

Power crisis

Has a power crisis broken out in the top leadership of the Bharatiya Janata Party (BJP) in Bihar? This seems to be the only reason for Deputy Chief Minister Sushil Modi's strong and unequivocal statement that there is no question of changing the "captain" of the NDA in Bihar (that is, Nitish Kumar) and he would continue to remain the "captain in 2020".

Unfortunately, Sushil Modi's statement has riled many in his own party who believe that he is trying to rob them of the chance to become chief minister by ensuring there is no vacancy for the position. They could be right. Sushil Modi is an intelligent and thoughtful leader but he is not the first choice of many in his own party. Some of these leaders, including C P Thakur, reacting to his tweet, said the next CM candidate would be decided by the party leadership and it was not a prerogative of Sushil Modi. Others have reacted slightly differently. They want Nitish Kumar to be kicked upstairs to the Centre. These include Union minister Giriraj Singh, former Union minister and influential Bhumihar Brahmin voice, prominent Dalit voice and party MLC Sanjay Paswan and state vice president Mithilesh Tiwari. Apart from them, several young party leaders and functionaries, too, have called for having a BJP Chief Minister through opinion pieces published in the media and tweets tagging the top party leadership.

Though it has almost been more than a week since these state leaders have publicly placed their demands, the BJP central leadership has not intervened. Meanwhile, Nitish Kumar himself, is watching from the sidelines.

DID THEY REALLY SAY THAT?

"A lot of efforts are being taken from across the border to spread unrest and disbelief and foment violence in Jammu and Kashmir... We have to create a new paradise (in Kashmir)... We hug each Kashmiri... The youth, mothers and sisters in Jammu and Kashmir want development and new job opportunities"

Prime Minister Narendra Modi launching the BJP's poll campaign for Maharashtra Assembly elections, September 19

CHECKLIST THE HINDI CONUNDRUM

- Home Minister Amit Shah: "India is a country of different languages and every language has its own importance but it is very important to have a language of the whole country which should become the identity of India globally. Today, if one language can do the work of uniting the country, then it is the most spoken language, Hindi."
- Congress leader, Anand Sharma: "The Home Minister of India should know that Hindi has been declared as the official language long back. We should not stir up controversies on emotive and sensitive issues which have been settled by the maturity of India's Constitution-makers and the prime minister after Independence, especially I am referring to Pandit Jawaharlal Nehru."
- West Bengal Chief Minister Mamata Banerjee: "people should respect all languages and

cultures equally but not at the cost of their mother tongue".

- Dravida Munnetra Kazhagam leader M K Stalin: "Prime Minister Narendra Modi should issue a clarification on Amit Shah's statement. Else, the DMK will prepare itself for another language protest. Is it India or Hindi-a? India stands for unity in diversity. The BJP-led government is trying to destroy this and go against it. The home minister should withdraw his statement."
- All India Anna Dravida Munnetra Kazhagam leader, M K Pandian: "If the Centre imposes Hindi unilaterally, there will only be (adverse) reaction and no support, not only in Tamil Nadu but also in states like Bengal, Karnataka and Andhra Pradesh. Only about 45% of the people speak Hindi and even today it is not spoken by a majority of the people."

**OPINION**

SHAKTIKANTA DAS

Steps being taken to create a conducive climate for exports

Looking ahead, several initiatives have been put in place and others are being launched on an ongoing basis to enable export industries to regain productivity and cutting edge competitiveness. They include upgradation of export facilities, integration of Indian farmers and their products with global value chains, and trade facilitation measures. More recently, efforts are going into reimbursement of taxes and duties, including electronic refund of input tax credits in GST. An action plan for 12 'champion' services sectors, including IT, tourism and hospitality, and medical services has been developed since February 2018. The Reserve Bank of India and the government are actively engaged in the promotion of e-commerce platforms that will boost the exports of both merchandise and services. All these steps seek to create a more conducive climate for exports.

Capital flows

With regard to capital flows, India has adopted an approach marked by progressive liberalisation but calibrated to the realities of the domestic situation, including the evolution of financial markets. India's hierarchical policy approach — preferring equity flows over debt flows, and preferring foreign direct investment (FDI) flows over portfolio flows within equity flows and long-term debt flows over short-term flows within total debt flows — has influenced the composition of capital flows.

