

New structure at the PMO

Will appointing a principal advisor instead of an additional principal secretary make a difference?



RAISINA HILL

A K BHATTACHARYA

The office of the principal secretary to the prime minister is less than 50 years old. It was created in 1971, when Indira Gandhi designated Parmeshwar Narayan Haksar as her principal secretary. Haksar occupied that post from December 1971 to February 1973. After him, 11 more principal secretaries have served Indian prime ministers.

Last week, Pramod Kumar Mishra was named the principal secretary to Prime Minister Narendra Modi. He suc-

ceeded Nripendra Misra, who had occupied that job for more than five years from May 2014.

In the process, P K Mishra became the 13th person on that list of principal secretaries to the prime minister in the last half a century.

Principal secretaries to the prime minister play a key role in the government. They help the prime minister navigate the complex world of administration and ensure that the government's political and economic mandates are carried out by the bureaucracy, and even by the ministers. They play both advisory and executive roles.

The tenure of a principal secretary is no clear indication of how effective he has been in the government system. TKA Nair, the longest serving principal secretary in the last 50-odd years (7 years 4 months) may not be remembered for his effectiveness. But those with relatively short tenures as principal secretary seem to have made a bigger impact on governance — Haksar (45 months — though

this was preceded by a four-year stint as secretary to the PM) and B G Deshmukh (eight months with Rajiv Gandhi and 12 months with V P Singh).

There are, of course, exceptions in P C Alexander (three years and eight months with Indira Gandhi), Amar Nath Verma (almost five years with P V Narasimha Rao) and Brajesh Mishra (six years and two months with Atal Bihari Vajpayee), who left a mark on the functioning of their respective governments. Of course, Brajesh Mishra was also the national security advisor and hence had a greater impact on governance.

Others who occupied this prestigious post include V Shankar for two years and three months, S K Mishra for just six months, T R Satishchandran for one year, N N Vohra for eight months and Pulok Chaterji for two years and seven months.

What is clear from the long list of principal secretaries is that prime ministers broadly like the idea of strengthening their office with senior bureau-

crats in that position. All prime ministers in the last 50 years, except Charan Singh, had got a principal secretary in their office.

Even Morarji Desai, who was critical of the idea of a strong prime minister's office had actually appointed V Shankar as his principal secretary. The changes he brought about were purely cosmetic. Desai changed the name of his office — Indira Gandhi would describe it as Prime Minister's Secretariat (PMS), but Desai called it Prime Minister's Office (PMO). The total staff strength in Indira Gandhi's PMS was 229. Desai brought it down to 211 for his PMO. And by 2016, Modi expanded his PMO strength to 397.

Given this background, what can P K Mishra do to leave his own mark on the PMO? He has two distinct advantages. One, he has already had the experience of having worked in the PMO for about five years as additional principal secretary to the PM. He will be like Haksar, who also moved into the principal secretary's shoes after having spent four years as secretary in Indira Gandhi's secretariat. For P K Mishra, it may be a new designation, but he is not new to the PMO and already knows the system.

The second advantage for him would be that he would not have to deal with an additional principal secretary under him, unlike his immediate predecessor,

Nripendra Misra. With an additional principal secretary in place, Misra had to share a part of his responsibilities with P K Mishra. In bureaucracy, this also meant dilution of power.

In the current dispensation, the new principal secretary may not be required to share any part of his responsibilities as there is no additional principal secretary. Yes, Pradeep Kumar Sinha is now in the PMO, but his designation is principal advisor to the PM. It is not yet clear what this new designation means and whether the change in designation is an outcome of a need to prevent any dilution of jurisdictional powers of the principal secretary.

By its very definition, the role of a principal advisor to the PM cannot be the same as that of an additional principal secretary. Once the new responsibilities of the principal advisor are known, there will be some clarity on what the new power equations and the arrangements for sharing of responsibilities will be in the PMO under P K Mishra.

But make no mistake about it. With P K Mishra as principal secretary and Sinha as principal advisor, the PMO has got a new structure and it would not be similar to what it was in the last five years. How different it would be and whether it would make the PMO more effective, only time will tell.

CHINESE WHISPERS

UP police on sticky wicket



After they started slapping stringent penalties on offenders under the amended Motor Vehicles Act, the police in Uttar Pradesh are finding themselves in a sticky situation. There have been many instances when the *aam janta* has filmed police persons flouting traffic rules and posted them online. There are also videos of alleged extortion. To preempt such cases, UP DGP O P Singh has announced that cops found breaching traffic rules would be fined twice the amount applicable as penalty. Traffic policemen have been directed not to "harass" people in the guise of checking vehicles; they must stop vehicles only when there is proof of wrongdoing.

