Different layers

The government's method of dealing with BSNL, MTNL and FCI presents a problematic aspect of its public sector engagement

RAISINA HILL

A K BHATTACHARYA

The Narendra Modi government's engagement with the public sector entities under its administrative control has many layers. Take, for instance, its decision to infuse equity into about 250 operating central public sector organisations including the Indian Railways.

The Modi government infused an estimated ₹6.26 trillion as equity into these entities during the first five years of its tenure — between 2014-15 and 2018-19. This was almost three times the equity amount that the Manmohan Singh government had infused into these public sector organisations during its five-year tenure — between 2009-10 and 2013-14.

But take a closer look at the composition of the equity infused into the public sector, a slightly different picture will emerge. During the five years of Modi, capital for public sector banks (PSBs) accounted for about 40 per cent of the total equity infusion. The Indian Railways had a share of 33 per cent, the National Highways Authority of India (NHAI) had 18 per cent and Air India had a share of 3 per cent, raising the combined share of these four entities to as much as 94 per cent of the total equity infusion in five years.

In other words, just four out of the 250-odd public sector organisations had gobbled up so much equity that left only six per cent, or ₹34,931 crore for the remaining public sector entities in a period of about five years. So, if you thought the Modi government was generous with equity allocation to all its public sector organisations, think again. It distributed 94 per cent of its entire equity for the public sector to just four entities.

The Manmohan Singh government was a little more democratic in equity allocation. Of its total equity outlay of ₹2.34 trillion for public sector organisations during its second five-year term, 45 per cent went to the Indian Railways, 20 per cent went to the NHAI, 19 per cent went for recapitalisation of PSBs and 6 per cent was spent on Air India. Thus, these four organisations consumed 90 per cent of the entire equity outlay in these five years, leaving 10 per cent for the remaining entities.

Given this context, two developments last week deserve greater attention. One, the government appears to be having second thoughts on a proposal from the department of telecommunications to bail out the ailing two public-sector telecommunication companies — the Bharat Sanchar Nigam Limited (BSNL) and the Mahanagar Telephone Nigam Limited (MTNL). The ostensible reason for reconsidering a revival package was its huge cost, estimated at over ₹74,000 crore.

Such a review is understandable. The suggestion that the two enterprises could be closed down after offering a compensation package to their employees through a voluntary retirement scheme (VRS) is worth a closer look. And the cost of closing down would be cheaper as several employees are actually not direct recruits in the two organisations. According to one report, just about 10 per cent of the employees are direct recruits, mainly technicians and the cost of offering a VRS to them would not be huge. The remaining employees either belong to the Indian Telecom Services (ITS) or have been deputed from other public sector enterprises.

The obvious question, therefore, is why the government has allowed its two public sector telecom organisations to be burdened with such staff from the ITS and from other public sector organisations. These two organisations should not be treated as a parking place for either ITS or presumably surplus staff belonging to other public sector undertakings. Since three-fourths of their total revenues are being consumed by their wage bills, the first step would be to free them of this burden and see how the two organisations could be run more efficiently with minimum staffing. Both the organisations have a viable business and a customer base that should be the envy of any rival telecom company. A good way out would be to free these companies from the burden of such huge wage bills and then get their businesses transferred to a new entity that presumably could be set up as a public-private partnership, with a time-bound plan under which the government would eventually exit from the business entirely.

The second development pertains to the Food Corporation of India (FCI), a public sector company that undertakes procurement of food grains on behalf of the government. Partly because of its own inefficiency and its excess manpower and partly because the government has consistently defaulted on paying its bills, FCI is hugely indebted, having borrowed from the market as well as entities like the National Small Savings Fund. Its financial troubles are in no small measure due to the government's failure to clear its dues.

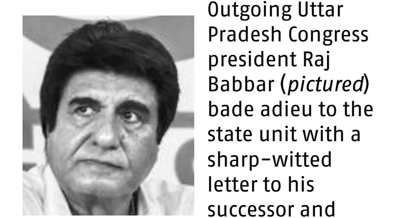
The financial woes of BSNL, MTNL and FCI present another layer of the Modi government's engagement with public sector organisations, which is both problematic and potentially harmful for its fiscal health.

CHINESE WHISPERS

Taking sides

In the fight between former Ranbaxy promoters Malvinder Mohan Singh and Shivinder Mohan Singh (*pictured*), the family seems to be firmly behind the younger sibling, Shivinder. The bonhomie among Shivinder and the other members of the family was evident as they sat outside the chief metropolitan magistrate's court awaiting the order copy, and spoke to each other for a good half an hour before Shivinder was taken away by policemen. During the same waiting period, Malvinder sat alone for the most part, only to be joined by his advocates and a couple of other people intermittently. It might be too early to draw a conclusion, but it seems the family has made its position clear as to whom it would stand by in this bitter fight.

