

Opinion

SATURDAY, AUGUST 24, 2019



TOWERING INFERNO

President of France, Emmanuel Macron

Our house is burning, literally. The Amazon rain forest—the lungs of our planet which produces 20% of our oxygen—is on fire. It is an international crisis

Rational Expectations

SUNIL JAIN

sunil.jain@expressindia.com
@thesuniljain



A most-welcome mini-budget, & more

FM does well to fix FPI- and angel-tax, good steps on banking; other ministries must now pitch in to give investment a boost

FINANCE MINISTER NIRMALA Sitharaman has done well to respond to the economic crisis in the manner she has, by not just correcting policy faux pas that should never have crept into her maiden budget—some like the surcharge on rich still remain—but, by also coming out with innovative solutions to other problems like slow decision-making in banks due to fears of CBI investigations later on. If a lot of this should have been dealt with in her maiden budget itself, as the FM said in response to a question, she would have taken some of these measures earlier had she known the economy would slide so much; perhaps the time before the budget was too short for detailed discussions or perhaps a crisis just focuses the mind better.

More than the measures itself, Thursday's press conference makes it clear that despite the government's seeming pre-occupation with abolishing Article 370—and more recently, the arrest of former finance minister P Chidambaram—the economy very much remains on its radar; indeed, the FM said that there would be two more sets of measures that she is finalising and hopes to discuss in similar press conferences over the next 2-3 weeks. If something is done to stimulate the housing sector—this is the next on the FM's agenda—the boost to the economy can be significant.

Given the precarious tax situation, few really expected a cut in tax rates to Asean levels—a promise Arun Jaitley made several years ago—but, given India's tax rates are around twice those in competing countries, and are a big reason for India's being uncompetitive, the FM could perhaps have given a timeline of 1-2 years to achieve this; in any case, the Direct Tax Code report has also made the same suggestions of lowering tax rates. It is also not clear why the FM remains so bullish on meeting her FY20 tax targets since, as the first four months data shows, the government is already falling short, and in a big way.

While Sitharaman did well to remove the FPI-surge that resulted in FPIs pulling out billions of dollars from the equity market, she needs to review the decision-making that allowed such a decision to be taken in the first place. Indeed, it was this very process that saw a MAT being levied on FPIs a few years ago—Jaitley even bragged about how he could use the ₹40,000 crore this would generate to fix India's irrigation system—before it too was removed after FPIs started pulling out money. Sitharaman has been, similarly, misled into hiking surcharges on the rich; it is a pity she didn't seem fit to remove these as well. She has done well to remove the angel tax, but it is a good idea to wait for the actual notification; in the past, when the angel tax issue was said to have been fixed, enough caveats were inserted to ensure that start-ups still paid the tax and, in many cases, they are being sent tax notices without mentioning the Section 56(2)(viib) that the FM said would now no longer apply to start-ups!

The FM has done well to ensure CSR violations are no longer a criminal offence, but needed to do more, indeed scrapping CSR was the best solution. For one, CSR has to be voluntary, it became a tax once the UPA made it mandatory; and nothing has been done to curb the taxman's power to decide what activities are to be considered CSR and which are not.

Though the CSR and FPI surcharge got the most attention—along with the limited moves to help the auto sector—the most significant moves were really those in the banking sector. Apart from measures to boost credit to NBFCs, giving PSU banks the promised ₹70,000 crore of recap funds in one shot will boost their ability to lend in a big way. Even more important was the method to ensure banks take decisions without fear of being pulled up by the CBI/CVC/CAG later. If the banks' Internal Advisory Committee and the CVO back any decision taken by officials, this is to be taken as final, and will be something for which bank executives cannot be questioned later, Sitharaman has promised.

Definitely behind-the-scenes work with banks and the RBI has ensured banks will pass on all repo cuts to their MCLR rate and, through that, to borrowers; how much will be passed on is not clear since banks can just raise their spreads. The key is how soon the government lowers rates on small savings; high rates on these force banks to keep deposit rates high. Whether the government will allow banks to link deposit rates to the repo remains to be seen; if banks can't do this, cutting lending rates will ensure they have an asset-liability mismatch.

The moves on deepening bond markets—like an institution for credit enhancement—were first announced in the budget and must be implemented fast. Industry will be pleased about the FM's assurance on timely GST refunds, but also a bit cautious—the decision to pay industry 75% of their dues after an arbitration award was taken by Jaitley several years ago; but, with NHAI asking for bank guarantees before releasing this 75% amount, the move never took off. And GST refunds were always supposed to be made in a short time.