Deb's darbar now across Tripura

Following in the footsteps of Aam Aadmi Party chief and Delhi Chief Minister Arvind Kejriwal, Tripura Chief Minister Biplab Kumar Deb has declared that he will henceforth hold a janata darbar in all the districts of the state. "I couldn't meet the people of my state properly due to a shortage of time. But when they seek help on my Facebook page, I immediately respond. I will start the janata darbar soon in every district to communicate directly with people at the grassroots level and address their problems," Deb said while inaugurating the new building of the West Tripura District Court on Saturday. Since coming to power in the state in 2018, Deb has held his janata darbars in Agartala.

Owners versus tenants

A debate over "owners" and "tenants" is raging within the Telangana Rashtra Samithi (TRS) after Chief Minister K Chandrasekhar Rao expanded his cabinet last week. Party old-timers who led the agitation for a separate state allege they have been left out in the cold. Many senior leaders have openly expressed their discontent over the fact that some newcomers who defected from parties such as the Congress and Telugu Desam Party have been given a cabinet berth. Former home minister Nayani Narasimha Reddy, who didn't make it to the cabinet, described the new entrants as "tenants". "How long these tenants will stay I do not know," he told a party gathering. Social media is abuzz with speculation about the possible defection of some TRS leaders to the Bharatiya Janata Party. The two parties have dismissed this as just "rumour".

Why do lenders rush where angels fear to tread

Only a forensic audit can answer the questions that lenders to Bhartiya Micro Credit have, but don't dare to ask



BANKER'S TRUST

TAMAL BANDYOPADHYAY

The Central Repository of Information on Large Credits (CRILC) is an electronic filing platform for exchanging business information. This platform, created by the Reserve Bank of India, draws credit information of banks with aggregate exposure of at least ₹5 crore to borrowers.

The payment history of the Bhartiya Micro Credit (BMC), a Lucknow-based non-profit microfinance company, on CRILC, reads like a puzzle. In the past one-and-a-half years many banks that have lent to it have been reporting the BMC account moving to "default" and getting "out of default" categories. Take the case of Indian Bank: On January 1, 2018, its loan to BMC moved to the default category but on March 8, 2018, it was out of default, just to get into the default category again on March 31 and get out on April 17. The move-in move-out story continues, for almost all the banks that have lent to BMC.

What's happening? Is BMC taking fresh loans to pay off old loans? Is it arbitraging between working capital and

term loans (lifting working capital loans to service term loans)? Vijay Pandey, 40, a serial entrepreneur and founder and managing director of BMC, says he has been servicing bank loans selling his family silver.

Lenders apprehend he can't do this for long as his business has collapsed. Till July this year, only one bank's exposure to BMC was overdue for over 90 days but less than 179 days; three exposures have become special mention account or SMA 2 where principal or interest payment is overdue for 61-90 days and another, SMA 1 (overdue for 31-60 days). As on September 30, 2018, BMC's total exposure to at least 49 banks, non-banks and financial institutions was ₹238 crore.

Deciphering the credit bureau data is equally challenging. There are instances of loans overdue for 200 days and yet the account is treated as standard. BMC has taken small loans from a host of banks and it is more careful about servicing the bigger loans. Do the small loans prevent larger loans from turning bad? In the third week of August, it had 251 live accounts.

The company's audited balance sheet for fiscal year 2018 shows its gross loan assets at ₹269.34 crore, up from ₹184.55 crore the previous year. Its 2019 annual report is not out.

Its website talks about being present in 10 states, covering 50 districts through 100 branches, overseen by 423 employees and serving 1,63,374 borrowers clubbed into 28,612 groups. But all these figures are shrinking drastically as the pile of bad assets is fast burying the company.

Many such microfinance entities have



MISSING IN ACTION A photograph of e-rickshaw inauguration in Varanasi in 2015 from the BMC website. The website proudly displays pictures of the Prime Minister and a few other ministers at different BMC loan melas

gone belly up and their lenders have lost money. Then why waste premium space in a national business daily on this? BMC is unique because of its branding which attracted lenders in hordes, falling over each other to give it money.

A commerce graduate, Pandey started his career as loan officer with Cashpor Micro Credit, another non-profit microlender, in 2005 at a monthly salary of ₹3,800 and incentives. After 17 months, he joined Sonata Finance Pvt Ltd, a non-bank micro-lender at a higher salary (sans incentive) but left it to set up BMC in 2008 to fulfill his dream of offering livelihood to people at the bottom of the pyramid.