Babbar's parting shot



Outgoing Uttar Pradesh Congress president Raj Babbar (*pictured*) bade adieu to the state unit with a sharp-witted letter to his successor and party MLA, Ajay Kumar Lallu. Babbar conceded that despite sincere efforts during his rather lacklustre three-year term, he fell short when it came to delivering results. The actor-turned-politician also took a swipe at the party's top leadership, noting that at times his own decisions or some of the decisions of his seniors failed miserably to get support within the party. Also, some of his decisions aimed at promoting young leaders in the party and harnessing the experience of senior Congressmen did not go down well with a certain section of the state leaders, he added.

Protecting cows

After Congress leader Digvijaya Singh said last week that stray cows on the Bhopal-Indore highway led to accidents, Madhya Pradesh Chief Minister Kamal Nath said his government had set a target of constructing 3,000 cow shelters by the end of next year. Nath tweeted: "Dear Digjiyaya-*ji*, you mentioned about the accident of cows sitting on Bhopal-Indore highway. I have asked officials to make a plan about the security of cows on main roads." He added that his concern for cows was genuine and not motivated by politics. "I am concerned about it ... It is also true that for us, cows are a symbol of faith and pride and not for politics. We want to do the work which has not been done in years to protect cows."

Can LIC and Rakesh Sharma save IDBI Bank?

IDBI Bank will post net loss in September and probably in the December quarter too but it can come out of the woods

BANKER'S TRUST

TAMAL BANDYOPADHYAY

IDBI Bank Ltd, quarantined in the correctional facility of the Reserve Bank of India (RBI) which restricts its ability to lend, is about to start corporate lending in a limited way to its existing customers with high credit ratings. Till now, its ability to lend is capped at ₹5 crore per customer.

In the June quarter, it announced successive 11th quarter loss — ₹3,801 crore. From December 2015 when all Indian banks were forced to clean up their balance sheets till June 2019, it has made losses every quarter barring two — overall a record ₹35,977 crore in the past 18 quarters. Is IDBI Bank turning out to be the classic milk pitcher or inexhaustible bottle of magicians, pouring net losses every quarter?

To keep it floating, since fiscal year 2016, the government and the bank's new majority owner Life Insurance Corp of India (LIC) together have pumped in ₹48,765 crore (including ₹9,300 crore committed during the current year by the government).

Is the worst behind the bank? Can its managing director and CEO, State Bank of India-bred Rakesh Sharma, who has also headed Canara Bank, turn it around?

Going by the numbers, all is not lost for IDBI Bank. As the government doesn't hold a majority stake (47 per cent), it is a private bank and yet, for regulatory purposes, it is a public sector bank. LIC, which holds 51 per cent stake, needs to bring it down to 40 per cent over the next 10 years and it will continue to supply capital for the next five years.

The bank's gross non-performing assets (NPAs) as well as net NPAs as a percentage of total loan assets dropped in June. This is a good omen, particularly when the overall asset book is shrinking. Its advance portfolio shrank from ₹2.3 trillion to ₹1.7 trillion in the past three years. When loan assets grow, in percentage terms, NPAs shrink to create an optical illusion even if there is less recovery or more loans going bad. Its 88 per cent provision coverage ratio is higher than most banks.

The low-cost current and savings accounts have risen from 37 per cent to 43 per cent in the past one year even as high-cost bulk deposits dropped from 33 per cent to 25 per cent. The overall cost of deposits has come down from 5.56 per cent to 5.44 per cent.

It is also shedding corporate loans. Around 51 per cent of its loan book is now retail, including loans given to small enterprises. The retail loans fetch relatively higher interest. This, combined with a drop in the deposit cost, has led to a rise in the net interest margin — from 1.7 per cent to 2.03 per cent. Historically, IDBI Bank's inability to lend to retail borrowers, particularly in the so-called priority sector (40 per cent of a bank's loans mandatorily flow there), has cost it dear. It has been keeping at least ₹21,000 crore in infrastructure bonds as a penalty of non-fulfilling priority sector lending norms, earning 4.15 per cent, much lower than the cost of the deposits. It will start releasing the money in phases and give loans to earn more.

ALL IS NOT LOST The bank's gross NPAs as well as net NPAs as a percentage of total loan assets dropped in June. This is a good omen

Historically, IDBI Bank had 80 per cent corporate loans, supported by wholesale liabilities. The RBI restriction on fresh loans has had a spiral effect as the good loan accounts started leaving the bank and with the balance sheet shrinking, its earnings were affected. Focussing on retail loans (out of ₹54,000 crore pure retail loans, 75 per cent are home loans), Sharma is trying to stem the rot. Only 1.3 per cent retail loans are bad.