With Sitharaman promising to be vigilant to ensure her promises are delivered on—the Cabinet Secretariat will also monitor some of these—the ball is now in the court of other ministers. If investment levels are to pick up, the particular problems of each sector also need to be addressed. In the case of telecom, for instance, spectrum prices and annual levies need to be slashed by far more than what is being contemplated right now; in the petroleum sector, producers have to get market prices; apart from levies needing to be slashed for mining, issues like commercial mining of coal remain unaddressed; it is the health of state electricity boards and below-cost electricity pricing in the power sector; FTAs need to be signed with the US and the EU to give exports a boost; global giants need to be wooed to set up manufacturing in the case of mobile phones;... the list is a long one.

Marriage EQUALITY

Increasing the age-threshold for marriage for women would be a great step forward

CLAIMING THAT THE present law “perpetrates *de jure* and *de facto* inequality against women” and violates gender equality, justice and dignity of women, a petition was filed last week with the Delhi High Court to equalise the marriageable age for men and women. Currently, women are allowed to marry at 18 years of age, while men are allowed to do so at 21. The PIL invokes Articles 14 and 21 of the Constitution and states that not only that this has no scientific backing and goes against global trends but also furthers patriarchal stereotypes. Raising the minimum age for marriage for women to 21 years will be a step forward.

Historically, the mean age at which Indian women get married has been quite low. The India Human Development Survey, 2004-05 found that more than 95% of Indian women are married by the age of 25. There has been steady rise in the age at which Indian women are getting married. From 16.1 in 1961, the mean age of marriage for women rose to 19.3 in 1991. In 1998-99, this reached 19.7. Although the mean differs for rural and urban women in favour of the latter, there is a trend of increase for both demographics. Since opposition from in-laws could impede the pursuit of education for women marrying young, a higher marriageable age would imply increased likelihood of accessing educational opportunities. In turn, this would give women increased access to economic independence, greater freedom of marital choices, and, given the positive correlation between educational qualification and lower fertility rates, more reproductive freedom. Further, the access to education resulting from a higher threshold age would be a boon for both maternal and child nutritional health.

NATIONAL EDUCATION POLICY

THE DNEP HAS RECEIVED A LOT OF FLAK, BUT, PROPOSALS LIKE REPLACING GRADE 10TH & 12TH EXAMS WITH A FOUR-YEAR HIGH SCHOOL AND CHOICE-BASED-CREDITS ARE REVOLUTIONARY

Draft NEP criticism wide off the mark

BHAMY V SHENOY

Former manager, Conoco
Views are personal



DRAFT NEW EDUCATION Policy (DNEP) was unveiled on May 30, 2019. Since then, hundreds of articles have been written, analysing the 484-page report by a nine-member committee, headed by former ISRO chairman, K Kasturirangan. Some have praised the report, highlighting the recommendations, which, they felt, would bring about transformative changes in our dysfunctional education system. But, many more have been critical of the report.

Some criticism is just nitpicking, without any convincing argument while some is driven by ideology. Some oppose DNEP because they do not like the current government. In a democracy like ours, expressing one's opinion is fully justified and necessary. But, criticism would have added value if it were fully supported with sound argument and suggestions to improve the report. Let us take a look at some of the glaring/shocking criticisms.

One oft-stated criticism is that DNEP “pushes centralising agenda, and is against the Constitution by encroaching on the rights of the state”. There is no implicit or explicit agenda to push centralisation. Neither is there any attempt to encroach on states' rights. Goa has already decided to implement some of the recommendations of DNEP. In fact, if implemented in its true spirit, it has the potential to start a ‘million mutinies’ in the education sector.

Let us, for example, take one of the major recommendations of getting rid of grade X and XII exams. They will be replaced by four-year high school with semester and choice-based credit systems.

Only the owners of coaching schools, and teachers losing opportunities to give tuition will be unhappy with this recommendation. Which state would be unwilling to implement this recommendation? Still, very few have highlighted the strategic importance of this recommendation.

Every one talks of the need to promote critical thinking and creativity in students. When the goal under the current system is to score high marks in these public examinations, we are indirectly giving no importance to critical thinking. Under the new system, school education will develop a scientific temper, an aesthetic sense, communication, ethical reasoning, digital literacy, knowledge of India, and knowledge of critical issues affecting the local community and the world. Also, students today have lost the habit of reading books since it is not a requirement to score high marks, and if anything, reading would impinge on their “rote learning” time.