He adopted the classic credit-plus approach — giving loans to the borrowers and teaching them how to use the money for productive purposes. He started financing rickshaw pullers for

buying pedal rickshaws under a project in collaboration with the American India Foundation, a non-profit US organisation, and the Small Industries Development Bank of India. Punjab National Bank is one of the earliest lenders to this project.

So far it was an interesting story. It turned different when Pandey shifted focus from cycle rickshaw to battery rickshaw or e-rickshaw. Prime Minister Narendra Modi started appearing at different loan melas organised by Pandey in Lucknow, Varanasi, Noida and a few other places, distributing cycle rickshaws and later e-rickshaws. Such melas assembled those who the government has also been reaching out to for financial inclusion, mass insurance, health and cleanliness under the Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Mudra Yojana, Stand Up India, and other such programmes.

The loans given to the rickshaw pullers not only covered the cost of their vehicles but also their uniform, registration and training and so on. Fiercely wooed by the banks and non-banks, Pandey later started lending for buying solar charkha, starting at Khanwa village in Bihar, adopted by Giriraj Singh, the cabinet minister of the newly formed ministry of animal husbandry, dairying and fisheries. The company's website <https://bmcindia.co/> proudly displays pictures of the Prime Minister and a few other ministers at different BMC loan melas.

It was not only giving loans to the rickshaw pullers but also selling the rickshaws as Pandey found running an assembling unit for such rickshaws can bring down the cost for the borrowers.

Wheel Enterprises, which holds 26.77 per cent stake in BMC, was formed for this. His lenders in private allege that BMC was making money both ways — by giving loans as well as selling rickshaws.

While the lenders suspect fund diversion, Pandey says it's a case of business failure. While demonetisation hit his business hard, other factors too contributed to the crash. Too many rickshaws clogged the roads and the pullers' daily income halved, denting their ability to pay back. Besides, the battery of many rickshaws went kaput but the maker did not honour the warranty. Thousands of such rickshaws, returned by the borrowers, are now kept in junkyards.

Pandey plans to start afresh using parts of the junked rickshaws to create four different models — for ferrying passengers, carrying loads, running tea stalls and food carts. He has also picked up 1.54 per cent stake in Shikhar Microfinance Pvt Ltd, a company he wants to take over. This way, non-profit BMC will convert itself into a for-profit non-bank and eventually become a small finance bank. He also has another non-bank, Nimisha Finance India Pvt Ltd, under his belt (acquired in 2010) which will be used for giving loans to small enterprises.

The turnaround blueprint is ready and Pandey promises to clear the dues of all. But the lending community is not convinced. Only a forensic audit can answer the questions the lenders have but don't dare to ask.

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INSIGHT

Judicial backlogs can become history



SHAILESH GANDHI

Everyone agrees that delays in justice delivery give rise to a large number of problems. I decided to try and evaluate how many extra judges would be required to start reducing judicial backlogs. The 20th Law Commission in its report submitted in July 2014 concluded that the rate of disposal per judge per year is the right method for evaluating this. In simple terms it assumes that if 10 judges are disposing 10,000 cases, 12 judges will dispose 12,000 cases. This may not be precise, but it is broadly correct.

I took the data reported by the Law Commission in its report and did an analysis for 2002 to 2012 of 14 states for the subordinate courts it had taken into account. A careful analysis shows that if all sanctioned positions of judges were filled, there would have been no backlog by 2007. This would mean the queue would disappear and it would have been possible to devote adequate time to all cases without having to wait. In most cases it should be possible to dispose cases in less than three-six months. In Australia over 70 per cent of the cases in the magistrate's courts are decided within 13 weeks.

The Law Commission analysis assumed that backlog would be cleared up in three years and did not take the vacant judicial positions into account. Hence it came to the erroneous conclusion that the strength of the judiciary needs to be doubled.

I decided to also take a look at this issue by analysing the data given on the Supreme Court's website for a 12-year period from 2006 to 2017 (both years included) which has a quarterly report for all the courts. This analysis has been done by adopting the same rate of disposal method accepted by the Law Commission. The analysis shows that the number of sanctioned judges is adequate and if all the sanctioned judges were appointed, the mounting pendency and huge delays would be history.

The number of judges sanctioned in the three levels as on 31 December 2017 was 31 for the Supreme Court, 1,079 for the High Courts and 22,704 in the subordinate courts. The actual number of judges appointed was 25, 676 and 17,028 at the three levels. Thus the total number of sanctioned posts were 23,814 whereas the working judges were only 17,729. Filling about 6,000 vacant positions can make the judicial system deliver efficiently.