Of the ₹88,000 crore bad loans, it has written off ₹37,000 crore and provided for ₹40,000 crore, requiring to make another ₹11,000 crore provision to come up clean. It could recover 25 per cent of the bad loans — ₹22,000 crore. After using ₹11,000 crore for provisions, an equivalent amount can add to its bottom line over the next few quarters. In the best case scenario, it can recover 35 per cent of the bad loans spread over infrastructure, power, steel, oil refineries.

The bank has moved the recovery tribunal for ₹65,000 crore of bad assets, of which cases involving ₹38,000 crore have been admitted. The top 20 NPA accounts make ₹30,000 crore. The recovery process can take 330-660 days. In June, it added ₹3,400 crore fresh bad assets but a bulk of it is technical in nature and the bank could classify ₹2,200 crore of it as performing assets by next March.

Sharma is doing his bit by setting up a data analytics department, hiring treasury and technology heads from smart private banks and recruiting staff from B-school campuses. Of IDBI Bank's 18,000 employees, the clerical and sub-staff, a legacy of the past, are less than 1,000. It is also on track in getting rid of the non-core assets — its stakes in asset management and insurance companies, a stock exchange etc, besides real estate and other fixed assets. It has already generated ₹3,400 crore through this route and another ₹1,500 crore is on the table.

LIC may have done an act of charity by picking up the ownership of IDBI Bank under government pressure but if the synergies between the bank and India's largest life insurance company are exploited well, IDBI Bank can bounce back. A task force, formed to explore the synergies, has charted out a 100-point action plan, focusing primarily on cross-sale of products. While policy premiums can be collected at 1,891 bank branches (giving the bank float money), 1.1 million LIC agents can source business for the bank – both loans and deposits. Potentially, 400 million policy holders could become IDBI Bank customers. It has started offering home loans to policy holders, which is 0.10 per cent cheaper than other customers.

IDBI Bank will post net loss in the September quarter and probably even in the December quarter but it can come out of the woods. From a milk pitcher magician, Sharma needs to act as Harry Houdini who escaped from a packing crate weighed down by 200 pounds of lead in New York's East River in less than a minute. No one will grudge Sharma a few more quarters to pull out IDBI Bank, buried deep under the burden of bad loans and the culture of a development institution.

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INSIGHT

Are we barking up the wrong tree?

India's main focus needs to be on policies that foster innovation and freedom for individuals and organisations alike

TV RAMACHANDRAN

"*Chalo, picture dekthe hein*" is a sentence that has withstood the test of time. In 2019 though, it sets forth a different sequence of events compared to a decade ago. Now, most likely, it results in a group chat about whether to go to a movie theatre or watch a movie or show over a streaming service. If the decision is to go to the theatre, someone usually looks for show timings online, and books tickets on BookMyShow. A few might travel by Ola or Uber cabs to get to the destination. Did the event even happen if a group selfie is not uploaded on various social media platforms after the show? If the plan is to stay home, surely Swiggy can be called upon to deliver hot pizzas.

In view of the features and functions they provide, digital platforms like Swiggy, Ola, Uber, BookMyShow, Netflix, MakeMyTrip, Amazon, Facebook, Twitter, Zomato, and even gaming platforms like Candy Crush, Quiz Up, and Minecraft act as intermediaries — channels or platforms that are conduits for information, entertainment, and other products and services. Intermediaries merely offer a platform for point-to-point communication, and a forum to connect users. To protect every Indian's freedom of speech and Right to Privacy, they are granted a "safe harbour" status under the Indian Information Technology Act of 2000.

Lately, however, there has been much discussion on imposing stricter regulation on these, driven primarily by the intent to curb harassment, eliminate the scourge of fake news, or criminal activity online. While a noble cause, greater regulations will do nothing to resolve these issues; instead, they might introduce a slew of new problems. The real solution already exists — our independent judicial system. Objections to user-generated content shared on an intermediary platform can be argued in a court of law, and if the content is indeed objectionable, a court order can be issued. It is important to note that many such platforms already have community guidelines and terms of service that don't allow users to upload and share certain types of content. Such content can be reported by users for takedown.

The proposal for stricter regulation seeks to make intermediaries responsible for regulating their content; if found non-compliant, they can lose their safe harbour protections. Additionally, intermediaries are provided an extremely short amount of time, just 24 hours, to evaluate flagged content, request clarifications, and respond.

Is this even practical? Such tight timelines could be implemented for certain types of unlawful content like child pornography, extremist content etc but they are difficult to enforce for all content categories. Most apps and intermediaries are available for a global audience; and if India-focused that's an incredible amount of data to regulate. With various languages, dialects, slang words, nuances, cultural references, and humour that people regularly use for communication, this is a disaster waiting to happen.

Consider this. To most of us, the words "*main tera khoon pi jaunga*" brings to mind a young and angry Dharmendra. To someone unaware of the reference, it might sound like a threat!