Another often repeated criticism is that the report is not inclusive. This is a totally unjustified criticism. I wonder how many of these critics have visited small government schools, where there are no libraries, no lab facilities, no playground, no toilets, no drinking water, etc, and where teachers take classes for several grades. The report has recommended school complexes where, if needed, students will be bused, and where all facilities will be provided. When the government allocates enough funds and keeps political intervention to the minimum, it is perfectly capable of running world-class schools, which, in turn, will help students from poor families.

There are several recommendations in the DNEP to make education inclusive. One such outstanding suggestion is the high priority given to early childhood education by strengthening the *anganwadis*, either as part of the school complex, where possible, or by building

high-quality standalone pre-schools. States will prepare a cadre of professional educators unlike today's caretakers, with little or no training to impart pre-schooling.

Some have referred to New Education Policy as “Old Wine in New Bottle”. This, too, is completely unjustified. Either they have not read the report carefully, or refuse to consider the recommendations as new. Replacing the current 5+3+2+2 school system by 5+3+3+4 semester-based system, to prioritise pre-schooling from three years of age in fully-equipped schools, has never before been suggested. Is there any earlier report that suggested dropping public examinations? Who has suggested three types of higher education institutions—research universities, teaching universities and autonomous multi-faculty colleges—earlier?

Current undergraduate education will be replaced by liberal, multidisciplinary, broad-based institutions. Has anyone recommended closing down of standalone teacher training colleges and replacing them with four-year degree colleges attached to multi-faculty college or universities? No objective analyst of DNEP will conclude that it is like rearranging chairs on the Titanic, as some critiques have alleged.

Students' Federation of India protested against DNEP by burning

copies of the report throughout India. Their argument was that DNEP “served the market” and not the interests of students. They argued that it will be easy to get a grant to do research on ‘*gaumutra*’ and not on topics related to astrophysics. Such criticism is based not on the contents of the report but on some pre-conceived ideas. Some have even alleged that Hindutva has influenced the policy recommendations. My careful reading of the report did not reveal any such impact. In fact, my criticism is that they should have emphasised the need to teach about India's civilisational contribution much more. Not even once is there a reference to the study of India's epics, Ramayana and Mahabharata, of which our students know so little today.

The most unkind criticism came from the three topmost science academies in the country—Indian National Science Academy (New Delhi), Indian Academy of Sciences (Bengaluru) and National Academy of Sciences, India (Allahabad). These academies should be the first to know how our higher education system has failed to produce any Nobel laureates despite having having abundant

talent in the country. They do appreciate some of the recommendations, but do not see any need for major structural changes.

Opponents of DNEP have been quite organised in opposing it. But, those who want reform of the current education system have not done enough to support it. It is not that NDA is too enthusiastic to implement DNEP—they delayed the unveiling by five months. It is time that we, the public, put pressure on the NDA government to adapt, if not the whole report, at least most of its recommendations.

Has any one recommended closing down of standalone teacher training colleges and replacing them with four-year degree colleges attached to multi-faculty colleges or universities?

Digital disruption for agriculture

The proliferation of technologies and digital applications will address many of the agriculture-related issues and give a multi-dimensional push to agriculture

RAMENDRA VERMA

Partner and Head—Government Advisory, KPMG in India. Views are personal

AGRICULTURE SECTOR PLAYS a crucial role in India's economic development. Considering that India has 60.45% of its land area as agricultural land and leads in the world in terms of area under cultivation (1.8 million km² area) is a testimony to this fact. However, steadily increasing population is posing a threat to food security, and requires streamlining of the entire agri-value chain to match the food availability needs of this rapidly growing population. Various challenges both at the macro as well as micro level in the agriculture ecosystem are a limiting factor to increase farm productivity and farm incomes, especially when the total area under agriculture has been stagnant for major food grains over the last few years. There is no doubt that the government is proactively pursuing policies to improve the agri-value chain, however, more needs to be done to remove inefficiencies in the agricultural supply chain to make Indian agri-tech a lucrative investment opportunity. The adoption of right digital technologies by making them affordable will have the potential to address the challenges.

