newer rather than smaller enterprises — the Survey correctly points out that it is the former and not the latter that generate growth and jobs. Finally, the competitiveness of exporters must be a priority — measured through the average productivity of firms in the economy. This, of course, requires labour law reform, and the Survey makes this point clearly and concisely, embedding it in a defence of the outcomes produced by Rajasthan's labour reforms in 2014. The one missing piece is rupee depreciation. The Survey, in a footnote, argues that this is unnecessary to boost exports. But fixing an overvalued currency is the simplest and cheapest way to gain a competitive boost.

Power for growth

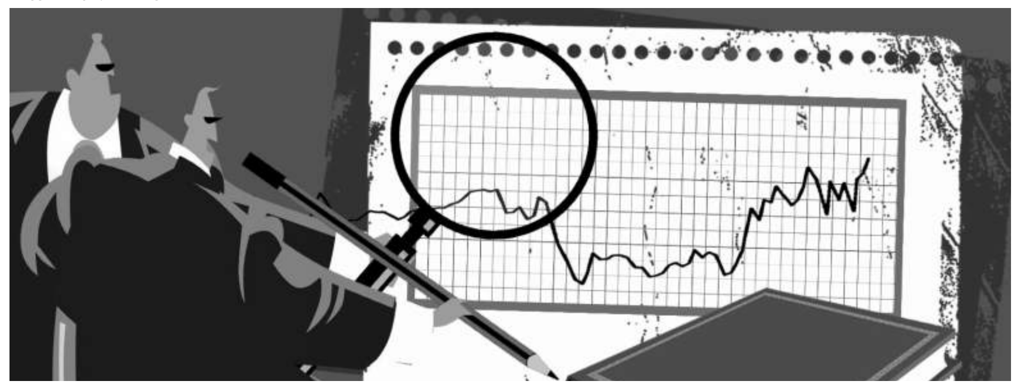
The weak state of discoms is a big risk

The government wants to provide uninterrupted power to all households, which is an important precondition for attaining sustainable higher growth. While continuous power supply would require more capacity, the weaker links in attaining this goal are the electricity distribution companies (discoms), which, with their weak finances, are often not in a position to pay power producers in time. To address this issue, the power ministry last week made it mandatory for discoms to open and maintain adequate letters of credit under power purchase agreements. The idea is to ensure security of payment to power producers. In theory, this will force discoms to make timely payments. In case they fail, power producers can encash the letter of credit. This would make life easier for generators and address the issue of liquidity on their part. Power producers pay in advance for fuel and its transportation.

Although the idea has merit, it will not solve the fundamental problem, at least in the short run. The basic issue here is that discoms do not generate enough revenue and are accumulating debt. In such a situation, it is possible that they might even find it difficult to offer letters of credit, leading to a reduction in demand and power cuts. A recent report by CRISIL showed that the aggregate external debt of state-owned discoms is likely to reach the pre-Ujwal Discom Assurance Yojana (UDAY) level of ₹2.6 trillion by the end of the current fiscal year. This is primarily because they did not pursue reforms as desired. For instance, the annual increase in tariffs has been just about 50 per cent of the target and the reduction of losses in supply remained below expectations. The real issue that needs to be addressed is the way discoms function. It is important to note that state governments may not be in a position to constantly assume discom debt due to the non-availability of fiscal space. Also, additional liability will affect their ability to make public investment.

The sector requires action at multiple levels. For instance, distribution companies should be encouraged to reduce supply losses and ensure that consumption is accounted for. This will require proper metering and improvement in distribution infrastructure. Further, discoms should be allowed to increase tariffs and states need to end the culture of excessive power subsidies. The poor can be protected through cash transfers, which can be done in a way that promotes conservation. To be sure, all this will not be easy as the problem is more political than financial. In this context, it will be important for the Centre to work with state governments to find longer-term solutions. It is now clear that simply taking over the debt of discoms does not work. It is time to depoliticise power, which will pave the way for tariff rationalisation and incentivise discoms to invest in infrastructure. Only then will instruments like the letter of credit have a meaningful impact. The weak state of discoms can not only impede an uninterrupted supply of power but is also a risk for economic growth.

ILLUSTRATION: BINAY SINHA



A much-needed blueprint

The Economic Survey posits a clear development model to put India on a high-growth path

Over the last few years, particularly during the tenure of the previous Chief Economic Adviser (CEA) Arvind Subramanian, the Economic Survey (ES) morphed from an exhaustive — and often tedious— account of the economy's performance over the previous year into a more analytical and forward looking policy statement.