Turning to equity flows, FDI policy has been liberalised across various sectors to make India an attractive investment destination. Sectors that have been opened up in recent years include defence, construction development, trading, pharmaceuticals, power exchanges, insurance, pensions, financial services, asset reconstruction, broadcasting and civil aviation. 100 per cent FDI has also been allowed in insurance intermediaries. In August 2019, FDI norms in single-brand retail trade have been further liberalised. FDI up to 100 per cent has been permitted under the automatic route in contract manufacturing and coal mining.

With regard to foreign portfolio investment (FPI), several measures have been undertaken to create an investor-friendly regime and to put in place a more predictable policy environment. FPI has been allowed in municipal bonds within the limits set for State Development Loans (SDLs). Greater operational flexibility has been granted to FPIs under a Voluntary Retention Route (VRR) which facilitates investment in G-secs, SDLs, treasury bills and corporate bonds while allowing investors to dynamically manage their currency and interest rate risks. The initial response to the VRR scheme has been encouraging. The Union Budget 2019-20 proposed to ease KYC norms for FPIs and also merge the NRI portfolio route with the FPI route for seamless investment in stock markets. Outward direct and portfolio investment have also been liberalised to give Indian entities a global scan and presence.

External borrowing norms have also been simplified under two tracks: foreign currency denominated ECBs; and rupee denominated ECBs. The list of eligible borrowers has been expanded to include all entities eligible to receive FDI, registered entities engaged in microfinance activities, registered societies/trusts/cooperatives and non-government organisations. Rupee denominated bonds or Masala bonds under the ECB route offer an opportunity to domestic firms to borrow from international markets without the need for hedging exchange rate risk. ECBs up to US\$ 750 million or equivalent per financial year are permitted under the automatic route. The mandatory hedging requirement had earlier been reduced from 100 per cent to 70 per cent for ECBs with minimum average maturity period between three and five years in the infrastructure space. Net disbursement of ECBs rose to US\$ 7.7 billion in April-July 2019, as against net repayments of US\$ 0.8 billion in the corresponding period of 2018-19.

Exchange rate

Over the last couple of years, the exchange rate has seen large two-way movements with considerable volatility imparted mainly by global spillovers. During 2019-20 so far, the rupee has traded in a narrow range, with modest appreciation in Q1 giving way to some depreciation in August and the first half of September, accentuated by drone attacks on Saudi oil facilities on September 14, 2019. In its External Sector Report of July 2019, the International Monetary Fund (IMF) had employed a suite of models to assess the alignment of currencies with their fundamentals. For the rupee, the IMF estimates the REER gap to be zero, implying that the currency is fairly valued and broadly in line with fundamentals. India's exchange rate regime is flexible and market-driven, with the exchange rate being determined by the forces of demand and supply. The RBI has no target or band for the level of the exchange rate. Interventions are intended to manage undue volatility. This is reflected in the two-sided interventions conducted during the past two years.

Conclusion

Overall, the outlook for India's external sector is one of cautious optimism, albeit with some downside risks accentuated at this juncture. Among them, deepening of the global slowdown and escalation of trade and geopolitical tensions appear to be the most significant. Volatile international crude prices also continue to pose potential risks. Yet, there are underlying strengths that can be built upon to buffer the external sector from these risks. The search for new export markets and new niches must go on. Indian IT companies need to accelerate market diversification and invest in new skills and technologies to hone their comparative advantage. Remittances and non-resident deposits are likely to remain shock-absorbers. The overarching objective should be to keep the current account deficit within sustainable limits and financed by a prudent mix of debt and equity flows.

Edited excerpts from an address by RBI Governor Shaktikanta Das, September 19, at the Bloomberg India Economic Forum 2019 in Mumbai



ILLUSTRATION BY BINAY SINHA

The Rashtriya Kamdhenu Aayog or National Cow Commission, was constituted in February 2019. Chairperson **Vallabh Kathiria** tells **Bhasker Tripathi**, the commission will review state laws related to the protection of cows and ensure that all cow slaughter is stopped, including in states where it is still legal. Edited excerpts:

'We'll review all state laws for gau-raksha'**What is the role of the new Aayog? Will it function as a think-tank or as an implementing authority?**

The Aayog has a huge mandate. It is an apex body which will not only advise the government on policies but also be involved in the implementation of some of them. The Rashtriya Gokul Mission (a mission to improve bovine breeding technology and increase their productivity) will now be an integral part of the Aayog. We will also focus on gau-raksha (cow protection) by reviewing all state laws. We will also ensure that in states where cow slaughter is still legal, (it will be) shut down. We will issue guidelines for this and also monitor (the situation).

