

Pawar's disciplined anger

You have to hand it to Nationalist Congress Party (NCP) leader Sharad Pawar. He almost never loses his temper: But when he does, he does it to great effect, and without raising his voice.

At a recent press conference, a journalist asked him a question: Not only were NCP leaders deserting his party and joining the BJP but even his relatives (matibhai). The reference was to Padamsinh Patil, a relative. Pawar, who started the press conference with utmost cordiality, lost his temper. "Why are you asking me about my relatives?" he asked the reporter. "We can talk about politics but how does my family relationship come into the picture?" Padamsinh Patil, eight-time ex-MLA from Osmanabad, is related to party strongman Ajit Pawar and, by extension, to Sharad Pawar. The reporter repeated his question. Pawar got up to leave. "Next time please call reporters who are a bit more civilised," he told the organisers, who pleaded with him to stay. But Pawar's fury had not ebbed. "I have seen times when I had 60 MLAs in the assembly and 52 left the party. It was politics, they left me, but then they returned," observed the man who is, arguably, the maker of modern Maharashtra. The reporter would not stop. Pawar got up to leave a second time, and then, in a gesture only he can make, folded his hands to the reporter and said: "You should go. You are lowering the level of the discourse." Then, he continued with his answer: "People have left, and more might leave. He (Patil) has said nothing about any disrespect from the NCP or me. But he may be getting from the other side what he has not got from the NCP for 10 or 15 years. It is not a push factor, it is a pull factor."

OPINION

SUN WEIDONG

'If China and India speak in one voice, the world will listen'

President Xi Jinping once pointed out that the development of China and India is the trend of the times and an important opportunity to each other. As I see it, China and India are neighbours, partners and friends. Amicable exchanges have always been the mainstream of the bilateral relations. President Xi Jinping and Prime Minister Narendra Modi initiated the "home-town diplomacy" and later held a historic informal summit in Wuhan, China. The Closer Developmental Partnership between China and India is moving forward along the track of sound and steady development. Today, over 1,000 Chinese companies are doing business in India, with a cumulative investment of \$8 billion, which has created 200,000 local jobs. More than two-thirds of Indian companies investing in China are making handsome profits, 40 per cent of them would like to increase their investment in China this year. The China-India High-Level People-to-People and Cultural Exchanges Mechanism has promoted people-to-people cooperation a new high. The box office of Indian films is twice as much in China as in India. The Indian pavilion at the Beijing International Horticultural Expo has attracted millions of Chinese visitors. With the long history, large population and economic volume of the two countries, China-India cooperation enjoys vast potential for development.

If China and India speak in one voice, the whole world will listen. We both advocate world multi-polarity, economic globalisation, trade liberalisation, and oppose unilateralism and protectionism. We can closely coordinate under the framework of BRICS, G20 and SCO, to jointly tackle global challenges and to promote a fair and just global governance order. China and India both uphold the concepts of "Great Harmony" and "The World as One Family". The ancient oriental wisdom is still showing vitality today. I believe China and India have all the vision and ability to find the path of joint development and win-win cooperation between major emerging countries. This will contribute to the development of a community with a shared future for mankind...

Peace is the precondition for development, and also the eternal aspiration of mankind. Without peace, it is difficult to achieve economic growth, improvement of people's livelihoods, and social stability. To maintain regional and global peace and stability is not only the responsibility of China and India as major countries, but also the need of the two countries to materialise their own development. For neighbours and major countries, differences are hard to avoid. The key is to properly handle them. We should look at issues with rationality, put them in the bigger picture, reduce differences through consultation, settle disputes through dialogue, promote peace through development, and enhance mutual trust through cooperation...

The Chinese government attaches great importance to its relations with India, which is a basic foreign policy we have adhered to for a long time. Personally, I think in the future, the two sides should promote the development of China-India relations from four dimensions, namely, "leading, transmitting, shaping and integrating". "Leading" means to make the second informal summit a success by highlighting the guidance of the two leaders. "Transmitting" refers to the transmission of the leaders' consensus to all levels and translate the consensus into tangible cooperation and outcomes. "Shaping" means going beyond the mode of managing differences, shaping bilateral relations and accumulating positive momentum. "Integrating" means to strengthen exchanges and cooperation, promote convergence of interests and achieve common development.