New technologies offer immense opportunities for increasing crop production, improving the nutritional value of crops, reducing input prices for farmers, improving the overall agri-supply chain, reducing wastage in the distribution system, enabling farm mechanisation, and ensuring an ease in connectivity between farmers and the consumers by providing linkages between the consumer and producer.

What is holding back the agriculture sector?

Small and fragmented land holdings, depletion of natural resources, changing agro-climatic conditions, decreasing agricultural land versus a growing population, scarcity of capital, inadequate storage capacity and transport facility, decreasing groundwater levels, poor quality of seeds, low rate of adoption of

farm mechanisation, and wastages across the entire agri-value chain are some of the challenges limiting the growth of agriculture in India.

I believe, the proliferation of technologies and digital applications will address many of the agriculture related issues stated above and give a multi-dimensional push to agriculture. There are primarily two disruptions which technology can impact in the immediate future—supply side disruption and demand side disruption.

Supply side disruption

From the supply side, the range of technologies from automated farm equipment to a wide array of Internet of Things (IoT) sensors that measure soil moisture and drones that keep track of crops have changed the agriculture landscape in the last few years. Adopting new age technologies like Artificial Intelligence (AI), Cloud, Machine Learning and advanced analytics is creating an ecosystem conducive for farmers to achieve higher average yield and better price control.

There are comprehensive technology based solution platforms to meet all the farming requirements from crop advisory to availability of products, mechanisation services, financial services, harvesting and post harvesting services. These technologies allow better and practical decision making to pre-determine the optimal usage of water and other agricultural inputs including seeds, fertilisers, etc. The panchayats or farm produce organisations (FPOs) can be developed to act as hubs to implement the technological interventions.

Demand side disruption

From the demand side, the potential exists for the farmers to develop micro processing centres (MPCs) closer to their farms. This means that wheat processing mills, fruit processing, oilseed processing, etc can be done at the farm itself, and sent directly to the consumer (similar to

the ‘app-based food delivery model’). The consumer interests in organic and ‘direct from farm’ can lead to disruption in the space. The MPCs will serve as a holistic model and enable a reduction in transaction cost and time for farmers to avail the services, and also bridge the gap between farmers and the consumers.

With the above two disruptions, the government's initiative to double the farmer's income will facilitate farmers to get right price remuneration by forward linking to the institutional buyers and reducing the cost of cultivation by judicious use of key resources. FPOs and MPCs can give a push by supporting the rent-based sharing model for the services and make technology affordable to everyone.

It holds much promise for the government, as this will give them an access to the critical information collected in the background through FPOs and MPCs. The information backed up with the relevant data can further be inferred by the government, and used for the right policy drafting and extending benefits to the farmers. These platforms will also allow the government to communicate with the farming community through technology and help in channelising critical information directly for the benefit of farmers.

Way forward

A significant share of our agricultural growth is possible through application of new technologies. Adoption of new technologies is certainly changing the entire agricultural model, and going forward will ensure growth without compromising the man-machine linkages. However, such innovation-led growth will need to ensure that all stakeholders in the agricultural chain contribute and benefit, starting with the farmer. Therefore, using this agri-model optimally will be a key driver for improving competitiveness in the sector.

LETTERS TO THE EDITOR

Vendetta, that is tough love?

One must appreciate the relentless focus to surmount key impediments of a chronic and sensitive nature, with near-nil collaborative efforts by the Opposition. The regime has established a high-benchmark of governance and an intent to prioritise the key agenda of socio-economic development on the ground, by enforcing laws in letter and spirit. Internal forces, and select political entities continue to be a part of the problem and levy focus on polarising matters, even those of national importance—only to delay the fulfilment of larger objectives. Ethical levels continue to stoop and form newer lows, as political entities derive pride out of their persistent stance and indulgence in name-calling, opportunism and vendetta. Moral/integral degradation has been witnessed on multiple instances of late—including the irrational/disgraceful comments before the run-up to the general elections, outspoken rallies during the polls and, now, the divisiveness over potential laws to boost uniformity/solidarity. It is important that code of conduct for masses and classes is standardised and that any sign of disrespect towards high-chair/ranks, attracts penal action. Goals targeting growth for all, ease of living, in-house production, promoting tourism and job creation via techno-functional resources call for a high-level of political stability and collaboration, in a federal structure. The sovereign cannot afford political entities to act in an immature fashion—cooperation and collaboration is a two-way street. It makes least sense, even to the largely novice voter, when the regime is criticised for not having acted against the corrupt evaders, and the next minute, foul cries are heard and so-called democratic dangers are escalated when stringent action is initiated against a potential offender.