The Aayog will also promote successful cow rearing practices (along) with agriculture to increase the income of our marginal farmers, so that our prime minister's goal of doubling farm income by 2022 is ensured. We will ensure that farmers in the country get good prices from the milk they sell in the market.

A cow provides five major products called 'panchagavya' — milk, curd, ghee, dung and urine. We plan to promote start-ups that will

produce and popularise these products among the youth. We will also promote cow-based start-ups under the ministry of micro, small and medium enterprises to manufacture bio-fertilisers and bio-pesticides. Cow urine and dung can be used to make phenyl, soaps and other such products. Large corporates can also come into this.

Because of its importance in environment protection, a cow, in India, is referred to as 'mother'. But as we progressed as a society, we forgot its importance. Earlier people would coat their floors and walls with cow dung because it has antibacterial properties, but now you rarely see that happening. Reminding, informing and educating people about these benefits is something we will focus on. We will bring science and spirituality together to make cow a necessary tool for social transformation, poverty alleviation and to fight climate change.

At 199 million, India has 14.5 per cent of the world's cattle population but it also has the lowest average milk production rate. Over three decades to 2012, the average

productivity of Indian cattle grew from 1.9 kg to 3.9 kg per day but this compared poorly with the 2012 figures from the UK, US and Israel — 25.6 kg, 32.8 kg and 38.6 kg respectively. How will the Aayog fix this?

We will prepare indigenous bulls of breeds known for their high milk productivity, for example Tharparkar, Sahiwal, Ongole and Ganga-tiri. Their semen will be used on low-productivity indigenous cows and the female calves they give birth to will then become high-milk yielding cows. We will also breed and prepare bulls with good genetics and distribute them in villages.

But despite its agenda of improving and conserving indigenous cattle breeds, the BJP-led government has not been allocating sufficient funds to the cause. In its first stint, the government was supposed to spend ₹2,000 crore by 2019-20 on its flagship scheme, the National Gokul Mission, started in 2014. But it did not. Even now the Aayog has been allocated only ₹500 crore. Will this change?

In this term, cow welfare will remain a priority for the NDA (National Democratic Alliance) government. The budget will not be a constraint because we will work towards aligning state budgets with the priorities of the national government. We will invite non-profits to join the public-private partnership (PPP) model. There are many religious organisations in the country working on breed improvement — we will get them to work with the government. This is how we will get everyone together and create a network of like-minded institutions to protect and improve cow breeds in their own states.

The Aayog has proposed the setting up of "cow tourism centres" with "an initial investment of around ₹2 crore per centre with public-private partnership", across India, said a Scroll.in report. How do you plan to attract private investment, and who are your potential tourists?

All the locations in the country with good cowsheds operated by temples, laboratories working on cattle research, panchagavya production units and market centres, etc will be put on a map to form a cow-tourism circuit. For example, when people go to Sabarmati Ashram in Gujarat, they don't even know that a state-of-the-art cow-breeding centre known for its work on the Gir variety exists there. So when we put all of these centres on a map it will not only create awareness for tourists, but also compel those living near them to visit. This will also create a marketing opportunity for people selling cow products at these centres. We will also develop these centres as model cow-sheds. We will invite private players interested in investing in these centres or setting up related industries nearby.

This will change people's perception about cow and cow-based industries. It is one of the most viable social business models in the country where you can earn money by taking care of gaudmata (cow mother). We are already in conversations with private players who are ready not only to come in tourism but are also interested in setting up bio-fertiliser (units), biogas plants, labs



VALLABH KATHIRIA

Chairperson, National Cow Commission

for genetic research and marketing A2 milk (a variety of cow's milk lacking A1 casein proteins that some believe is bad for health, a theory has been generally discredited by scientists).

Will the Aayog also play a role in informing the NDA government's new push for natural farming? The government proposed this as a strategy to double farmer incomes by 2022. At its core is 'jeevamrut', a pesticide mixture of urine and dung from indigenous cows.