Ladies and gentlemen, This year marks the 70th anniversary of the founding of the People's Republic of China. Over the past seven decades, China has successfully embarked on a path of socialism with Chinese characteristics, and made great strides from standing up and growing wealthy to becoming stronger. China's economy is enjoying high-quality development, growing by 6.3 per cent year-on-year in the first half of this year. The economic structure continued to improve, and the third industry contributed 60.3 per cent of the growth. In 2018, the retail sales of consumer goods in China totaled \$5.76 trillion, making it the second largest consumer market in the world. A few days ago, Costco, a well-known American supermarket chain, opened a new outlet in Shanghai. It was overwhelmed by Chinese shoppers and had to shut down temporarily on its opening day. This highlighted the huge vitality of the Chinese consumer market. China is also opening wider to the outside world...

What China has achieved is not a godsend. It comes from our people's hard work by overcoming all obstacles and difficulties. A certain country provoked trade frictions with China, openly interfered in China's internal affairs and undermined our interests. We resolutely oppose and will firmly defend our legitimate interests. We are willing to properly handle differences on the basis of mutual respect and resolve issues through dialogue and negotiation. However, any consultation and negotiation must be based on equality and mutual respect. The result should be mutually beneficial.

Some Indian friends may follow the situation in China's Hong Kong. Recently, some radical protesters have committed violent crimes under the pretext of anti-extradition Bill, gravely trampling on the rule of law and social order in Hong Kong, and challenging the bottom line of the "one country, two systems" principle. Some external forces meddled in China's internal affairs, deliberately calling violent crimes as peaceful protest. This is an outright "double standard". Violence is not tolerated in any civilised society. Hong Kong affairs are purely China's internal affairs. This is a fact recognised internationally. All governments in the world recognise China's sovereignty over Hong Kong. There is no sovereign issue over Hong Kong at all. We would never allow any external forces to interfere in Hong Kong affairs...

Edited excerpts from Work for new progress of China-India relationship: Focus on mutual cooperation and common development, an address by China's Ambassador to India Sun Weidong on September 3

DID THEY REALLY SAY THAT?

"Several Congress leaders have high hopes and are expecting development from the party and the administration. There are differences and the government should sit and sort these out."

Madhya Pradesh Congress leader Jyotiraditya Scindia about the Congress government in Madhya Pradesh, Bhopal, 4 September



ILLUSTRATION BY BINAY SINHA

ANURADHA M CHENOY'S Remerging Russia is an influential and comprehensive account of a new Russia seen in the context of India and the Global South. Chenoy, former professor and chairperson at the Centre for Russian and Central Asian Studies of Jawaharlal Nehru University, discusses the recent India-Russia bilateral summit with Aditi Phadnis. Edited excerpts:

'Russia-India ties based on mutual need'

How do you evaluate the overall impact of Prime Minister Narendra Modi's visit to Russia?

PM Modi's visit serves the process of multiple and continuous engagements between India and Russia. Though there are no big-bang agreements, several major projects in defence, energy, and trade have been signed and are ongoing. These are not stand-alone dialogues but part of a historical continuity of five decades that are critical for India's international positioning.

Both Russia and India need each other at a time of transition in the international system. These relations give both much-needed leverage vis-à-vis international pressures. If the same agreements had been signed with the US, the Indian elite and media would have been doing a double somersault.

Several analysts believe that there is "drift" and stagnation in Russia-India rela-

tions. This is because India is under pressure from the US on isolating Russia, Iran and China. In other words, the US wants India as a junior partner. Since India wants closer relations with the US, and also France, it still doesn't get how highly uneven the partnership is. To balance this, India needs Russia.

Even after two decades of closer ties with the US, India has not got all what it wanted. This is because the US balances India and Pakistan with an even hand, as it needs the latter for its Afghanistan and West Asia policies.

Perhaps India has learnt that relations with the US will never be one of equals, that it will be used to contain China and advance its interests in the Indo-Pacific region. The US needs India only as one among many agents, to push its global aspirations.

At the moment, India is engaged in a global public relations exercise because of

CHECKLIST THE SLOWDOWN: WHO'S SAYING WHAT

■22 August, NITI Aayog Vice Chairman Rajiv Kumar: "This is an unprecedented situation for the Government of India. In the last 70 years, nobody had faced this sort of situation where the entire financial system is under threat and nobody is trusting anybody else. Within the private sector, nobody is ready to lend, everyone is sitting on cash. You may have to take steps which are extraordinary."