For one thing, it attempted to join the dots and draw the proverbial "big picture" pertaining to some of the critical contemporary economic issues. The notion of a balance sheet recession, for instance, and its ramifications for economic revival were first formalised in the ES in 2015-16. The 2014-15 ES provided a rationale for the efficiency and welfare gains from the interplay of basic bank accounts, biometric identification and mobile telephony (the so-called JAM trinity). The forward looking policy prescriptions included a workable model of Universal Basic Income, which underpins programmes like PM-KISAN, and the use of the Reserve Bank of India's balance sheet reserves to fund budget expenditures. Both of these were discussed first in the ES.

ABHEEK BARUA

In his first ES, the new CEA Krishnamurthy Subramanian (KS) keeps this new avatar alive and well. At the very outset, he provides a blue-print to take India's GDP to $5 trillion by 2024-25 and create employment alongside. His key advice is to abandon the way economists and policy-makers think —in terms of economics fundamentally being in equilibrium except when there is the odd shock— and switch to a mode where there is constant disequilibrium with economies spiralling around in vicious or virtuous cycles.

All this somewhat bewildering new age econobabble translates into is a prescription for a sharp rise in investments (the "key driver" for the virtuous cycle) that create capacity and an expansion in exports to absorb this capacity. Investments, in KS's scheme, need not displace jobs but will improve labour productivity and make exports competitive. Besides, "when examined across the entire value chain, capital investment fosters job creation as the production of capital goods, research and development and supply chains generate jobs." In short, KS lays his bets on the Chinese growth model with some modifications.

Of course, all this has to be supported by complementary policies. Like other cheerleaders of the China paradigm, KS is a votary of scale and demonstrates that "dwarves" (firms that are old and small) are the biggest drag on the economy. Using data from other economies, he shows that young and relatively large companies have the highest potential to both "grow" and "employ" and, thus, the barriers to their growth have to be removed. This would mean both labour market reforms and phasing out incentives that encourage firms to remain small. The last bits of the growth jigsaw are high domestic savings, low cost of capital and a tax-regime that is both stable and encourages entrepreneurial risk-taking.

Critics could argue that it is difficult to repeat history, and an investment- and export-driven model on the lines of China's growth model in the 1990s and 2000s cannot be replicated given the acceleration in automation that is fundamentally changing the relationship between capital and labour. One could also raise issues about education and the acute shortage of the most basic of skills needed to support a manufacturing boom in India.

While these debates will continue, the importance of this year's ES is that it posits a clear economic model that could potentially drive the economy to a higher growth path in the Modi 2.0 regime. Thus, those of us who have complained that the government was high on targets but low on strategy should have less of a reason to whine. Besides, my understanding is that some of the senior bureaucrats in government today share the ES's basic approach to growth. That is critical if this growth strategy were to stand any chance of being implemented.

Chapter 2 of the survey provides interesting insights into the use of behavioural economics, particularly the idea of a "nudge" in policy design. Take tax compliance, for instance. Signboards showing "tax money at work" in construction projects in a panchayat or district explicitly convey to citizens that their taxes are being used in valuable public goods. This addresses the issue of "vertical unfairness", the perception that the services received by an individual are not commensurate with the taxes. What is important though is that simple interventions based on these insights are known to work in many areas of public policy. Thus the idea of a behavioural economics audit for every government programme (conducted by the Niti Aayog) that the ES espouses might sound a tad radical but is perhaps the only way to ensure that outlays are proportional to outcomes.

What about the bread and butter bits of the ES, the stuff on near-term growth, budget deficits and the like? The 7 per cent projection for the current fiscal year's GDP growth is reasonably conservative as is the assumption that the investment cycle has perhaps bottomed out. There is indeed growing evidence of capacity constraints in a number of sectors. Besides, as the survey points out, rural wages growth, which was declining, has started to increase since the mid-2018. Further growth in rural wages should help spur rural demand.

For the financial market, the reiteration of the fiscal glide path of a central government fiscal deficit of 3 per cent of GDP by 2021 in the ES and the clear assertion by the CEA in the post ES release presser that budgetary consolidation is desirable have brought cheer and assuaged concerns that the Budget might go a little easy on targets to accommodate funding for projects promised during the elections.

This ES has clearly gone the way of recent surveys, dense with ideas, liberal with academic references but not giving the business of economic *hisaab-kitaab* short shrift. Its key shortcoming is perhaps the fact that while it's bursting with ideas about how to get to a higher growth path, it is perhaps a little reticent on why the current economic slowdown came to such a pass.