One of our mandates is to reduce the cost of farming. If a farmer is rearing two cows, he can make fertiliser from the dung, the urine can be used to make pesticide for at least two-five acres of land. The farmer will not have to buy chemical fertilisers. His input cost will be cut drastically and the milk from the cow will ensure additional income for the family. In the longer term, if we can convince enough farmers to take up zero-budget farming (wherein there is no spending on inputs and thus no need for credit), it will help us cut down India's fertiliser imports.

After the ban on cow slaughter, there has been a rise in bovine-related hate crime. The cattle economy has faced losses

in many states, as per news reports. Stray cattle are invading farms and causing losses. What role will the Aayog play in easing this situation?

I do not agree with this. This is absolutely wrong. There must have been one or two incidents of lynching.

Gau rakshaks (cow defenders) help in legal transactions of cows—from the seller's home to the buyer's. Mob-lynching took place only in cases where cows were being transported illegally. But even these two-three incidents should not have happened. We will prevent these incidents by training and sensitizing gau rakshaks so that they also gradually become cow rearers.

What do you propose for the aged cattle that poor farmers cannot afford to maintain?

The most important step is the establishing of shelter houses in large numbers. We have already started making these houses in Uttar Pradesh. Under the Prevention of Cruelty to Animal Act, 1960, all states have formed district SPCAs [Society For The Prevention Of Cruelty To Animals, animal welfare centres operated by non-profits in partnership with local administrations] headed by district magistrates. These will be given the mandate to gather stray cattle and put them in shelters. The government will initially provide them financial support.

Gradually, we are hoping that when these cattle are in good shape, people will come and adopt them. We will also experiment with the idea of making these shelters independent by using the available cow dung and urine available there. This will also bring awareness among people that even if a cow is not producing milk, it can help a family earn ₹400-500 through the sale of its products. This will change society's mindset towards stray cattle. It is a slow process and in the next five years we will try and achieve all this.

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In Kharagpur, free aid finds a new platform

A group of professionals has come together to give free treatment to the underprivileged through camps. But their choice of places is interesting, writes **Thirumoy Banerjee**

It's a Sunday morning, but Kharagpur Junction is bustling. The usual rush of office-goers is absent, but the urgency is palpable among passengers: weekday or not they have to reach their destinations. On time.

Comotion on railway stations as busy as the one in Kharagpur is common, but something looks amiss on platform number 2, where a crowd starts gathering. Ajit Das, a Kharagpur resident, on his way to Howrah, had complained of chest pain and almost collapsed. As fellow passengers insist that he return home, Das, 50, says he has urgent work.

People start shooting videos of the incident as a young man emerges from the group and asks Das to come with him. The crowd disperses. The man takes Das to one side of the platform, where a group of doctors is sitting. They tell Das that he might be suffering from heart blockage and give him first-aid. Eventually, Das leaves for Kolkata, with the promise that he will undergo some tests on his return.

Some professionals — from engineers to doctors, and from government servants to dentists — have come together to start a free medical camp, on what is one of the third longest railway platforms in Asia. The group, 'Born 2 help', which came into being in 2016, and now regularly conducts medical camps, awareness campaigns, and art and craft ses-

sions for slum children in different parts of the country, including Kharagpur, Jamshedpur, Bengaluru, and Kolkata, started the camp at Kharagpur on July 14 this year.

"We chose to start the medical camp at the station as there are many slums nearby. It is not always possible to visit each slum, but as the word about the camp spread, people started flocking in large numbers. Many workers and sweepers at the railway station visit us too," says Barun Paul, an engineer, and founder of the "volunteer-based group".

A seven-year-old boy is standing at the camp — christened 'Arogya' — and Paul politely scolds him, after doctors say something. The medics have found that he consumes denrite, because of which he has developed a severe whooping cough.

Dr Saikat Sheet, an oncologist, and a faculty at Midnapore Medical College, tells Business Standard that addiction to substances is common among slum children in the area. "We can find this out from the smell in the mouth. Because some of the kids are so young, they cannot lie about their habits, and they get caught. At such a young age, such addiction can be life-threatening," he says.

Dr Depayan Bishal and Dr Pritha Chaudhuri, a dentist, tend to the kid and give him medicines, before Puja Singh, 11, the



The group, 'Born 2 help', holds a free medical camp on platform number 2 of Kharagpur railway station on every second and fourth Sunday

boy's neighbour, takes him home.