The increase in pendency in 12 years was about 56 lakh cases whereas the disposal missed due to not filling all sanctioned posts was nearly 661 lakh. The average increase in cases each year is less than 2.5 per cent of the average number of cases instituted each year, whereas the average vacancy is about 21 per cent.

There can be no excuses for keeping judicial positions vacant while the nation suffers because of this neglect. The retirement date of judges is well known. It would be possible to factor in vacancies due to resignations, promotions and deaths by studying the past data. The increase of sanctioned positions can also be forecast early. Looking at the standard deviation in the disposal per judge each year gives us the assurance that the disposal rates in different years are reasonably consistent.

The number of registered advocates is about 1.3 million and over 60,000 graduates emerge each year from our

law schools. The infrastructure would need to be augmented by only about 20 per cent. Even if we assume that there would be a capital cost of setting up courtrooms, this would not exceed ₹4 crore per courthouse which would mean about ₹24,000 crore only. This is a simple solution and can be implemented easily. This does not assume any change in the way judges and lawyers function. It only assumes that the extra judges who fill the vacancies will also dispose matters at the same rate as those who are already in the system. While the sanctioned judicial positions are about 19.1 judges per million, the actual working strength is only 13.9 judges per million population.

Surely it can be ensured that this process is started 12 months early. There should be a similar approach for subordinate judges to ensure the selection process is completed in advance.

For the sake of the nation all those responsible must ensure that all judicial appointments are made in a timely manner. An easy solution is available. This analysis suggests that if a simple process of estimating vacancies and ensuring zero vacancy is followed, the sanctioned strength is adequate to dispose the inflow of cases and some of the backlog. Even if we assume vacancies would be to the tune of 5 per cent, backlogs would go down dramatically.

If the queue of cases does not keep getting longer, most delays would be reduced considerably. If the queue is very small there is not much scope for delays. If a policy decision is taken to ensure zero vacancy in judicial positions, backlogs would become history and the fundamental right to speedy justice would actually be implemented in our courts.

The writer is former Central Information Commissioner. He acknowledges the contribution of Arun Joshi in the calculations and analysis

LETTERS

Half-baked solution

This refers to "Odd-even set to return in Delhi to tackle pollution between November 4-15" (September 14). It was interesting to learn that the odd-even scheme is making a comeback. Aimed at combating high air pollution, Delhi Chief Minister Arvind Kejriwal also proposed a "seven-point action plan" to deal with its menace in the capital.

It is significant to observe that the government's previous two experiments (in January and April 2016) had yielded mixed results, as per data analysis conducted by various government and private agencies. Incidentally, another odd-even scheme (November 13-17, 2017) had to be abandoned as the National Green Tribunal (NGT) banned some of the then proposed "exemptions".

Sadly, the CM wishes to continue with his earlier wishlist. Does it really make any difference if a private car is driven either by a lady or a gentleman? Can the city's high pollution level identify the person at the wheel? Will the two-wheeler not add more fuel to the fire? Why serve half-baked food?

One genuinely wishes that the CM lends an ear to the NGT's well-meaning observations and the exemptions are mandatorily kept to the bare minimum.

S Kumar New Delhi

Why say the obvious?

The report "Finance panel won't accept Centre's GDP forecasts: N K Singh" (September 14) is disturbing. Not on the grounds of content or context, but because of the way in which the chairman of a body like the Finance Commission (FC) has opted to tell us that the FC will "apply its mind before coming to conclusions".

From a layman's perspective, Singh was telling the obvious when he said, "the Commission is duty-



bound under the Constitution to arrive at its own independent judgement. How we intend to exercise that is entirely up to us..." If any external pressure was behind this, the chairman needs to be more specific and transparent. Otherwise, such statements will only contribute to trust deficit among stakeholders.

M G Warrior Mumbai

Act now

The death of a young woman techie in Chennai — after an illegal banner erected by an AIADMK functionary on a busy road divider fell on her as she rode her two-wheeler — is truly heart-breaking. It clearly points to the entrenched banner culture perpetuated by many leaders and their sycophants without any regard for the rule of law.

That Tamil Nadu with its impressive standing on the Human

Development Index and being the birthplace of the self-respect movements is getting embroiled in such controversies is saddening. The breach of orders of the Madras High Court banning the erection of banners with holes, arches, placards and display boards on public streets and pavements are a cause of greater concern.