When such misunderstandings happen during face-to-face interactions, how on earth do we expect intermediaries to proactively self-regulate the enormous amount of content generated 24/7 on their platforms? Even artificial intelligence has not evolved to understand the context and nuances at this level of granularity. Let's be careful what we wish for. If we want intermediaries to moderate and take down content that they deem incendiary, it would be unlawful censorship. Intermediaries will willy-nilly restrict content to lower the risk of non-compliance with regulation, thus infringing upon our fundamental rights.

The passionate discourse for intermediary regulations fails to take into account the financial burden these regulations put on the intermediaries — particularly start-ups and small businesses that see their cost of doing business going up significantly if they have to incorporate sophisticated technology and manpower to monitor content, not to mention the burden of contesting legal issues over non-compliance. This will surely stifle innovation in India.

Another proposal is for companies to maintain a physical presence in India. For global entities, it is not always financially viable to maintain a physical office in every country they operate in. Sure, India is an attractive market, but under growing constraints, these companies might be forced to leave India out. This then denies Indians the ability to leverage global innovations. Indian companies would be in danger of facing retaliatory regulation in other countries.

Another consequence of unwarranted regulation is exposure to massive legal liabilities. What if the viral hit song "*Coca Cola tu*" angered a rival soft drink company? If several of their employees flag mentions of the song on social media as "offensive", the intermediaries might have to restrict the song or risk potential penalties. It would be a huge legal liability if the music director or Coca-Cola decided to contest this decision. Ironically, circumventing courts for content-related decisions will result in more legal battles.

The mandates for intermediaries to continually monitor and regulate information is also a gross violation of global norms. Based on the United Nations' Rapporteur's Report on the promotion and protection of the right to freedom of opinion and expression, independent and impartial judicial authorities should be deemed arbitrators of lawful expression — not the government. Additionally, global guidelines providing a road map to manage intermediaries, the Manila Principles, clearly state that content cannot be restricted without clear, unambiguous orders from a competent court of law.

Since India aspires to be one of the world's leading economies, why are we squandering opportunities to encourage free-market enterprise? To stop miscreants from using intermediary platforms to incite violence or spread false information, we need to streamline the legal system and infuse greater transparency into the decision-making process of the courts. India's main focus needs to be on policies that foster innovation and freedom for individuals and organisations alike.

(Research inputs by Chandana Bala)

The author is honorary fellow of IET (London) and president of Broadband India Forum. Views are personal.

LETTERS

Gross negligence

This refers to the letter "Lack of Accountability" by Shanmugham M (October 11). I think that the author of the letter has trained his guns on the wrong entity. An auditor can only 'audit' the information/facts and figures are placed before him. In the PMC Bank scam, accounts related to the loans made to HDIL were hidden, by virtue of a few 100 dummy accounts created specifically to fool the auditors. My concern pertains to the regulator — the Reserve Bank of India (RBI). There is something intrinsically amiss, if despite the monthly, yearly statutory statements and the balance sheet in its possession, the RBI was unable to detect any wrongdoing at PMC Bank. The RBI has failed miserably in acting as a "watchdog". It can be blamed for gross negligence, dereliction of duty, and unconscionable behaviour towards the depositors of PMC Bank.

Vipan Sarup Mumbai

Hold RBI accountable

This refers to the erudite article "Financial sector stability & our cook Lilu-*tai* by Tamal Bandyopadhyay (October 7) in which he has pertinently raised the question, "Was the banking regulator sleeping all these years?". It is about the collapse-cum-crisis of the PMC bank. For several years, this bank was violating rules and its beneficiaries were enjoying in the most ostentatious manner. The Reserve Bank of India (RBI) had done an audit but could not detect anything. Millions of depositors are in the lurch. Yet the RBI issued a release on October 7 saying that, "the Indian banking system is safe and sound". The biggest joke of all, my country men! This has now launched cartoons in newspapers about the RBI as the watch dog, showing a dog watching as the bank was collapsing on the head of creditors.

The RBI cannot argue that the control is divided because the job of audit is to be done by the RBI. Like the bank officials who have been taken into custody, some auditors also deserve the same treatment. Governors who went about lecturing about the independence of the RBI and freedom of speech, should come out in the open now to explain if lecturing was their job or they were also supposed to do their normal routine work. The finance minister should also say something clearly fixing responsibility on the RBI for its failure.