"We do not give free medicines to everyone. There are passengers, like Das, who come to us in cases of emergency. In most cases, we give them advice and ask them to undergo tests and buy medicines from outside. But these children and some people from the slums are very poor. They would never undergo any test, or buy pills. So, we give them medicines, otherwise this camp

will have no meaning," says 32-year-old Sheet.

Paul clarifies that 'Born 2 help' is not an NGO, and it does not receive funds. "We have been asking people on various platforms to donate medicines. Our Facebook page has a large number of followers. We are thankful that many people have come forward to help us," Paul says.

But there were roadblocks. "It was not easy to set up everything. We needed volunteers to join us, and required clearances from the authorities (in this case, the Indian Railways). From adopting the extremely backward Belajhuri in Jhargram — a former Maoist hotbed — to addressing hooch addiction in many villages in the hinterlands, we have managed to cover some distance," Paul says.

Kharagpur Station Director Sonali Sahoo says that the group obtained permission to conduct the camp on the platform from the commercial department. "They hold it (the camp) from 9.30 am to 12.30 pm on second and fourth Sundays each month, and 50-70 people come here for treatment each day. There were no objections, since this was for a noble cause," Sahoo says.

Around 12.30 pm, as they wrap up the camp, volunteers — most of whom work six days a week — reflect on their "holiday". "We work five to six days a week, but this is our favourite day. A healthy smile on the faces of these children is all we can ask for. It is worth the effort," Paul smiles.

No-biryani blues

Pakistan's coach is on point on dietary restrictions

Pakistan's poor performance at the cricket World Cup this June, when some cricketers looked distinctly unfit and overweight, has prompted the new head coach-cum-chief selector, Misbah-ul-Haq, to impose a ban on *biryani* and junk food at the national camp. He has issued orders that only barbeque items and pasta with lots of fruit should be on the menu for all teams in the domestic season while the same diet plan would be followed in the national camps. No surprise, the announcement has generated consternation and outrage in equal measure. Haq may

have attracted reproach from the players but he must be praised for doing his duty and introducing modern techniques to the team's training routine. Globally, top sportspeople — including chess players — follow strict dietary regimens as a matter of routine. A typical footballer's intake, for instance, consists of 65 per cent carbohydrate, 20 per cent fat, and 15 per cent lean protein.

With minor variations, this is par for the course for most field sports (cricketers may need more lean protein for explosive power and endurance). Alcohol is severely

restricted to a glass of wine or two bottles of beer a day, though most top sportspeople eschew alcohol altogether (notice how Formula 1 champions spray the winning champagne magnum with gay abandon but rarely take more than a small sip). Sweets and pastries are out of the question. Martina Navratilova, whose awesome fitness had her winning tournaments into her forties, allowed herself a sliver of cake if she won a tournament. Deep fried foods, similarly, are a no-no. *Biryani* and snacks such as *samosas*, *pakoras* and the like, would all fall in this category.

Is Haq overdoing things? As many, including cricketers themselves, have argued, some of the subcontinent's greatest cricketers — Pakistani, Indian, or Sri Lankan — have been notoriously gluttonous and big drinkers with no noticeable diminution

in the quality of their game. This is a problematic argument to make in the 21st century sports business. The manic fan following in the subcontinent masks the fact that cricket has been (and remains) a marginal game in the global context, and, until recently, involved far less money than football, tennis, golf, or even rugby and basketball. Till the 2000s, cricketers also played fewer matches, which allowed many top performers to get away with that extra bit of weight or a less rigorous lifestyle. The expansion of the World Cup venues outside England after 1983 marked the start of the sport's super-popularity, a trend that accelerated with the T20 format, which has generated enormous wealth. With the growing frequency of matches and owing to the fact that players play in three formats, the reflexes required in batting and fielding mean

that the sport now demands superior levels of fitness, of which diet is an integral subset.

Virat Kohli, unquestionably a world-class batsman and fielder, backs his punishing training regimen with rigorous diet control. It is worth noting that Australia, whose cricket team brought a whole new dynamic of fitness to the sport — including dietary controls — have won five of the 12 World Cup tournaments so far. Pakistan's talented cricketers would do well to follow the dietary restrictions set out by their coach if they want to become the world-class team they once were in a new and demanding environment. As for *biryani*, India's highest-ranked women's tennis player, Sania Mirza, often comically rued her inability to eschew the dish. Had she done so, she may have done far better than a career-best ranking of 27.