Adoption of a zero-tolerance policy against those who erect illegal hoardings and banners, and holding civic authorities accountable for turning a blind eye to such reprehensible and illegal acts, is the need of hour.

M Jeyaram Tamil Nadu

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India's export problem

Mere tinkering will not help

The new data from the Union Ministry of Commerce has revealed that India's exports shrank by over 6 per cent in August, a reminder of the long-term slowdown that has plagued exporting sectors. While there is no immediate impact of this structural problem on the stability of India's external balance, since imports have also been dropping, thanks to a demand crunch domestically, there is nevertheless a problem of exports that must be addressed. The decline in exports of engineering goods, which fuelled a minor recovery in the last financial year, is particularly troubling.

Union Commerce Minister Piyush Goyal was right to argue for the centrality of exports in any growth strategy when he pointed out last week at a meeting of the Board of Trade that India needed 19-20 per cent growth in outbound trade if it is to achieve economic growth targets. He also argued that exports worth \$1 trillion in the next five years were "eminently doable", and that there was a huge opportunity for Indian exporters in the otherwise troubling context of the US-China trade war. Even the global slowdown in trade engendered by this tension nevertheless offers a chance for India, with a measly 2 per cent of world trade, to expand into new markets.

While nobody can disagree with the appropriateness of this aim for India's exports, the fact is that it appears detached from the reality of the sector. The shrinkage in August is not an exception; indeed, this is a second time this financial year that exports have shrunk year-on-year. In this context, the measures for export promotion announced by Union Finance Minister Nirmala Sitharaman at a press conference over the weekend take on even greater significance. Ms Sitharaman announced a new scheme of incentives for exporters, to be called Remission of Duties or Taxes on Export Products, as a replacement for the Merchandise Exports from India Scheme, which had become controversial at the World Trade Organization. The question is whether minor tinkering genuinely makes Indian exports competitive in the longer run. There are structural problems of red tape and credit availability, which need to be addressed. Ms Sitharaman did indeed take steps in that direction, however. An automated refund of input tax credit (on the goods and services tax) for exporters, which the finance minister mentioned, would help ease the working capital crunch, as would the relaxation by the Reserve Bank of India of priority-sector lending norms to exporters. Both of these have also been in the works for a while, however, so there was little new in the package that Ms Sitharaman announced.

What would really make a difference, however, is global benchmarking of port performance. The finance minister announced that export clearances — including some customs requirements, which are currently processed manually — will be digital. She set a December deadline for this change. The point must not be the use of technology for its own sake, however, but to bring down the turnaround time for both ships and trucks to global standards. Ships are turned around in global ports in half a day; trucks in 30 minutes. This must be the aim, and if it can be achieved in short order, Indian export competitiveness will see a much-needed jump.

Averting desertification

New Delhi Declaration will help land restoration

Of the several noteworthy outcomes of the 14th Conference of Parties (COP 14) to the United Nations Convention to Combat Desertification (UNCCD), the one that stands out is the move towards consolidating multiple programmes to protect the environment, land, and biodiversity. The historic Rio de Janeiro Earth Summit of 1992, aimed broadly at ensuring sustainable development, was instrumental in the signing of three major global conventions on climate change, biodiversity, and desertification, which have been running parallel despite having a strong bearing on each other. This flaw is sought to be rectified by the COP 14 by calling for greater coordination between them to harness their synergies. The underlying objective is to use a land-based route to achieve the goals of the Paris agreement on climate change.

A research-based report brought out ahead of the COP 14 by a UN agency had highlighted the intimate links between global warming, land degradation, and biodiversity loss. While climate change, marked by frequent weather extremes like droughts, intense downpours, and floods, accelerated land spoilage due to soil erosion, the latter, in turn, abetted climate change by curtailing the land's ability to absorb carbon dioxide. The refrain at the COP 14, quite understandably, was that carbon belongs to the soil and should, logically, be reinstated there instead of letting it hang in the atmosphere. This concept, hopefully, would be taken forward by the forthcoming high-profile climate action summit convened by the UN Secretary General in New York on September 23 to review the progress of the Paris agreement.

At present, about a third of the earth's land surface is marred by desertification. About 250 million people, mostly poor and tribals, depend on such land. Restoring even 150 million hectares of such lands could feed 200 million more people every year. More importantly, this could provide greater resilience to the livelihood of small stakeholders by augmenting their income. Besides, it could sequester an additional 2 Giga tonnes of carbon dioxide annually, thus, contributing handsomely to mitigating climate change.