Sukumar Mukhopadhyay via email

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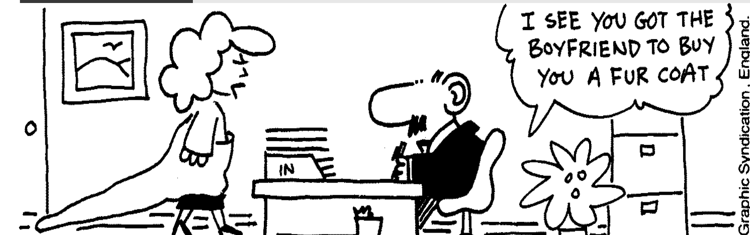
HAMBONE



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Moving the needle

Mamallapuram keeps China-India relations on an even keel

In terms of pre-summit optics, high expectations of a significant reset in India-China relations at the Xi Jinping-Narendra Modi "informal" summit in Mamallapuram, the first such after the 2018 Wuhan meeting, would have been overdone. Tensions over Kashmir, military exercises in Arunachal Pradesh just ahead of the visit, the Belt and Road Initiative, and Xi Jinping bookending the India summit with visits from client state Pakistan and to Nepal suggested that neither country was about to yield on issues perceived as vital to their respective national interests. It is, however, possible to spot three signs in the two days of festivities and engagement that suggest that relations are returning on an even keel, and there are clear signs of a way forward.

The first are the diplomatic signals. If substantive gains in the two-day meeting were hard to identify, some weight should be given to the fact that the multiple differences were not allowed to escalate — that too, after some aggressive posturing just a month ago at the United Nations General Assembly. This was largely on account of the very visible personal investment by President Xi and Prime Minister Modi to leverage their mutual chemistry and the atmospherics in Mamallapuram to signal the importance they accord to the relations. The second reassuring indicator was the greater emphasis on trade relations with the establishment of a ministerial-level economic and trade dialogue mechanism. This dialogue, to be headed by the Chinese vice-premier and India's finance minister, will address the vexed issue of the trade imbalance between the two countries — India's annual trade deficit with China runs over $50 billion — and identify sectors for mutual investment and joint manufacturing partnerships. What also helped was China's recognition of India's concerns about the need for a "balance" in the Regional Comprehensive Economic Partnership (RCEP) free-trade pact. From India's perspective, China remains the chief obstacle in signing the RCEP. That China and India are now ready to discuss these concerns is a clear signal of a more accommodative stance on Beijing's part. Third, and perhaps no less important, is the reiteration at the summit of two key guiding principles laid down in 2005 on the border issue. Both are key from India's perspective. One was the acceptance that major geographical features (in other words, the watershed) would be considered in demarcating the borders. The other was taking into account the interests of settled populations (with implications for the people of the border town of Tawang). Previously, Chinese leaders had walked back from these principles, so the fact that they were restated at Mamallapuram is constructive.

That said, Mr Xi's back-to-back visit bearing funds and investment proposals to Nepal, India's traditional geo-political partner, suggests that China is unlikely to slacken the relentless pursuit of its geo-political interests in South Asia. Taken together with the high-profile meeting in New York last month of the foreign ministers of the Quad grouping — Japan, Australia, the US, and India — designed to balance China's clout in the Indo-Pacific, it is clear that neither country is ready to back down on the many prickly issues in its bilateral relations. There was, however, some comfort for India that Kashmir did not figure in the discussion, with Mr Xi not raising it and instead simply briefing Mr Modi about the Pakistan prime minister's visit to Beijing on October 8. But most importantly, the informal summit in Mamallapuram, like the earlier one in Wuhan, has once again underlined the importance of dialogue and communication, with Mr Modi accepting Mr Xi's invitation for a third meeting next year. In that sense, Mamallapuram has moved the needle on the relations between the two countries.

The best of BSNL & MTNL

Given their infrastructure assets, privatise the telecom PSUs

The state-owned telecommunications firms, Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL), have long been a drain on the public exchequer and on the state's borrowing capacities. While only ₹100 crore was set aside as direct budgetary support for the two majors in the last Union Budget, they were supposed to raise over ₹15,000 crore through internal and extra-budgetary resources. BSNL, for example, in 2018-19 made a loss of almost ₹14,000 crore, taking its accumulated losses to over ₹90,000 crore. The company has almost 170,000 employees, whose wages consume 77 per cent of its revenues. Many factors can be blamed for this situation, including government policy decisions of the past. The entry of deep-pocketed Reliance Jio has in addition made things difficult for all legacy players. But, in the end, the decline of the public-sector telecom majors is due to structural changes in the business itself. The telecom sector is increasingly a service-based business, which means that private-sector companies have an inherent advantage over even public-sector ones with the softest of budget constraints. There is little reason to imagine retaining BSNL or MTNL in their current state. They are relics of the 20th century, and have little place in the India that is entering the third decade of the 21st.

The question is: What is to be done now? The companies and their associate Union departmental bureaucrats have argued that it is cheaper to revive them than to shut them down. The latter is expensive, they claim. In BSNL's case, they argue that getting those 170,000 workers off the payroll through voluntary retirement schemes and the like would cost ₹95,000 crore but a revival package would cost less. This argument, however, can easily be questioned. Not all the public-sector workers need to be treated in the same way. Some can be re-absorbed in other public-sector enterprises or the government, which is short of manpower in many key areas. Others are close to retirement anyway. The revival plan is, also, absurdly optimistic, suggesting that losses would sharply narrow beginning two years from now and that BSNL would be in the black by 2024. The Union government has fallen for such revival plans produced by interest groups related to public-sector undertakings (PSUs) before. It must not make a habit of it.