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Saving India's groundwater

Over 70 per cent of India's water comes from below the ground. India is, by far, the largest and fastest growing consumer of groundwater in the world. China and the US are in second and third positions, respectively, but India uses more than the two of them put together. Over the last four decades, around 84 per cent of the addition to irrigated area came from groundwater. Most of this was from deep drilling of tubewells or borewells, which are the single largest source of irrigation, as also drinking water, in both rural and urban India.

Tubewells, which were once seen as the solution to India's water problem, have tragically ended up becoming the main cause of the crisis. This is because we have indiscriminately drilled borewells without paying attention to aquifers, the rock formations within which our groundwater is stored. Much of India is underlain by hard rock formations, which have limited capacity to store groundwater and have very low rates of natural recharge. Once we extract water from them, it takes very long for water to regain its original level.

WATER: REFORM OR PERISH

MIHIR SHAH

For decades, we have drilled aquifers at progressively greater depths, lowering water tables and water quality everywhere. Water quality is impacted because at certain depths we encounter deposits that gravely pollute groundwater. Official estimates indicate problems of high fluoride in 203 districts, iron in 206 districts and arsenic in 35 districts. Fluorosis is estimated to afflict 65 million and leads to crippling, skeletal problems and severe bone deformities. Arsenicosis affects around 10 million people and causes skin lesions and develops into cancer of lungs and the bladder. Overall, we have reached a situation where nearly 60 per cent of India's districts have either seriously fallen water tables or low groundwater quality or both.

It is also not often understood that perhaps the single most important cause of our peninsular rivers drying up is over-extraction of groundwater. After the rains stop, for these rivers to keep flowing, they need base-flows of groundwater. But when we over-extract groundwater, the direction of these flows is reversed and "gaining" rivers get converted into "losing" rivers. In a similar way, in our mountainous regions, springs, which have historically been the main source of water of the population there, are drying up.

To understand how we can reverse this dire situation requires a careful reflection on the nature of groundwater and a recognition that it is a common-pool resource. By its very nature, it is a shared heritage. We can divide the land under which this water is located but we cannot divide the water, which moves in a fluid and fugitive manner, below the surface. Competitive, individual extraction leads to a mutually destructive cycle, where each user tries to outdo the others in drilling deeper and deeper, till the point — which is being reached in so many aquifers in India today —where virtually no groundwater is left.

How then can we protect and continue to use arguably India's single most important natural resource without driving it to extinction? Can we save the goose that lays the golden egg? One commonly proposed solution is to meter and license the use of groundwater. While this might make sense for the few very large consumers, such as industrial units, it would be impossible to implement on a large-scale, bearing in mind that we have more than 30 million wells and tubewells in India.

Fortunately for us, there are a few examples, which show the way forward. A million farmers in the hard rock districts of Andhra Pradesh have come together to demonstrate how we can use groundwater in an equitable and sustainable manner. Of course, this initiative required a strong mooring in both science and social mobilisation. With the co-operation of hydrogeologists and civil society organisations, facilitated by the government, these farmers clearly understood the nature of their aquifers and the kinds of crops that could be grown with the groundwater they had. Careful crop-water budgeting enabled them to switch to less water-intensive crops, more suited to their specific agro-ecology. Such examples have mushroomed all over India, especially in Maharashtra, Madhya Pradesh, Kutch and Sikkim. All of them are based on collective action by farmers, who come together to jointly manage their precious shared resource. They develop protocols for pumping of water, sequencing of water use, distance norms between wells and tubewells and strictly adhere to them once they understand that this is the only way they can manage to meet both their farm and domestic requirements.

Of course, taking these innovations to scale requires massive support from government. Paradoxically, as groundwater has become more and more important, groundwater departments, at the Centre and in all states, have only become weaker over time. We need to urgently reverse this trend, strengthening state capacities in a multi-disciplinary manner. The 12th Plan saw the initiation of the National Aquifer Management Programme and the NDA government subsequently launched the Atal Bhujal Yojana. Both of these are pioneering initiatives, the likes of which the world has never seen before. However, they have failed to take off primarily because the requisite multi-disciplinary capacities are missing within government. But also because they cannot be implemented by government alone. They demand a large network of partnerships with stakeholders, across the board: universities, research centres, panchayati paj institutions and urban local bodies, civil society organisations, industry, and the people themselves.

At the same time, we need profound changes in the structure of incentives to support farmers in moving towards less water-intensive crops, which were elaborated in the first article in this column. We also need to break the groundwater-energy nexus that has only encouraged the mining of groundwater. The Jyotigram Yojana of Gujarat shows the way forward here through the separation of power feeders. This needs to be urgently implemented through the length and breadth of India. We also need to replace archaic British law, which has only helped in the destruction of India's groundwater, as I will explain in the last article in this column.