Going by the estimates circulated at the COP 14, every dollar invested in land restoration can yield returns worth \$10 with efficient farm practices and prudent water management. Land amelioration, therefore, offers the cheapest solution to climate change and biodiversity deprivation. Most nations have consequently accepted land degradation neutrality by 2030 as their national targets. India has committed to convert about 5 million hectares of degraded land into fertile soil in the next 10 years. Significantly, India has also vowed to implement all the recommendations of the New Delhi Declaration adopted at the COP 14.

However, land improvement is an innately cost-intensive task which many developing countries can ill-afford without external assistance. Since not much support can be expected for this purpose from the funding mechanisms mooted under the climate agreement, the COP 14 has suggested the involvement of the private sector in this effort. The New Delhi Declaration specifically mentions that land restoration makes business sense if well-advised regulations and incentives are offered to the prospective investors. Thus, the COP 14 has managed to put together a prudent plan of action to arrest desertification and, more importantly, restore degraded lands to good health. Its success would, however, depend on the political will of the leadership in different countries.

ILLUSTRATION BY AJAY MOHANTY



From minding cows to minding algorithms

Handling the transition to the Information Age

Going through a day glancing constantly for messages on your mobile phones, devoutly watching movies on demand on your mobile phone, gleefully buying stuff on online shopping sites... These innocent and fun activities have a larger meaning: The arrival of the Information Age. The arrival of the Information Age is no longer an idle scholarly chatter, we are sliding into it. And doing that without fully understanding all that is in store for us as individuals or as members of human society. Except that, in India, our transition to the Information Age is going to happen while many other transitions are under way.

For example, for millions of Indians the current transition that they are going through is from running/assisting in running the family farm with meagre returns to a more predictable life with a fixed salary (an "office job"). The action to take for this transition is to get into a train and head for Bombay (read "nearest city") and even if you have to stay in a "slum" and even if your wife has to clean toilets in some house, the regular monthly salary that you get as a shop assistant in the city, low as it may be, provides some peace. It's a great relief from minding your cows all day long in the hope that someone will pay a decent price for the milk your

cows give you or the wool that your sheep produce. Sometimes, after your third glass of arrack you wonder what your *sarpanch* grandfather would make of this (had he been alive), but that thought quickly fades as the arrack gets you into a happy mood in your Zopadpatti home.

Another large number of Indians, again in the tens of millions, are making the transition from sitting at the counter of the family *kirana* shop in a village, where customer footfall is ever decreasing, to a more financially secure one: Employed in a company as a salesman going from one prospective customer to another, being summarily thrown out by many, succeeding in making a sale occasionally, but happy in the knowledge that when the month-end comes, your fixed salary amount will get credited by your employer to your bank account.

Or move from a life where your father made a living, in your village, by reciting Sanskrit *shlokas* to ever diminishing numbers of fellow villagers to one in a city employed as an accountant in some business, where the pay is just about enough to allow you to remit a few hundred rupees a month to your ageing parents in the village.

While India is right in the middle of these transi-



AJIT BALAKRISHNAN

External benchmark: Right step, wrong tool

What happens when policymakers do the right thing for the wrong reasons? The outcome may turn out to be good owing to sheer luck, but more likely they are setting the stage for some unpleasant, unintended consequences. This is what may happen as the fallout of the September 4 circular of the Reserve Bank of India (RBI). Beginning October 1 this year banks will have to link the interest rates on such loans to a known external benchmark, instead of using their own opaque internal benchmarks. This is good news for consumers, not because their loans will become cheaper. From now on, banks must allow old borrowers to shift to this system, putting old and new borrowers at par.

For 20 years, the RBI has allowed banks to inflict unfair, opaque, and discriminatory practices on borrowers. Banks know little about new borrowers but charged them less than their existing borrowers, who, by the way, diligently repay loans with interest month after month, and banks knew all about their good behaviour. Allowing both new and old borrowers to have their loans linked to the external benchmark ends this discrimination. But no one is highlighting this.

The reason is that the RBI did not necessarily act to end discrimination and bring about fairness and transparency. It only acted to "improve (the) transmission" of rates, an important political objective of any government. The most popular recipe for economic growth has been cutting interest rates. Every finance minister demands it. Under the floating rate system, when interest rates go up, banks are quick to increase rates, but when interest rates drop, they are reluctant to pass on the decline. It was this that the RBI tried to fix with the circular — and that too under pressure from New Delhi. In doing so, it may end up creating a different mess.