— Girish Lalwani, Delhi

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China's double-barrel gun in Hong Kong backfires

Overt action of amassing armoured carriers and paramilitary forces in Shenzhen, and covertly running a social media disinformation campaign have failed to quell protests in Hong Kong

People's Armed Police, a paramilitary force of the Chinese might. Concerned, the US President Donald Trump tweeted the images of armoured carriers moving in, asking everyone to be 'calm and safe!'. On its part, China said that the troops were taking part in a military drill in Guangdong province.

But, clearly, China's "killing the chicken to scare the monkeys" was to warn Hong Kong of the consequences of protracted protests. As if to convey the message, the People's Daily posted a video of a mock drill where an officer says in Cantonese (Hong Kongers speak Cantonese) "Stop the violence, repent and be saved"—a message that couldn't be any clearer. But all this, rather than intimidate and cow down, has infuriated and inflamed Hong Kong.

It is plausible that more than China's overt game—the carriers and the troops in Shenzhen—it is China's covert, underhand game that has got the Hong Kongers' goat. In the current political scenario, Hong Kongers, it is said, can barely tell a "cop from a comrade"—allegations that the demonstrations have been infiltrated to break ranks abound. The Straits Times (Singapore) has reported of "decoys among protesters" and Channel News Asia (Singapore) has noted that Hong Kong police has "infiltrated protest rallies to make surprise attacks." Officers from China are said to have been dispatched to "fortify the ranks" in Hong Kong.

China's covert actions include the war being waged on social media platforms. Being waged on social media has erupted with fury and condemnation of the protesters in Hong Kong. The New York Times (New York) reported of one Weibo user writing "beating them (Hong Kong protesters) to pulp is not enough... They must be beaten to death. Just send a few tanks over to clean them up." China Daily has spoken glowingly of an online community named Di Bar, described as "a group of Chinese who live throughout the world" who have emphasised "resolute support for the Hong Kong police to arrest rioters" and of demonstrators congregating at the Trafalgar Square (London) chanting "one nation, one China."

Twitter has said that it would no longer accept advertisements from "state-controlled news media entities." Twitter has also taken down a larger group of 200,000 accounts, which came up as Twitter began banning some of the earlier accounts.

There have been inflammatory posts on Facebook likening the protesters to ISIS fighters and cockroaches. One Facebook post asked, "Protesters, ISIS fighters, What's the difference?" Another blamed "They" (protesters) for blocking train doors, almost killing a man at the airport and taking a nurse's eye, likening them to cockroaches. Facebook has removed five Facebook accounts, seven pages and three groups. Nathaniel Gleicher, Facebook's head of cybersecurity policy has said, "Although the people behind this activity attempted to conceal their identities, our investigation found links to individuals associated with the Chinese government."

Paradoxically, China's actions have enthused civil servants, lawyers, teachers, students and even airline employees of Hong Kong's flag carrier Cathay Pacific to throw the gauntlet in the

The path to negotiations cannot be littered with intimidation and clumsy manipulation of social media platforms, but must focus on transparency

protests. Hong Kong is also eliciting more international sympathy. In the US, both Republicans and Democrats have rallied behind Hong Kong, sending the message that military action in Hong Kong will be a political blunder. Republican Lindsay Graham has said "30 years after Tiananmen Square, all Americans stand with the peaceful protesters of Hong Kong." Nancy Pelosi, Speaker of the US House of Representatives, has called for "withdrawing the dangerous extradition Bill, investigating and ending police violence and granting universal suffrage." In the UK, Prime Minister Boris Johnson has said that he would back the protesters "every inch of the way."

Given China's supremacy in Asia, Hong Kong offers a significant learning curve. For a rising power, clearly, the path to negotiations cannot be littered with intimidation and clumsy manipulation of social media platforms, but with transparency, accommodation and higher moral ground.

ANURAG VISWANATH

The author is a Singapore-based Sinologist, and adjunct fellow at the Institute of Chinese Studies, Delhi. Views are personal



media disinformation campaign on Hong Kong—seems to have backfired with little let up and respite in protests. Why has China failed to dent the protests? The last few weeks of protests have

culminated in fierce clashes with the police, which used tear gas, rubber bullets and sponge grenades on the protesters. The protests not only led to the shutdown of the Hong Kong airport, but also of the clockwork metro system. The protests

started in June over a proposed extradition Bill. The government led by Carrie Lam, the Beijing-backed Chief Executive, remained intransigent, refusing to formally withdraw the Bill and slammed the protesters as 'rioters'. Since then, protests escalated, demanding that the Bill be formally withdrawn, the arrested protesters be released, an independent enquiry into police action be constituted, and Ms Lam step down.