■1 September, former Prime Minister Manmohan Singh: "The last quarter's GDP growth rate of 5 per cent signals that we are in the midst of a prolonged slowdown. India has the potential to grow at a much faster rate but all-round mismanagement by the Modi government has resulted in this slowdown... India cannot afford to continue down this path."

■1 September, Finance Minister Nirmala Sitharaman: "Is Dr Manmohan Singh saying that instead of indulging in political vendetta, they should consult

sane voices? Has he said that? All right, thank you, I will take his statement on it. That is my answer... I have no thoughts on what he said. He said it and I listened to it."

■2 September, BJP Spokesperson Sambit Patra: "There is a slowdown in the world economy but India's economy is at the top. Because of the strong base of the fundamentals of the Indian economy, our economy is doing quite well."

■3 September, Union Minister Prakash Javadekar: "We do not subscribe to what Manmohan Singh has analysed... India was the 11th (largest) economy of the world. Now it is the fifth and we are marching to be the third... the government was not looking at the economy in a piecemeal manner."

■4 September, Shiv Sena: "A sane man like Manmohan Singh has said that no politics should be played around this slowdown. We should take the help of experts... It is time we heard his advice."

the changes in the Kashmir policy. Russia can be useful, as it, too, does not have any great regard for human rights. It also has a policy of not intervening in the domestic affairs of allies. Russia will also expect India to support it in Ukraine, Syria and other regions.

Russia also needs India despite strategic tie-ups with China, which uses its financial power to overwhelm an economically slow Russia.

China is moving into Central Asia, especially into Tajikistan, in a big way. They have conducted military exercises, and plan the Belt and Road through here across Russia. China's forays into the South China Sea have come dangerously close to Russian, Indian, Vietnamese, and Malaysian rigs. Russia is concerned about both the US and China here.

In the current cross-cutting international relations, one relation need not be at the cost of others. Unlike what some analysts post, it's not an either/or situation.

Multilateralism and plurality are key. In this context Brazil, Russia, Indian, China and South Africa association (BRICS) and the Shanghai Cooperation Organisation are useful of coordination.

All conversations with Russia have the threat of the Countering America's Adversaries through Sanctions Act (CAATSA) hanging over them. How do you view the progress on the Triumf S-400 missile that India is looking to purchase from Russia that the US has warned against?

For defence, India is a seller's market. India is using that to continue its talks on the Triumf S-400 and other purchases. The US would not only like to increase its defence sales to India, but even replace Russia. But India is not and cannot be dependent on the US or any one country.

Its base is made from Russian platforms. So India has the capacity to negotiate with the US for waivers on the basis of its national security. It has managed to get some waivers, but for that India has to pay a price, that the US will extract. You are likely to see Indian defence purchases increase from the US also. But such a steep rise in military equipment will damage Indian social sector expenditure. India needs Russian support for its defence, energy, technological and many other needs. Earlier also, the US had imposed sanctions on India. So, India will have to negotiate harder for its wider interests.

The fact that the summit was held in the industrial port town of Vladivostok itself makes a statement. How do you see the prospects of energy and trade cooperation between Russia and India?

India and the ONGC have already made huge investments in Sakhalin I and II. The Russian Far East and development of

Siberia are core to its interest. India giving a line of credit to Russia is of benefit to both. This region is rich in resources and crying for investment. Investments in energy are long term, have risks but also benefits. In this, Indian industry has taken an interest, and is scoping the region. The Chinese are already there. Russia would like further cooperation with India in this region. In this context the International North South Corridor needs to be concretized at a better pace. The logistics agreement with Russia needs to be fast-tracked.

You have suggested that India and Russia should branch out and develop soft power together - education, culture etc. Has this visit achieved that objective?

There is base for developing soft power, but this should be allowed more free play and autonomy. Soft power in education and culture and people to people dialogues, cannot be under complete government or bureaucratic control. It needs government encouragement and finance but autonomy in institutions that plan this, as well as public legitimacy. Also one should not underestimate financial power. For example, no one is taking Chinese soft power seriously. So they focus on financial power. India should develop digital power with Russia. India and Russia need to open new areas of exchange from medical to climate collaboration.