As with other PSUs — Air India, for example — there is a distinction to be made between the tarnished brand name and the burden of employee rolls, and the extensive network infrastructure that has been developed. The latter cannot be ignored. For example, the Bharat Fibre network has more than 800,000 km covered. This is more than Vodafone-Idea, Bharti Airtel, and Jio put together. It is severely under-utilised and undervalued at this point. Significant national savings would be involved in ensuring that this network is not duplicated by private-sector investment. Thus, the emphasis on the PSU telecom majors must be on how their assets can be sold so as to ensure higher productivity, and how their manpower can be absorbed elsewhere where necessary and let go otherwise.

ILLUSTRATION BY AJAY MOHANTY

University ranking sweepstakes

Should we really pay attention?

This is the season: In this festive season just as retail chains hype up their product selections and unbelievably cheap prices all over the media, British, American, and Australian universities tout their offers in the Indian media. The difference is that instead of spending money on paid ads, they make their claims by way of ratings by media companies: Times Higher Education Rankings, US News, and World Report Best Colleges … the list is long.

The amazing thing is that the respectable Indian media retransmits these rankings. This year's Times Higher Education Ranking met with wails: "… India drops out of top 300 in global rankings", was the headline in one. "Indian universities out of top 300 in global rankings" and "Why can't Indian universities get higher rankings in these rating," ask others. Some tried to present a comforting picture: "Indian universities move up in global ranking; 25 institutions in top 200", but then quietly added that this was in the "Emerging Economy Universities" list.

AJIT BALAKRISHNAN

Still others try to get reactions to this kind of "bad" news about Indian universities: "Upset IITs complain about Times rankings, HRD ministry says improve yourselves first"; "No Indian institute has made it to top 200 in Times Higher Education rankings, and older IITs like Delhi and Bombay have been beaten by newcomers", says another, and then goes on to quote IIT-Delhi Director Ramagopal Rao as saying that "the methodology was unclear and non-transparent". India's education authority, the Ministry of Human Resources Development, is quoted: "The ministry, however, believes the institutes needed to introspect." A senior official in the ministry said: "The older institutes have lost out in the rankings because of the per-teacher productivity method that the Times Higher Education ranking follows. Suppose you have 100 publications and 10 teachers, the per-teacher productivity is 10 … If an institute has 500 publications and 250 teachers, the per-teacher productivity then becomes two, which is where the older IITs are falling behind."

If you look closely at the methodology used in the Times Higher Education Rankings (www.timeshighereducation.com/world-university-rankings/world-university-rankings-2019-methodology), you will find it says: "We use 13 carefully calibrated performance indicators …grouped into five areas: teaching (the learning environment); research (volume, income and reputation); citations (research influence); international outlook (staff, students and research); and industry income (knowledge transfer)."

All this sounds fine except that several key parts of these indicators are obtained from a survey (opinion poll?) of 11,554 "experienced, published scholars", the vast majority of whom are from the UK and the US.

But then, it takes two hands to clap: The Indian elite love sending their children abroad to American, British or Australian universities. Part of the problem is that children of India's elite live a life where their parents "fix" them through the best schools, then "fix" them again through elite undergrad colleges, but butt their heads against the tough entrance exam system of India's super-selective higher education institutions like the NITs, IITs, and IIMs. I've seen otherwise meritocracy-oriented parents succumb and send their children abroad by taking on bank loans of ₹1crore or more, because their children put emotional pressure on them: "Everyone in my class is going abroad to study, why can't you send me too?"

American, British and Australian universities love Indian students: They are prepared to pay two-five times what the students of their country are willing to pay, and in the top universities make up almost 10 per cent of the student population. The vast majority of Indian students who go abroad for study are from well-off business families and come back to join their family business.

Even the not-so-well-off parents feel it pays to incur these debts to send their offspring to western universities because using the universities' alumni network they can get jobs in American and British banks, private equity funds, etc operating in India: These are industries where the "old boys' network" is the main method of recruitment.

But are these or, more accurately, should these be India's priorities?

The factors that determine "employability" in the world and in India are in the process of being fundamentally changed with the advent of the information age. It is no longer going to be determined by simple English speaking (and such communication skills) and the willingness to patiently perform repetitive (clerical?) jobs. The new key to employability will be digital analytical and implementation skills. The basic versions of these will be vocational (supervise Bots and Robots), and complex versions will require skills like machine learning, cryptography, network science, and bioinformatics. These skills will be needed not just for engineering and management students but also B Com, chartered accountants, and, hold your breath, journalism graduates.