In swift response, China moved armoured carriers that made their way across to a sports stadium in Shenzhen, across the border from Hong Kong. The

DATA DRIVE

Auto slowdown trips loan growth

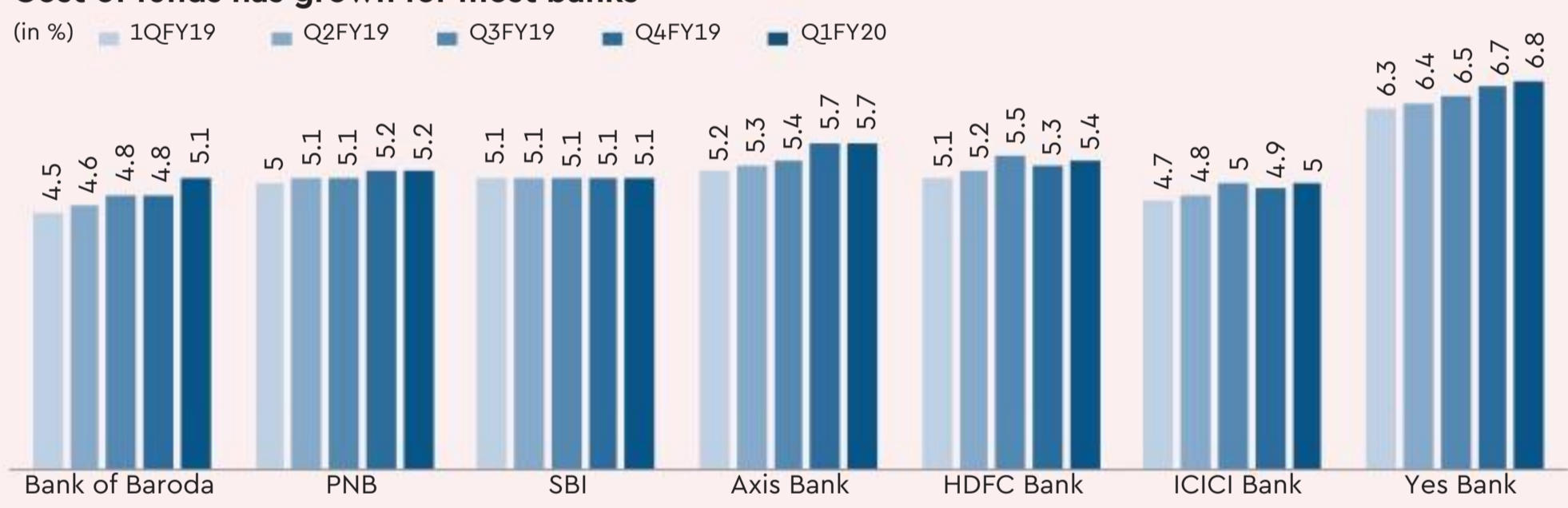
LOAN GROWTH HAS moderated to 12% year-on-year in the three months to June this year, as compared to 15% in the last quarter, due to slowdown in retail lending and weak flow of credit to small/medium businesses. In the retail segment, loan-growth moderated in the quarter ended June because of slowdown in auto and two-wheeler demand.

In fact, in the past few quarters, there has been gradual shift in the loan mix for most banks towards a higher share of retail loans. The bank has picked pace for most state-owned banks. Within retail, home loan segment was modest for most banks while unsecured loans were stronger. Corporate loans, too, remain modest as there is no traction in capex cycle. Most banks are focused on lending to better rated corporate segment. Loan growth moderated for non-banking financial companies across the board with slowdown in auto and retail housing loans.