Q&A

ANURADHA M CHENOY former professor and chairperson at the Centre for Russian and Central Asian Studies of Jawaharlal Nehru University

What are your thoughts on the geo-political fallout of the visit on Afghanistan-Pakistan, China and the US?

The US has done a deal with the Taliban in Afghanistan, as they start the process of withdrawal. That is in the greatest interest of Pakistan. The attempts by Russia and others to get through a power sharing agreement between the

Taliban and the current regime has been rejected through the use of force by the Taliban. Pakistan and Taliban will use each other. Russia knows that. They have to save their southern rim: Caucasus, Chechnya, etc from state-sponsored illegal networks, including terror and radicalism. Even China is worried on this count. This can be a nightmare for India also. So India has to work with Russia and many others to ensure a peaceful transition.

China never loses sight of its interests and aspirations for regional hegemony. India has to use Russia to put pressure on China. Russia has no option in the current scenario, but to keep their strategic ties with China. At the same time, Russia is wary of China in their Far East, in the Pacific and in the Indian Ocean.

In sum, India needs to further diversify relations with Russia and not get hedged in with unifocal lens of national security. Human security, financial security, and creative options are needed here.

Just a few strands

Having cancer can be devastating. But for women, the side-effects of the disease, especially the loss of hair, is the hardest part. Aditi Phadnis finds that many are coping — and helping others cope with illness and loss

Jayanti's story

For many harried working mothers, she's a lifeline. A domestic help, Jayanti starts her working day at 6 am. She is punctual, regular and polite. At just over 40, she's content: A migrant from West Bengal, but unlike others, never having had to see grinding poverty. Her family manage to eat fish curry and rice several days a week. Her daughter has recently got married in a well-organised wedding to a man who is a mechanic in the Maruti factory in Gurugram. All the members of her family own mobile phones.

The most arresting feature of Jayanti's face is her eyes and her hair. Her eyes sparkle a shade of greenish gold. Her hair is always worn in a thick plait that falls below her hips.

Last week, she came to work after a lapse of several months. She looked tired and her head was covered. A resident asked her fatuously why she had suddenly turned bashful. She replied, with a curious dignity: "Cancer tha. Ab theek hai, magar baal..." (I had cancer. Better now, but my hair...). Her eyes welled up. Cancer has eaten up her breast. Chemotherapy has consumed her hair.

Daksha Jaidka's story

A few years ago, Daksha Jaidka — a Gurugram resident, homemaker, Modern School alumna and mother of two — happened to visit the US. There she met the eight-year old daughter of a friend. The child had long,



DAKSHA JAIDKA grows and nurtures her hair, only to donate it. She has already donated it twice and plans to do it a third time.

**THE OTHER INDIA**

unruly curly hair — and she wanted to give it all away.

"I first donated my hair four years ago. I had really long hair. It was not easy," Daksha said. Indian women spend hours pampering and caring for their hair. Long hair is a part of the Indian female aesthetic, a mark of classic beauty, regardless of class or caste. That's why when women visit Tirupati, they give unto God what is their

most precious possession — their hair, the ultimate sign of vanity and pride. Giving it up is a gesture of humbling yourself before God.

"I couldn't get the vision of that little girl out of my head. She had seen a classmate of hers fall a victim to cancer. For an eight-year-old, the sudden loss of hair can be a terrible trauma. My friend's daughter wanted to sac-



PHOTO: THE BETTER INDIA

ELAKSHI and SUMAIRA were full of doubts about cutting their hair so that it could be used to make wigs for women who have lost their hair to chemotherapy. But they don't regret their decision at all.

rifice her hair so that it could be turned into a wig for children with cancer. It got me thinking. I read that several NGOs will accept hair that they turn into wigs for cancer patients. Commercial wigs are not cheap: They can cost up to ₹30,000 each. And now, there's a burgeoning movement to donate hair, and both men and women are part of it," Daksha said.

She worked on her hair: Oiled it regularly, gave it hair spas, nurtured it by increasing her protein intake... and then, when it was thick, sleek and lustrous, chopped it off without a second thought, bagged it and sent it to an NGO that has now turned it into a wig, which is helping another young woman get the psychological courage to fight cancer.