Reaffirming Indo-US ties

Prime Minister Narendra Modi's visit to America indicates that the India-US strategic relationship has the potential to become the defining partnership of this century

HARSH V PANT

Prime Minister Narendra Modi's six-day visit to the US (September 21-27) is likely to be an important marker in Indo-US ties. Bilateral ties between the world's oldest and largest democracies have been burgeoning but a section of the Indian commentariat has remained consumed by minor irritants. President Donald Trump's back-and-forth on Kashmir was analysed and over-analysed to see if there has been a shift in the American position on the issue. Trade disputes were elevated to a point where they seemed to be on the verge of derailing the entire edifice of Indo-US ties. The reality, however, has always been quite different. US-India relations have blossomed under Mr Trump and Mr Modi's substantive outreach to him has clearly paid dividends.

Prime Minister Modi and President Trump will be meeting twice in less than a week and Mr Trump will join Mr Modi in addressing the mega "Howdy Modi" rally to be attended by more than 50,000 Indian-Americans in Houston, Texas. This is expected to be one of the largest-ever events to welcome a foreign head of government in the history of the US. In Houston, Mr Modi will be participating in a round table meeting with the chief executive officers of energy companies. Energy will be an important driver of Indo-US ties in the coming years and Indo-US engagement on this issue will be reinforced by Mr Modi's outreach. India is working towards increasing imports from the US with a particular focus on oil.

At the United Nations (UN), Mr Modi will attend the UN climate meeting, apart from addressing a session on terrorism at the UN headquarters. He will deliver a special address at the UN General Assembly, but there are other events as well, especially the commemoration of the 150th birth anniversary of Mahatma Gandhi, which will see the participation of several global leaders. Mr Modi's visit to the UN General Assembly comes against the backdrop of New Delhi's decision to abrogate Article 370 in Jammu and Kashmir. While India has found support in major world capitals and Pakistan's isolation is complete, Mr Modi's visit to the UN General Assembly would allow New Delhi to make its case to the wider international community more substantively.

Pakistan has tried to raise the bogey of nuclear weapons and created an impression of an impending conflict with India, but has failed to galvanise global opinion in its favour. Apart from China, no major country has come to Pakistan's support. Mr Trump's off-the-cuff remarks on Kashmir, where he seemingly invited India and Pakistan to consider his offer of mediation, was deemed a great victory by Islamabad, but soon it realised that there was no substance in it. In the presence of Mr Trump at their meeting in Biarritz, France, on the margins of the G-7 summit, Mr Modi categorically rejected any scope for third party mediation between India and Pakistan on Kashmir, saying the two countries can discuss and resolve all issues bilaterally, and "we don't want to trouble any third country."

India's outreach at the UN General Assembly this year has been described as "unprecedented" by India's Permanent Representative to the UN, Ambassador Syed Akbaruddin, with a total of over 75 heads of State and foreign ministers meeting with Mr Modi, External Affairs Minister S Jaishankar and Minister of State for External Affairs V Muraleedharan during the week, across various platforms. More importantly, Mr Modi's regular presence at the UN General Assembly special sessions is in line with his desire to project India's leadership cre-



Prime Minister Narendra Modi (left) with US President Donald Trump during a bilateral meeting at the G7 summit in Biarritz, France, at the end of August

dentials on the global stage. An India that wants to be a rule shaper, not merely a rule taker, should have a proactive approach to global governance. Mr Modi's speeches, which tend to ignore Pakistan and touch upon key global issues facing the international community, position India effectively as a global interlocutor.

At the bilateral Indo-US level, Mr Modi is trying to shrewdly demonstrate the potency of the Indian diaspora with his mega outreach event in Houston. He hopes to leverage this soft power of India in his dealings with Mr Trump. Mr Trump's presence at the event is an acknowledgement of this reality. A likely announcement on trade is on the cards. Both sides have been working on resolving trade issues.

The Trump Administration terminated India's designation as a beneficiary developing nation under the key GSP

trade programme in June this year, after determining that New Delhi has not assured the US that it will provide "equitable and reasonable access" to its markets. India imposed retaliatory tariffs on 28 US prod-

ucts — including almonds and apples — a year after announcing them, to counter the increase in steel and aluminium tariffs by the US and withdrawal of duty-free benefits to Indian exporters. But the two nations have engaged with each other throughout this challenging phase.