A short history of transmission

The RBI has supported this unfair system for almost 20 years. We had the prime lending rate (PLR) in 1994 and the benchmark PLR in April 2003, neither of which produced "adequate monetary transmission. This defeated the very purpose for which these benchmarks were introduced", found the RBI. Even when it knew that banks were manipulating unworkable internal benchmarks, seven years later, the RBI again made a half-hearted attempt to introduce another internal benchmark, the "base rate". Expectedly, this too failed to ensure transmission.

In 2016, there was one more experiment — the marginal cost of funds-based lending rate (MCLR). The idea was that the transmission of the effects of rate changes to borrowers would be swift because marginal rates of deposits would move up and down in line with the RBI repo rate. But the MCLR too was an internal benchmark and hence there was no transmission. Moneylife Foundation last year filed a PIL (public interest litigation) petition in the Supreme Court to end the discrimination. The court directed the RBI to respond. On December 5, under Urjit Patel, the RBI finally announced an external benchmark — 20 years late. Mr Patel left soon after and the new governor quickly junked this move. It was business as usual for banks.

Unfortunately for banks, economic growth has tanked and the government is desperately looking for ways to fix things. While politicians and businessmen don't see eye to eye on anything during a slowdown, the one thing they all agree on is that cutting interest rates would spur growth. The inflation rate is now low and the RBI is cutting rates, but there is still no transmission. The reason for this is obvious, something that the RBI had refused to implement for two decades: Introducing an external benchmark.



IRRATIONAL CHOICE
DEBASHIS BASU

is instinctively careful about entering anything about himself into the permanent record of *Permanent Record*. The man who emerges from such "personal disclosures" seems consequently guarded and meticulous — ideal traits for a spy or a whistle-blower.

Born in 1983 in North Carolina, Mr Snowden comes from a family whose service includes the FBI (his grandfather), the Coast Guard (his father), the NSA (his mother) and the Army (himself). He remembers the first thing he ever hacked was bedtime, changing all the clocks in the house so that he could stay up later on his sixth birthday. As a teenager, Mr Snowden learned how to hack school, examining the class syllabus to figure out how he could exploit its weaknesses; the goal was to do the least amount of work without flunking out.

School was at best a distraction, he says, and at worst "an illegitimate system" that "wouldn't recognize any legitimate dissent." He preferred to spend time on "something new called the internet," a "god-damned miracle" that was still distinctly human and profoundly weird, before monetisation and surveillance set in. Galvanized by 9/11, Mr Snowden even-

tually turned his technical know-how into a career in intelligence, obtaining a top-secret classification at the age of 22 and bouncing around between different contractors before becoming disillusioned at some point during the Obama presidency. "I fully supported defensive and targeted surveillance," Mr Snowden writes, but as a young systems administrator he was learning that the government was pursuing "bulk collection" — indiscriminately vacuuming up data from Americans' internet communications and storing it for possible later use.

Mr Snowden says he was affronted by the rank hypocrisy of it all. Here was President Obama, who had run for office as a critic of the Bush administration's extraordinary invocations of executive power, not just continuing his predecessor's surveillance programs but entrenching them.

The second half of *Permanent Record* reads like a literary thriller, as Mr Snowden breaks down how he ended up in a Hong Kong hotel room in the summer of 2013, turning over a trove of classified documents to Glenn Greenwald and Ewen MacAskill of *The Guardian*, Barton Gellman of *The Washington Post*

and the filmmaker Laura Poitras.

Julian Assange wanted Mr Snowden to release the information through WikiLeaks, but the site's "total transparency," Mr Snowden says, wouldn't allow for proper authentication and curation of such incendiary material. Mr Snowden emphasises that the distinction was important to him — not that the government would see it that way. "Whereas other spies have committed espionage, sedition and treason," he writes, "I would be aiding and abetting an act of journalism."

Permanent Record weaves together personal intel and spycraft info, much of it technologically elaborate yet clearly explained. You'll also learn that even in our fragmented era, the tools of mass surveillance have revealed one thing that seems to connect almost everyone who's online: porn. "This was true for virtually everyone of every gender, ethnicity, race and age," Mr Snowden writes, "from the meanest terrorist to the nicest senior citizen, who might be the meanest terrorist's grandparent, or parent, or cousin."

This is funny, but it's ominous, too. Without belaboring his points, Snowden pushes the reader to reflect more seri-

ously on what every American should be asking already. What does it mean to have the data of our lives collected and stored on file, ready to be accessed — not just now, by whatever administration happens to be in office at the moment, but potentially forever? When can concerns about "national security" slip into bids for unchecked power?