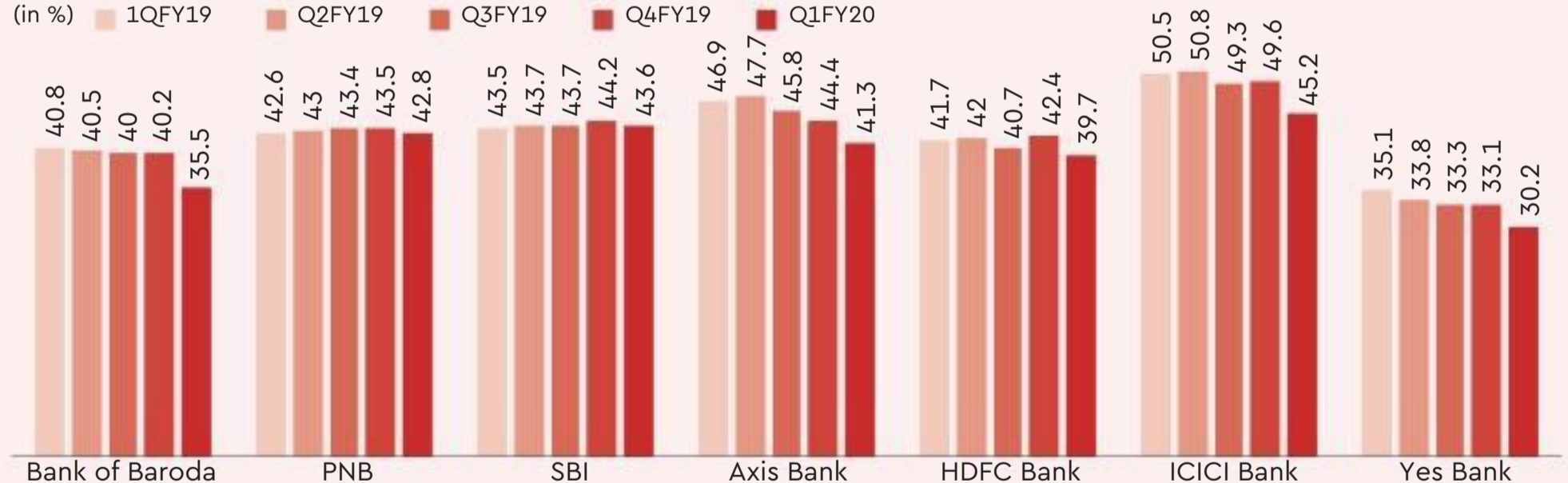
Interestingly, in the three months to June, there was not any meaningful change on the overall asset quality ratios for public and private banks as there was no major resolution for the quarter. Gross non-performing loans (NPLs) was flat at 7.4% of loans with public sector banks reporting 9.7% of loans while private banks reported 4.1% of loans, according to an analysis by Kotak Institutional Equities Research report.