The writer is Distinguished Professor, Shiv Nadar University and former Member, Planning Commission, Government of India. Every fortnight, he will outline multiple dimensions of long overdue reforms in the water sector

More than a grave

BOOK REVIEW

PARTHA BASU

The problem with writing something new about historical personages, more than events, is always going to be to decide what really needs to be said anew; in other words what fresh insights could be presented to add value to what has gone before.

Needless to say, Timeri Murari does not lack for knowledge on his subject; some years ago, he wrote a well-received novel, *Taj: A Story of Mughal India*, and saw the need to pen a captivating prequel to the Shah Jahan and Mumtaz Mahal story that culminated in the building of the iconic mausoleum. Having learnt quite a bit about the Mughals from his earlier research, he wouldn't have looked further than launching a search for Mumtaz Mahal's initial burial site where she lay for six months before her body was disinterred on her grieving husband's orders and shifted to Agra to await the building of her final, peerless, resting place across the Yamuna. Lending his narrative its almost mystic quality would be the fact that the grave in question was clouded in obscurity.

Popular belief had it that the Empress, having travelled constantly by the side of her husband on all his forays into the Deccan to do battle with the enemies of the dynasty, died, all of 38 years, giving birth to her 14th child after a supposedly tortured pregnancy. A number of forts and palaces she visited on her travels were marked by the birth of one or more of her children, and the erotic bonding with her husband was never diminished by the physical tribulations of this most fecund woman. Though Shah Jahan took another wife, a political manoeuvre at best, and had the most desirable women in his kingdom to attend to him, his longing for Mumtaz burned till the very end of her life, and indeed of his. No doubt, the story had a poignant core, but whether it had enough in it to sustain a full-blown novel was a moot point. Mr Murari's book makes no effort to examine or analyse the intensely personal aspects of their relationship and how it could have affected, for better or for worse, the convoluted politics of the Mughal court.

No woman in Mughal history captured so comprehensively her husband's passion and his loyalty; history also records the prime contribution of her seven surviving children in shaping the passage of the Mughal dynasty and yet Mumtaz, unlike her Machiavellian aunt Nur Jahan, preferred to remain in the political penumbra. Mr Murari's prime objective remains the burial site. But is it sufficient to write only about an unadorned grave in a town now relegated to being a largish dot on India's map, particularly as history tells us of its impermanence? I would think that it would have been more relevant in his search for Mumtaz Mahal to rediscover the many forts and palaces that the young Empress, almost always heavily pregnant, visited other than the fabled and legend-encrusted ramparts and pavilions of Mandu, Ranthambore and Asigarh. On the other hand, Mumtaz Mahal's life, unlike her aunt Nur Jahan's, is very sparsely documented, and the writer would have his work cut out for him because his only sources would have been the locals who knew these places, but whose material was often unreliable. As a matter of fact, as Mr Murari himself notices, the information about these places comes mainly from unreliable guide books and from often indecipherable signage mounted at the entrance to the property by the Archeological Survey of India.

Mr Murari's book makes no effort to examine or analyse the intensely personal aspects of their relationship and how it could have affected, for better or for worse, the convoluted politics of the Mughal court

Mr Murari understands all this and makes a choice. He knows that he has not made any promises to his readers in terms of guiding them to Mumtaz Mahal's burial site in Buhranpur because he, more than his readers, will probably know what to find once he gets there. So, like the proverbial clued-up tour guide, he decides to make the journey more interesting than the destination. This, in short, means that as he takes off from Madras (now Chennai) with his blonde wife and pushy sister, and meanders upwards and northwards cutting across state boundaries, and in and out of towns and cities, at the mercy of Indian rail and road transport and tricky officialdom and antique sellers and guides. India becomes more prominent than the Empress.

The grave turns out to be placed within a spare high-walled enclosure on the riverbank opposite to where Mr Murari stands and he observes it receding into the gathering early evening darkness. His companions sense that this is his quest and allow him his space; he crosses over the shallow part of the river to the site of the grave but he carries no sense of disappointment with him because it's not the structure that is important but the place where this extraordinary Empress of Mughal India breathed her last.

Perhaps Mr Murari realises then that rediscovering his India has been actually more relevant than finding Mumtaz Mahal's first grave.

EMPRESS OF THE TAJ: In Search of Mumtaz Mahal
Timeri N Murari
Speaking Tiger
240 pages; ₹350