"I learnt that all hair is not suitable for

donating: It has to be at least 8 to 12 inches long, and must never have been chemically treated, coloured or permed. Virgin hair, that is, a child's hair, for example, is the best," Daksha said.

She has already donated twice and is readying herself to do it a third time.

Vidya Raja of digital publication, The Better India, also has stories of hair donation

Elakshi's and Samaira's stories

"We saw an online video about a girl who was gifted a wig before she went back to school.

The girl in the video had lost her hair while she was undergoing chemotherapy for cancer. We saw how excited the girl was with the wig. I will never forget that smile," said Elakshi in 'The Better India. Elakshi is a Class VI student in Gurugram.

"I had eight inches of my hair cut off, and I did think about whether I would look funny after the haircut. My mother was the one who helped me through it, and she supported me a lot," said her sister Samaira, a Class III student.

Many NGOs will accept hair donations and most of them are on Facebook. But it's best to consult them before donating because the rules about the kinds of hair that can be accepted are quite strict. Daksha contacted hairaid.com. But there's also Sargakshetra Cultural Centre, Hair Crown, Cope With Cancer and many others.

Daksha feels fulfilled. Elakshi and Samaira can't stop smiling. Jayanti doesn't need to cover her head any more. Who knows, the hair on her head might be Daksha's!

A temporary setback

There will be a lot to learn from Chandrayaan-2 Mission

Although the loss of the Vikram lander has caused deep disappointment, the Indian Space Research Organisation (Isro) can take away many positives from the Chandrayaan-2 Mission. Attempting a soft lunar landing was an ambitious goal and something going wrong was always a possibility. Two out of every three such attempts failed in the past, including an Israeli mission that crashed earlier this year. Meanwhile, the Chandrayaan-2 orbiter is functioning well. So it's not as if the mission has entirely failed. The orbiter itself carries eight instruments designed for different experiments and observations. This is not to deny

that the loss of the Vikram Lander and Pragyan Rover are heavy blows, as these carried six key payloads which could have delivered entirely new information.

The moon is a difficult target for soft landings and, indeed, only three nations have ever managed this. Almost half the moon, including the designated landing zone at the Lunar South Pole, is on the far side of the Earth and, hence, not charted. The terrain is difficult, with rocks and craters, much of it covered with 10 metres of dust, where a lander could sink. The plan was for the Vikram Lander to detach from the orbiter at about 100 kms and then apply brake in a multi-phase operation to

reduce speed from about 1,680 metres/second (a little less than 6,000 kmph) to two metres/second as it approached the surface.

The first two phases went well with smooth detachment. The speed had dropped to around 50 metres/second at a height of about 2,100 metres when communication broke down. While there could be many reasons for this, it's unlikely that the Vikram lander without catastrophic damage.

The orbiter will try to locate the lander (or its wreckage) as it passes over that region in its orbit. Isro's ground control will also analyse data received for clues as to what went wrong. This will help improve design in the next moon mission. It is abundantly clear that Isro wants to try again, and there is evidence of political support for the next attempt in Prime Minister Narendra Modi's response. Isro must not only carry on; it must be given all

the support it needs to plan its next series of missions.

There are several important aspects to space missions of this nature. One is gathering new data and insights. This is blue-sky research, which always pays off eventually in unpredictable ways. The orbiter will carry out experiments and observations that inform us about the topography of the moon and its chemical composition, including the possible presence of water, and other important compounds and minerals.

Other orbiter-based experiments will also reveal more about solar radiation at the moon (which lacks the shield of the Earth's strong magnetic field and atmosphere), and about the composition of the moon's very tenuous atmosphere and the presence of electrons. The lander and rover could have told us more about the moon's surface, but that's not to be. Second, every mission of this nature helps

scientists and engineers who put it together to develop new technological capabilities. Every nation with space-going ambitions has had to do this on its own. Space exploration and the spinoffs from it have transformed the technological landscape in the last 50 years. A successful landing and rover exploration would have taught Isro a lot about managing such delicate processes. A lot can also be learnt from the failure.

The third factor is impossible to quantify, but it is perhaps the most important. Space exploration inspires people in a way that few other forms of scientific research seems to do. It can trigger an interest in seeking a career in science and technology. Dividends from that will only be visible decades later when children who tracked the Mangalayaan and Chandrayaan missions emerge in their own right as the next generation of scientific researchers.