New Delhi also remains cognizant of the fact that it could benefit significantly from the ongoing US-China dispute if it takes appropriate policy measures. So, it would be important for Mr Modi to sell India as an investment destination to US investors, who would be keen to hear the Indian prime minister at a time when the global economy is slowing down. A number of measures announced by Finance Minister Nirmala Sitharaman are aimed at reassuring the investor community that India remains open for business. And Mr Modi would be conveying a similar message to American investors.

But what this visit of Mr Modi to the US would underscore once again is that Indo-US ties remain robust and, in the words of India's ambassador to the US Harsh Vardhan Shringla, the India-US strategic relationship has the potential to become the "defining partnership" within this century. Given how far this relationship has travelled in the last few years, this clearly doesn't seem like an exaggeration.

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Why more monetary easing is on the cards

ARINDAM GUPTA

Banks source about 1 per cent of their funds from the Reserve Bank of India's (RBI) repo window and compensate the central bank by paying interest at the repo rate. This funding is normally required for seven to 14 days, when banks face a shortfall. But, a cut in lending rates should be related more to similar cuts in deposit rates than to a cut in the repo rate. The simple reason: Banks obtain almost 99 per cent of their lendable resources from public deposits.

Surprisingly, State Bank of India (SBI), the country's largest bank, decided to discontinue repo-rate lending rate (RLLR) on September 10, after having implemented it in July. This is more so as the RBI issued a circular on September 4, making it mandatory from October 1 for all banks to link their lending rates to one of three external benchmarks. These benchmarks comprise the repo rate, three-month or six-month treasury bill yields, and any benchmark suggested by Financial Benchmarks India, a private organisation that publishes debt market rates.

Bank of Baroda, the second-largest bank, however made the RLLR effective from August. All banks are required to migrate from the marginal cost of lending rate (MCLR), which has been there since April 1, 2016. Any change in the value of the new external benchmark will find expression in bank lending rates at a much quicker pace than now. Expectedly, such transmission will now take place on the first day of the following

Any change in the value of the new external benchmark mandated by the RBI will find expression in bank lending rates far more quickly than has been happening until now

month, whereas in the previous system it used to happen with a lag of three to four months. In this context, SBI's decision to stick to the MCLR is expected to last till the end of the current month only.

After maintaining a 6 per cent or above rate consistently until June 6, the RBI announced a record low repo rate of 5.75 per cent. Thereafter, the latest rate cut by 35 basis points (bps) on August 7 resulted in a cumulative back-to-back cut in the repo rate by 110 bps or 1.1 per cent this year. It is anticipated that there will be another rate cut by the RBI in its October policy by about 40 bps, to take it even below 5 per cent in the current fiscal year.

Non-bank finance companies (NBFCs) facing a cash crunch too are expected to benefit from the rate cut by utilising less costly funds from banks. NBFCs, engaged mostly in housing finance and going through a liquidity crisis in the recent past, would get a fresh lease of life by offering more funds for the real estate sector.

Year-on-year (YoY) growth in bank loans averaged 11.90 per cent between

2012 and 2019. Against this standard, 11.6 per cent, 12 per cent, and 12.2 per cent YoY growth in bank loans for the fortnightly period ended August 16, August 2, and July 19, respectively, do not denote any clear positive signal of rate cuts on bank lending. The only exception was after the 25-bps rate cut on February 7, when bank loans grew between 13 and 14.5 per cent between March and May.

Interest rates on deposits were also recently linked by SBI with the repo rate as an external benchmark. Effective May 1, SBI announced that its interest rate on savings bank accounts having balances above ₹1 lakh would be linked to the repo rate, and the rate of interest would be 2.75 percentage points less than the repo rate. SBI has reduced interest rates on its fixed deposits (FDs) on a few occasions, the last time on September 10 for a second time within 15 days. Other banks too have lowered interest rates on FDs in the last one month. Banks, which are paying lower interest than small savings schemes such as Public Provident Fund (PPF) and National Savings Certificates (NSC), should have refrained from further lowering the rate so as not to lose customers.

Cooperative banks and small finance banks have also been paying at least 150 bps more on FDs than what commercial banks pay.

If the interest rate on bank deposits is linked to any external benchmark, it would jeopardise the banks' fund-raising ability. Interest rates on small savings schemes are likely to be reduced very shortly, to maintain parity. The government has until now not announced any reduction of interest rates on senior citizens' savings schemes, ostensibly for political reasons. But, all these steps would indeed affect retired people, and particularly those dependent on interest income. Loan takers are seen to be benefitting at the cost of depositors.