Mr Snowden doesn't reveal too much about his life in exile. He and Lindsay have since married, renting a two-bedroom apartment in Moscow, where he beams out his image through a screen-on-wheels, nicknamed the "Snowbot," giving talks about privacy to audiences around the world. He says he takes care to avoid being recognised in public — "but nowadays everybody's too busy staring at their phones to give me a second glance."

Another set of algorithms that will need "minding" are the ones taking over the jobs of millions of Indians, shuffling of paper from an IN-tray to an OUT-tray all day long.

But we have handled such transitions before. After all, it took nearly half a century to move from earning a living from reciting Sanskrit *shlokas* for a living to shuffling papers from an IN-tray to an OUT-tray. Similarly, it took half a century to make the transition from buying and selling *dal-chawal* to buying and selling mutual funds and fixed deposits. How can you make the transition from praising the virtues of the mutual funds/fixed deposits your boss gives you to sell, to minding the algorithms that buy and sell mutual funds?

What education do Indian school children need so that when they finish Class 12 they are adept at one or the other aspect of participating in the world of algorithms: Either of creating algorithms (read "breeding"), or repairing broken algorithms (read "veterinary help"), or to supervise the algorithm at work (read "minding")?

This is the question that worries me this Onam day on my annual one-week visit to my hometown Kannur as I sit by the seashore, which incidentally is about the same spot where Vasco da Gama showed up in 1498. Could anyone sitting in this same spot at that time have imagined that an apparently innocuous event would lead in stages to the Portuguese, then the French, the Dutch, and finally the English landing up here and colonising us for the next few hundred years?

Staring at the waves gently lapping on the rock-lined coast of Kannur, this Onam day, I wonder whether we have yet fully understood from the innocent instant messaging, online shopping, and online movie frolic all the challenges that lie ahead as we slide into the Information Age?

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While previous finance ministers huffed and puffed about banks' resistance and did nothing, this government is made of sterner stuff. They cut the Gordian knot and ordered banks to use an external benchmark.

Unintended consequences

While the move is good for consumers, will it lead to some other mess? First, is the repo rate the right benchmark? Many floating-rate loans, like home loans, are for 15 years. These loans should be linked to a long-term external benchmark rate, which the RBI should have developed first. Banks argue that the RBI shouldn't be forcing them to link long-term loans to a highly volatile short-term benchmark like the repo rate. Banks have been allowed to change their rates once a quarter. Second, banks have been claiming that since the liability side is not floating, they do not have the flexibility for transmission. To protect themselves, banks have immediately started linking savings account rates to the external benchmark. This will, in turn, confuse and drive away savers from banks. The third messy aspect is that external benchmarks are applicable only to banks and not to finance companies. But they have a large market share and anyway charge more than banks.

The right course of action would have been to address all these issues systematically. The RBI had more than a decade to think through the problem. But it couldn't care less. The ministry ranted about transmission after every rate cut but didn't ask for a thoughtful solution. And banks were happy to manipulate their internal benchmarks to fleece borrowers. So when the government cracked down on poor transmission this time, the RBI quickly took the path of least resistance. Banks and the RBI will now have to deal with more serious consequences as highlighted above, but then they have brought this upon themselves.

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Snowden, on the record



BOOK REVIEW

JENNIFER SZALAI

Revealing state secrets is hard, but revealing yourself in a memoir might be harder. As Edward Snowden puts it in the preface of *Permanent Record*: "The decision to come forward with evidence of government wrongdoing was easier for me to make than the decision, here, to give an account of my life."

Mr Snowden, of course, is the former intelligence contractor who, in 2013, leaked documents about the United States government's surveillance programmes, dispelling any notions that the National Security Agency (NSA) and its allies were

playing a quaint game of spy vs. spy, limiting their dragnet to specific persons of interest. Technological change and the calamity of 9/11 yielded new tools for mass surveillance and the incentive to use them.

For revealing these secret programs and more, Mr Snowden was deemed a traitor by the Obama administration, which charged him with violating the Espionage Act and revoked his passport, effectively stranding Mr Snowden in Moscow, where he has been living ever since.

Permanent Record is a riveting account and a curious artefact. The book is unlikely to change anyone's mind about Mr Snowden, but when it comes to privacy and speech and the Constitution, his story clarifies the stakes. For someone who worked in the intelligence community, the very idea of an autobiography feels uncomfortable. "It's hard to have spent so much of my life trying to avoid identification," he writes, "only to turn around completely and share 'personal disclosures' in a book."

Notice the scare quotes; Mr Snowden

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PERMANENT RECORD

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