CEO pay can transform banks

Compensation structures can be designed to make risk management a core part of Indian banks' strategic decision making and planning processes

DEEP NARAYAN MUKHERJEE

When, in February 2019, the Reserve Bank of India (RBI) published a discussion paper on proposed compensation guidelines for senior management and material risk-takers in Indian banks, the debate was focused on how this would constrain CEO compensation. What may not have received due attention was how such a proposal, if implemented appropriately, can transform Indian banking.

It can make risk management a core part of a bank's strategic decision-making and planning process, as opposed to the peripheral position it now occupies. Risk-related projections in some cases tend to come out as an after-thought to assess the growth planning exercise.

Previously, in 2012, the RBI had issued compensation guidelines for senior management. These ticked all the boxes and suggested alignment of compensation with prudent risk-taking, capping of variable compensation, deferring a part of variable compensation, incorporation of a claw-back clause, adequate disclosure norms and supervisory oversight. However, given limited implementation guidelines and specificity, the guidelines' benefit to the stake-holders remains uncertain.

The current proposal provides for more detailed quantitative requirements than its 2012 avatar. For instance, it has capped variable pay at 200 per cent of fixed pay. ESOPs are included in variable pay. It proposes application of the claw-back clause in case of divergence in NPA/provisioning.

The proposal, if implemented, will trigger board discussions on how top management salaries need to be adjusted to comply. The crux of the RBI's focus is that senior management compensation outcomes should be aligned to risk outcomes, and all types of risk and payout schedules should be sensitive to the time horizon of the risk. This has been the regulatory aspiration since 2012.

However, a fixed ratio of fixed to variable compensation, or defining a narrow activity that can trigger the claw-back clause, may not limit meeting the regulatory aspiration to the full extent. Instead of transforming risk management, it may morph into a compliance requirement. Some improvement to risk reporting is expected to the extent the NPA divergence is addressed. An opportunity to fundamentally strengthen risk management in Indian banking will be lost.

The RBI's proposal is inspired by the Financial Stability Board's (FSB) Principles for Sound Compensation Practices and their Implementation Standards (Principles and Standards, P&S), 2011. Quite a few G20 countries have adopted them. They provide rich benchmarks for effective implementation.

Risk outcome-based compensation requires that compensation policies should be structured beforehand. Compensation is *a priori* mapped to a range of strategic and financial outcomes, so that senior management focuses on long-term sustainability in its planning process. After the performance period the variable compensation is determined by the outcomes vis-à-vis the initial target, and not just by asset growth, accounting profit or stock performance, as is the case currently.



This requires the RBI to guide banks on the following:

Risk assessment statement (RAS): Banking regulators in Canada, Singapore and Europe expect a clear linkage between the RAS and senior management compensation. Several regulators require the RAS to be well-articulated and quantified. It should be granular so that it can be cascaded to appropriate levels within the bank. Indian banks often have RASs that are aspirational or have not percolated down to the business unit level for policymaking. Compensation philosophies try to ensure that decision-makers adopt growth strategies that are aligned with their stated risk appetite.

The experience of several countries has been that quantifiable and granular risk appetite statements tend to drive banks' strategy and planning, and risk-based compensation guidelines led to more meaningful adoption with desirable results.

Broaden the claw-back clause: Most major international banks have provisions for claw-backs for incidents such as ignorance, willful neglect or violations of risk norms by employees. For certain adverse events claw-back could apply for seven years. The US requires the largest firms to defer up to 60 per cent of incentive compensation for senior executives for four years.

Enhance disclosure levels: The RBI should enhance the disclosure level in general to best in class for G20 countries. Basel expects quantitative disclosures about banks' compensation policies, details of the structure and also measures of out-

Risk targets and metrics and the mapping of risk outcomes with compensation levels need to be owned by the board and suitably disclosed to regulators

comes from such policies. Disclosures to markets are expected to state the amount of outstanding deferred remuneration exposed to risk-adjusted-performance or actual adverse risk events. Global best practices require the RBI to do more of certain things and less of others. The quantum of compensation and the ratio of fixed to variable may be left to the board. At any rate, more elbow room may be given. On the other hand, risk targets and metrics and the mapping of risk outcomes with compensation levels need to be owned by the board and suitably disclosed. Certain regulators favour testing the procedures to assess the efficacy of compensation frameworks, and to establish whether the outcomes are consistent with the regulator's expectations.