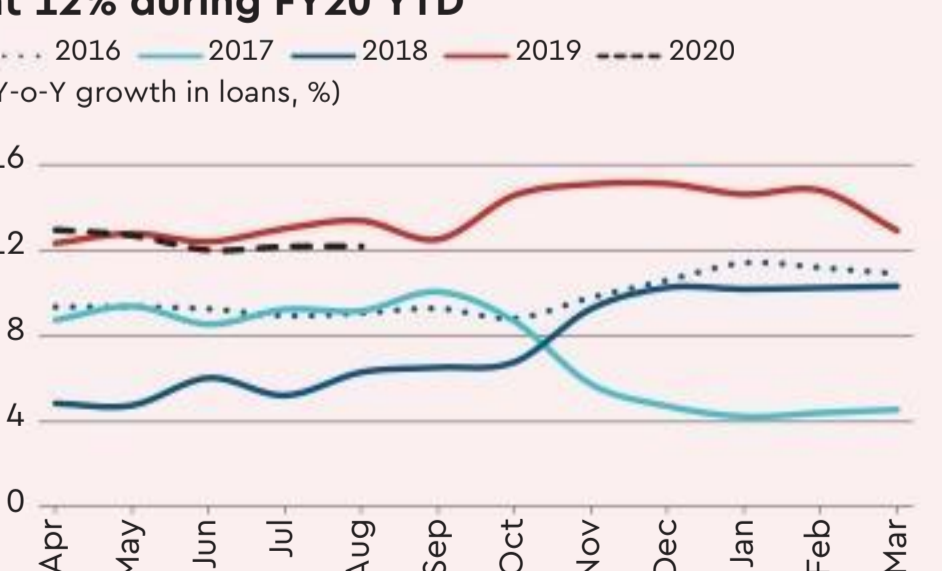
Cost of funds has grown for most banks



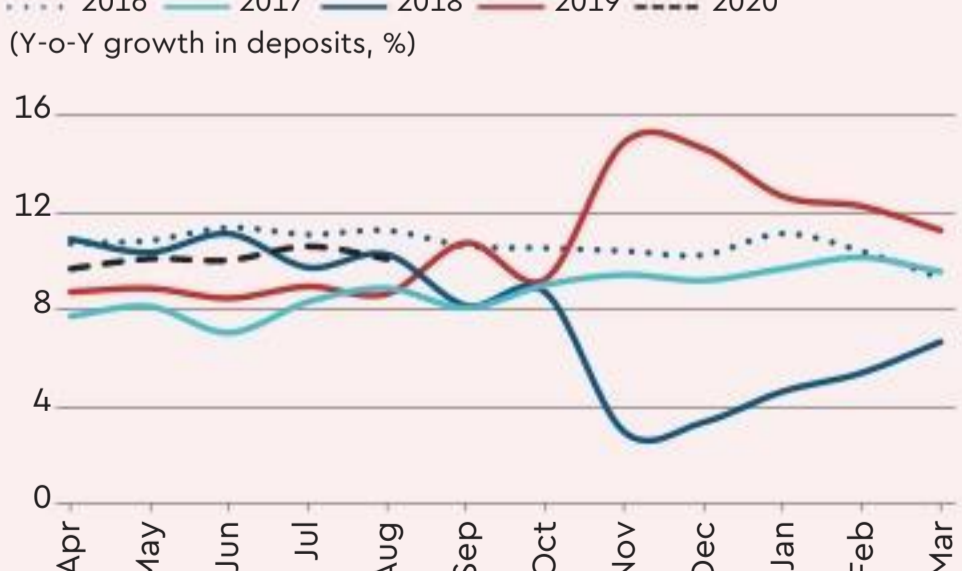
Mixed trends in CASA ratio



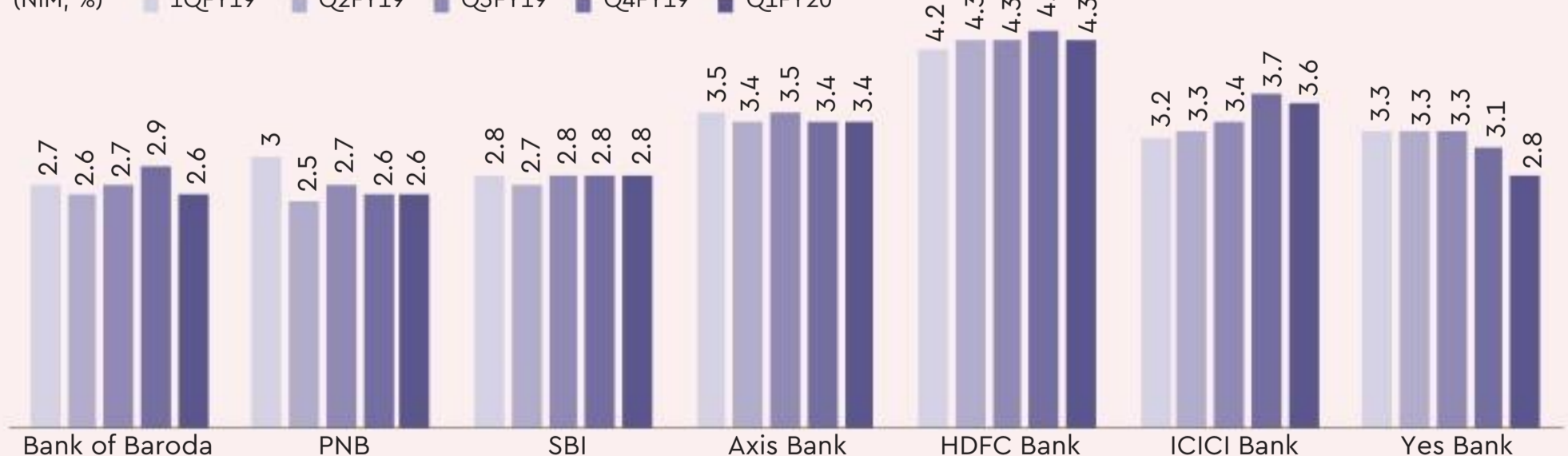
Loan growth remains modest at 12% during FY20 YTD



Deposits growth muted at 10% during FY20 YTD



Margin compression for most banks



NPLs of banks inched up marginally in Q1FY20



Credit cost declines for most PSU banks