But then again, such jobs won't take care of even 10 per cent of the 6 million students who graduate every year from Indian universities. The vast majority of these graduates are going to be pushed into some form of entrepreneurship as a way of earning a living. But here again, entrepreneurship in India is currently limited by capital being available only to children of business families. The current venture capital and private equity industry in India is dysfunctional because in effect their business model is to get foreign companies back-door entry into the Indian market.

The key to trigger entrepreneurship is to create a vibrant domestic India angel investment community of about a million venture investors by making it possible for Indian angel (very early stage) investors to set off a limited liability partnership's early financial loss against the investor's income from other sources by amending Section 10 of the Income Tax Act. Join me in a chorus to get this done and save our next generation.

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How to fix the PMC Bank crisis

Three weeks ago, Punjab & Maharashtra Cooperative Bank (PMC Bank) suddenly collapsed. It has ₹11,500 crore in deposits from more than 300,000 people and had lent more than ₹6,500 crore to bankrupt real estate group HDIL Ltd, which was surreptitiously controlling the bank through common directorships and shareholding. The Reserve Bank of India (RBI) has restricted the amount depositors can withdraw. The anger and desperation of depositors are mounting. Social media is abuzz with the supposed insensitivity of the finance minister, who unfortunately responded to heart-rending stories of life savings being wiped out with the claim that cooperative banks did not come under the finance ministry.

In the heat of the Maharashtra Assembly elections, the chief minister has assured that he will find a solution "in a month". The RBI governor has made the extraordinary claim that he will not let any cooperative bank go down when the past data tells us the one of them goes belly up every few months and there are over 1,000 of them. We haven't had one sensible move to fix the problem because we do not have a template for resolving such crises. Here are some ideas on how to fix the PMC Bank crisis and what needs to be done to prevent such occurrences. It will require the Ministry of Finance and RBI to act fast and bend some rules, which, of course, this government can easily do whenever it wants to.

IRRATIONAL CHOICE

DEBASHIS BASU

Immediate steps

In any financial crisis, the first job is to move quickly to protect the value of tangible and intangible assets. For this, we need a set of rules or we can make rules as we go, as was done in the case of Satyam and Infrastructure Leasing & Financial Services (IL&FS). It has been 19 days since the PMC Bank crisis erupted and there is no move in that direction. This is not surprising because netas and babus have no skin in the game and do not care about protecting asset values.

Unfortunately, there are some practical difficulties too. You would notice that whenever there is a crisis, multiple agencies swoop down: The revenue departments, Enforcement Directorate, Economic Offences Wing, Serious Fraud Investigation Office, etc. Some of them start seizing assets. While politicians love the media optics of freezing and seizing assets, such moves are against the interests of depositors and creditors — the only two sets of people who should benefit from any resolution.

The RBI or the Ministry of Finance must immediately constitute a panel with a short finite life. It would have the mandate and powers to put the assets of PMC Bank and the personal assets of the HDIL promoters and head of PMC Bank in an escrow account and ring-fence it from the ad hoc action of the revenue departments and creditors — just as it has done for IL&FS.

The most important question is who should head the panel. Give it to a run-of-the-mill bureaucrat or a banker and it will be a waste. It was Deepak Parekh who oversaw the Satyam resolution. It is Uday Kotak who is overseeing the IL&FS mess. For PMC Bank it can be Mr Parekh or Aditya Puri of HDFC Bank, both tough, no-nonsense bankers with an understanding of finance and real estate.

Apart from securing tangible assets, the panel would focus on extracting value for its main asset — extremely well-run branches and the depositor base. This should be attractive to any bank without much of a presence in Mumbai. But it will be truly valuable to a fit-and-proper, well-capitalised finance company wanting a banking licence. While this will secure a large part of the deposit base, the shortfall must come from the government. There is absolutely no reason for bank depositors to suffer any loss when the ministry, the state government concerned, and the RBI are jointly responsible for the failures of cooperative banks, by perpetuating a weak regulatory regime for decades and failing to act on various recommendations. PMC Bank depositors are far more in need of government largesse than central government employees, who just got a thoroughly undeserved 5 per cent additional dearness allowance last week!

Beyond the crisis

Regulators know what needs to be done to fix the cooperative bank mess. Over the past several decades, guess how many government committees and working groups have been set up to improve the functioning of urban cooperative banks. The Madhava Das Committee (1978), the Marathe Committee (1991), the Madhava Rao Committee (1999), the Malegam Committee (2010), and the R Gandhi Committee (2015). The working groups include one on augmenting capital (2006), one on information technology support, and one on umbrella organisations for urban cooperative banks (2008). The reason we still have urban cooperative banks failing is because each time we were trying to apply band-aid. Also, most of the sensible recommendations have been ignored.