The RBI must broaden the focus on improving the risk management capability of Indian banks by making it core to strategic decision making. Executive compensation plays a critical role here. But guidelines should not focus on narrow compensation ratios alone, or else banks will remain compliant while seeing no improvement in their risk capabilities.

The writer is visiting faculty of finance at IIM Calcutta, and a consultant

How strong state-owned banks drive growth

NIRANJAN HIRANANDANI

A week after Finance Minister Nirmala Sitharaman announced a slew of measures to revive the economy, the government's decision to merge 10 public sector banks (PSBs) to create four large banks will create big next-generation banks that are imperative for a \$5 trillion economy. With this the total number of PSBs will come down to 12, from 27 earlier. These big banks will have enhanced capacity to increase credit, a strong national presence as well as global reach, and this can help reduce the cost of lending through operational efficiency.

Further, the government also plans an upfront capital infusion in PSBs for credit growth and regulatory compliance to support the economy.

The finance minister announced the merger of Punjab National Bank, Oriental Bank of Commerce and United Bank; Canara Bank and Syndicate Bank; Union Bank of India, Andhra Bank and Corporation Bank; and Indian Bank and Allahabad Bank.

The merged PNB, OBC and United Bank will be the second-largest PSB with business of ₹17.95 trillion, and will have the second-largest branch network in India with 11,437 branches. Canara Bank and Syndicate Bank, when merged, will be the fourth-largest PSB with business of ₹15.20 trillion and will have the third-largest branch network in India with 10,342 branches.

The merged Union Bank of India, Andhra Bank and Corporation Bank will be the fifth-largest PSB with business of ₹14.59 trillion and will have the fourth-largest branch network in India with 9,609 branches. Indian Bank and Allahabad Bank will be the seventh-largest PSB with business of ₹8.08 trillion.

Recently, the finance ministry had directed PSBs to initiate a month-long consultation process to seek suggestions for achieving a \$5-trillion economy in five years. This move by the ministry is aimed at re-invigorating the sagging Indian economy. The finance ministry will be tracking credit flows to areas like housing, infrastructure, the Stand-Up India scheme, education, the farm sector, micro, small and medium enterprises (MSMEs), the Stand-Up India scheme, education, exports, the green economy, cleanliness activities, financial inclusion and women's empowerment, as well as others such as direct benefit transfers and the digital economy.

PSBs are the foundation of the Indian banking sector and account for about 63 per cent of the banking industry's total assets. These banks play an important role through the mobilisation and allocation of resources.

The Modi 2.0 government aims to make India a \$5-trillion economy by 2024 and has committed to invest ₹100 trillion to develop modern infrastructure that will

aid in doubling the economy in the next five years.

PSBs who have adapted to changing demographic profiles, low liquidity levels, and a declining interest rate scenario, have taken upon themselves the onus of realising the government's dream of doubling the size of India's economy by boosting consumption and ensuring higher credit flow to productive sectors.

They held a consultative and ideation process at branch levels across the country to identify the issues and challenges on how to improve their performance and contribute to national growth. This exercise was undertaken as part of a bottom-up approach to shape policies that will enable PSBs to act as catalysts in achieving the objective of a \$5-trillion economy. Banks need to identify and resolve ways and means to increase credit flows to various sectors of the economy and to enhance the use of technology to bring about innovation.

The PSBs are expected to focus on infrastructure financing, credit growth, financial inclusion, and digital transactions. This process will help the banks to understand and reach out to corporates, MSMEs, retail borrowers, traders and businessmen. Banks deliberated on topics such as credit for MSMEs, digital payments, corporate governance in PSBs, export credit, retail, agriculture and establishing a financial grid to chart out a specific road map. Banks have decided to simplify processes for borrowers and fine-tune their products.

The ideation process has resulted in a renewed sense of involvement on the part of banks and has helped them gear up towards implementing the road map for the future. The banks will now be more responsive towards the aspirations and needs of farmers, industries, start-ups, senior citizens, youths, women and students.