The government says that subsequent rate cuts would propel economic growth with more liquidity at a cheaper cost. The government had to act proactively to boost a stagnating real-estate sector and a slowing auto sector with more public investment.

The repo rate cuts have had no visible effects on inflation. The consumer price inflation figure, at 3.21 per cent in August, has been the highest in 10 months, increasing from 3.15 per cent in July and 3.18 per cent in June. With inflation in check in accordance with the RBI's standards, the central bank could possibly resort to more monetary easing.

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▶ OTHER VIEWS

E-cigarette ban runs the risk of sending them underground

They should be regulated, heavily taxed and come with health warnings

Smoking is injurious to health, and the use of tobacco products has been linked to a host of diseases, including various cancers and cardiovascular ailments. "Vaping", or the use of e-cigarettes (called ENDS or Electronic Nicotine Delivery Systems), has resulted so far in seven confirmed deaths in the US. Cigarettes, chewing tobacco and related products continue to be legal in India, and through being heavily taxed as well as via the government's stake in domestic tobacco giants, significantly add to the earnings of the exchequer. However, on Wednesday, the Union government announced an ordinance banning ENDS.

Meanwhile, the tobacco industry has welcomed the move and share prices of ITC and VST Industries registered a sharp increase in the wake of the ban. In the worst-case scenario, vaping will be as bad as smoking. And like cigarettes, ENDS must be regulated, come with health warnings, not be sold to minors, etc. Like other "sin goods", they can be taxed to the point of disincentivising their use. By banning ENDS and maintaining the status quo on tobacco products, the government is in danger of giving the impression that it is protecting the tobacco industry's interests against a disruptor in



that market. The e-cigarette ban is a symptom of a larger malaise — governing by the brute force of a hammer when the subtlety of a scalpel is required. Prohibition does not work. A conversation about the reasons for addiction just might.

The Indian Express, September 20

A tale of neglect

Small farmers need formal finance

A recent report by the Reserve Bank of India found that despite a plethora of schemes aimed at financial inclusion, only 40.9 per cent of small and marginal farmers have so far been covered by the banking system. The reasons are of course well-known. Banks do not want to give loans to citizens who have no adequate collaterals to offer. Hence loans for consumption and working capital are denied, reflecting prudent banking practice. The required loans are obtained from the informal sector.

Small and marginal farmers have continued to be a large category in India for decades. Their average uneconomical size of holdings is a mere 1.08 hectares. Hence, they remain vulnerable with

little hope of escaping the category, unless they decide to migrate out of the rural sector in search of greener pastures of urban locales and manufacturing jobs. However, with low skills of the migrants and a slowing down of industry, such jobs are alarmingly scarce. They have to fall back on rural sources of subsistence income to survive. The findings of the RBI report are, therefore, hardly surprising. Economists have stressed the importance of land reforms that give legal usufruct rights to tenants and sharecroppers. Such titles can be used as collaterals. Rural employment outside of agriculture proper is another important area which must be addressed urgently.

The Telegraph, September 20

Dirty Bharat

Govt must end manual scavenging

Even as the country gears up to celebrate the 150th birth anniversary of Mahatma Gandhi, the Supreme Court has turned the spotlight on what the Father of the Nation called "a blot on humanity" — untouchability. The apex court lamented that caste discrimination existed even over 70 years after Independence, exemplified by the inhuman and life-endangering practices of manual scavenging and manhole cleaning. According to a conservative estimate by the National Commission for Safai Karamcharis, at least 50 persons died cleaning sewers in the first half of 2019. The actual nationwide toll would be far higher as the "official" figure pertains to only eight states — Uttar Pradesh, Haryana, Delhi, Punjab, Gujarat,

Maharashtra, Karnataka and Tamil Nadu — and underreporting of the cases is widely prevalent. In the West, besides in Asian nations like Japan and Malaysia, mechanical and automated systems are used to clean sewers, minimising or entirely doing away with the need to send workers inside the "gas chambers".

October 2 will also mark five years of the launch of Swachh Bharat Abhiyan, the government's grand cleanliness mission. A befitting tribute to Gandhi would be to ensure safe working conditions for the sewermen and empower them with sophisticated equipment to do their job professionally — with their dignity intact.

The Tribune, September 20