What we need is a simple principle to be applied here: All deposit-taking organisations should come under the sole supervision of the RBI. The ineffective Registrar of Cooperative Societies should have nothing to do with regulating deposit-taking organisations, that too ones calling themselves banks. Urban cooperative banks should be forced to become small finance banks (SFBs) and/or merge with other SFBs, and list on the stock market. During this process, we need free and easy mergers among cooperative banks and SFBs. There is a saying — never waste a crisis. PMC Bank is a great opportunity to not only fix the cooperative bank mess once and for all, but, along with IL&FS, set up a template for resolving sinking financial institutions in future.

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Between Oolong and Darjeeling

BOOK REVIEW

SIMON WINCHESTER

It was in Calcutta, 40 years ago, a steaming hot Friday monsoon morning, and I had come down from my newspaper's office in Delhi to write about the industrial tea trade. I was at the headquarters of Macneill and Magor, a tea giant of the time, whose red brick godowns lined the banks of the Hooghly River. I had a breakfast-time appointment with the company spokesman, a genial Anglo-Indian named Pearson Surita, a man possessed of an accent so plummy that on the side he did cricket commentaries for All-India Radio.

The elevator creaked us up to the penthouse, with its fine view of the Maidan. Pearson sat me down by his desk, then promptly called the bearer and demanded two pink gins. But it wasn't even 8 o'clock, I protested. "Don't worry, old boy," Pearson replied. "It's Poets Day." Puzzled, I sipped timidly at my gin while Pearson threw his down in one gulp, then called the departing bearer. Another two, he demanded. I yowled still more forcefully. It was early morning. Pink gin? "Don't be silly," he repeated. "It's Poets Day."

What poet? I ventured — Yeats? Auden? Tagore (who was, after all, a Bengali). "Damn fool," Pearson said to me genially, though by now he had turned bright red and was sweating majestically. "Poets Day here in Calcutta. Stands for 'Piss Off Early, Tomorrow's Saturday.'"

To Pearson, tea was merely a commodity, something that came in large chests, consisting in the main of dried black twigs, crushed by brass engine rollers after being picked in goodness knows how many dozens of estates far away in Assam and Meghalaya and Upper Burma, where the pickers lived in execrable conditions and were paid a pittance. And the customers at the other end: philistine Britons, mainly, who drank the stuff with sugar and milk and let it stew in the pot for hours. No, tea was just a job, and a job that paid nicely, though Pearson would rather have gin. He really didn't care about tea.

But Henrietta Lovell most certainly does, and these days publicly decries those people, and those industries, whose cavalier attitude to this most divine of nectars and the Camellia strains from which it is made is, in her view, little short of sacrilege. So she is now on a holy mission to educate us all so that we can know the difference between a pu'er and an oolong, between a rooibos and a Darjeeling, and why it matters, greatly.

Ms Lovell is a hearty, galumphing Briton of good pedigree and even better connections who once worked in corporate finance in New York. But on a whim, 15 years ago, she chucked that career to start the Rare Tea Company in London and has since devoted her life to advancing the cause of leaf tea (and to denouncing that epitome of foulness known as the tea bag). More important, she busies herself promoting those farmers around the world who grow tea and tend to it with the care and compassion that so ancient and elemental a beverage deserves and rightly demands. Her visits over a decade and a half to these faraway rural geniuses are what *Infused: Adventures in Tea* is about.

I had initially thought the book might be little more than an extended advertisement for Ms Lovell's business. But then I found myself quite caught up in her infectious enthusiasm as she ventured — twice defeating her own cancer, which tried in vain to slow her down — out into the world in search of the green tea hills in China, Japan and India, of course, but also in Malawi, Nepal and South Africa. On occasion, her style can be a little exhausting, with her bursts of Pete Wellsian polychrome, but one can excuse her. This is a love letter, after all.

I read the book in one contented go on a flight from Sydney to Hong Kong, where I had a few hours' wait before moving on to New York. Nowadays, it's surprisingly tricky to find a good loose-tea store in Hong Kong's vast Starbucksian airport. But it was a long layover and eventually I winkled out the shoe box of Fook Ming Tong, tucked away on an upper floor, and handed over a not insubstantial wad of folding money for a package of Lovell's most highly recommended ambrosia: white silver tip tea from Fujian Province in southeastern China. Once home, I found myself a graduated-temperature electric kettle, as also suggested, heated fresh water to 75 degrees Celsius and infused three grams of the unprocessed leaves for 90 seconds flat. I then poured the pale and steaming liquid into two fine china cups and took them upstairs.

One careful sip, then two, then a bold draining — whereupon my wife and I declared this tea to be quite sublime, perfect, entirely unlike anything we'd ever tasted before. An impeccably caffeine-loaded, faintly perfumed start to the day. And far, far better and more efficacious in inducing wakefulness and good cheer than ever was gin, pink or otherwise, most especially when taken before breakfast.

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INFUSED
Adventures in Tea
Henrietta Lovell
Faber & Faber; 239 pages; $26.95