It is important to understand the reasons for the decline in loans to businesses, the number of loan applications accepted and rejected under the retail, MSME and corporate categories in recent years, the reasons for the steep rise in bad loans and the possibility of co-origination of Mudra loans with non-bank finance companies.

To facilitate credit expansion and improve liquidity, the government has decided to inject ₹70,000 crore into the PSBs. This measure is expected to generate liquidity and additional lending in the financial system to the tune of ₹5 trillion. The banks have also decided to pass on the RBI's rate-cut benefits to borrowers through reduction in the Marginal Cost of Funds-based Lending Rate (MCLR). These steps are expected to create positivity and alleviate stress in the system.

The writer is Senior Vice President, Assoccham, and MD, Hiranandani Group

▶ OTHER VIEWS

India and Russia attempt to revive old bonds

The missing link in the relationship is a solid commercial foundation

There were no dramatic agreements that came out from Prime Minister Narendra Modi's annual summit with the Russian President, Vladimir Putin this week, on the margins of the annual Eastern Economic Forum at Vladivostok. But to understand the importance of the 20th meeting in six years between the two leaders, look elsewhere. While the western powers have extended support for India's argument that the developments in Kashmir are internal to India, they have also raised questions about the human rights situation there. Russia's support seemed to come with fewer caveats and Mr Modi has thanked his "great friend" Mr Putin for that in Vladivostok. Even more importantly, the joint statement issued by the two leaders emphasised the shared understanding on the "inadmissibility of intervention in the internal affairs" of nations.

In the last few years, Delhi and Moscow seemed to drift apart. More recently, though, there has been some effort at rebuilding mutual confidence. Both Mr Modi and Mr Putin know that the world has entered an uncertain era and they need to keep all their options in play. Neither of them wants to squander the benefits of a solid bilateral relationship built over decades in this moment of transition in major power pol-



itics. The big missing link in the India-Russia relationship is a solid commercial foundation. In Vladivostok, Mr Modi and Mr Putin affirmed their commitment to address this weakness. They must now deliver on that promise.

The Indian Express, September 6

RBI's floating rate loan diktat

May work if industry resumes investing

The Reserve Bank of India (RBI) has finally decided that it needs to address the problem of inadequate interest rate transmission head on. In a circular to banks on Wednesday, it directed lenders to link all new floating rate loans given to borrowers in the personal, retail and micro, small and medium enterprise (MSME) categories to external benchmarks, including the repo rate, with effect from October 1. Banks have also, crucially, been given the leeway to determine their spread over the benchmark rate with a caveat that changes to the credit risk premium can only be made when the borrower's credit assessment undergoes a substantial change. That the inadequate transmission of

policy rate moves has been an abiding conundrum for the RBI is well known.

Though the latest move will surely lower the interest cost on new floating rate loans available by borrowers to buy cars or homes, it may force banks to start cutting the interest rate they pay deposit holders or risk seeing their margins shrink. And while the RBI wants to try and nudge an uptick in credit for beleaguered MSMEs, the success of the measure will ultimately be determined by a regaining of confidence by consumers to spend and a conviction by industry to invest.

The Hindu, September 6

Kashmir, a month on

Govt must now open up the Valley

It has been exactly a month since the government piloted major constitutional changes in Jammu and Kashmir (J&K). A month later, it is time to review the state of play. First, the international dimension. Pakistan, which made the "liberation" of Kashmir a fundamental pillar of its domestic political consensus and foreign policy, and consistently sponsored terrorism and violence to achieve that goal, reacted with predictable fury. Its "all-weather friend", China, concerned about the implications of the move in Ladakh, provided a higher degree of support to Islamabad than Delhi had probably anticipated. But the rest of the international community — notwithstanding United States President Donald

Trump's occasional forays into offering mediation — has broadly fallen in line with the Indian position.

But even as India has done well to manage the diplomatic fallout, the situation in J&K is a matter of concern. There is often a trade-off between order and justice. The restrictions also give room to critics to question India's moral authority and democratic credentials. It is now time to open up the Valley, release mainstream politicians, start a process of dialogue, and create a new understanding with the people of Kashmir. Only then will Prime Minister Narendra Modi's vision of a "Naya Kashmir" be fulfilled.

Hindustan Times, September 6