

# Opinion

FRIDAY, OCTOBER 18, 2019



## NO DEAL TO NEW DEAL

Prime minister of the UK, Boris Johnson

We've got a great new deal that takes back control—now Parliament should get Brexit done on Saturday so we can move on to other priorities like the cost of living, the NHS, violent crime and our environment

## Insure all bank deposits to retain depositor faith

If banks fail & depositors get back just ₹1 lakh, they could start exiting; in which case, lending rates will start to soar

**L**ATER TODAY, WHEN the Supreme Court hears the PIL that, in the aftermath of the collapse of the Punjab and Maharashtra Cooperative (PMC) Bank, wants the government to insure all bank deposits, it would do well to keep in mind the current ₹1 lakh ceiling was fixed way back in 1993; India's GDP has risen around 25 times since, but the government still thinks the amount doesn't need to be raised significantly. But, if there are more PMC-type bank failures—fortunately there has been no commercial bank failure since 1969, and RBI has arranged mergers for some private sector banks that looked close to collapse—and people find their hard-earned savings at risk, the low levels of insurance could well turn the more well-heeled away from keeping their life's savings in fixed deposits who could then put them in securities like gold, the post office, or the stock market. Should that happen, as bank deposits shrink or their growth slows, the immediate impact will be a rise in interest rates charged on bank lending.

To that extent, the inexplicable delay of decades in taking a decision to raise the levels of deposits that are to be insured, and the unreasonable curbs put on how much money hapless PMC depositors can now withdraw—after all, even if there was a scam in how the bank was run, how are investors to be blamed?—is reckless since it is playing with the country's financial system. Given this, and the fact that hiking the ceiling for deposit insurance should have been a routine administrative decision, and an easy one to make, it is not even clear why the matter had to reach the SC.

While no one who has invested her money should lose any part of it, especially since bank deposits are considered zero-risk savings—unlike investments in the stock market—this is not just a question of what is morally right, it is also a matter of being practical. According to SBI data, while 61% of bank accounts have deposits of under ₹1 lakh—this is why the government doesn't think the deposit insurance level has to be raised—these comprise just 7.8% of the total deposits base. And, while just 0.2% of bank deposits are of more than ₹1 crore, around a third of all deposits in the banks are made by this category of depositors.

Some argue that insuring all bank deposits, as the PIL wants, will cause a spurt in premium rates for deposit insurance; this is incorrect since the premium will rise only if there is a spurt in bankruptcies. The other argument is that if all deposits are insured, there will be less pressure on regulators like RBI to guard against bank failure by effective supervision, and even politicians will not press for better oversight in the manner they would if the voting public was in danger of losing its life savings. Wanting to hold regulators accountable is a noble objective, but it cannot be at the expense of depositors who stand to lose their savings. Also, if a bank fails, even if depositors get their money back from an insurance firm, they may be reluctant to deposit that in another bank; if that happens, it will put pressure on both RBI as well as the government since lending rates will start rising. Just because you buy house insurance, to use another example, doesn't mean there is no onus on the authorities to ensure there are no fire hazards in the area, or for the fire department to have adequately equipped fire-fighters and equipment.

## Skills university is great...

...but meaningful skilling effort needs much more

**A** GAINST A BACKDROP of a large skilling gap—as per government data, less than 5% of the workforce is formally skilled, compared to say 28% in China and 75% in Germany—Delhi planning a Skills and Entrepreneurship University is welcome news. The university, as per news reports, will focus on ensuring graduates are skilled in accordance with market needs. So, it will not be enough to just bring existing Industrial Training Institutes (ITI), polytechnic institutes, and skill development centres under the aegis of the university, as is planned; the need will be to ensure that the training programmes are upgraded significantly given how obsolete ITI training has meant poor uptake of pass-outs by industry. The proposed university will also be open to collaborations with foreign skilling institutes and universities.

For the university to have any meaningful impact, it will need to address the shortcomings of the present skilling ecosystem in the country. The stagnation of the ITIs didn't occur only because services rapidly became the dominant sector of the Indian economy while the ITIs remained skilling factories for the manufacturing sector. Manufacturing itself has shifted decisively towards Industry 4.0, which is founded on emerging technologies that the ITIs are largely not equipped to train people for. It is simply not enough anymore, for instance, to hold a Bachelor's degree (vocational) in computer science without competence in data analytics or machine learning. Industry's tech-positive turn is also impacting services—secretarial assistants, for instance, require a much more sophisticated set of skills than they did in the past. With near-logarithmic progression of technological developments, the need for continuous up-skilling has emerged as a key demand. Data from the World Economic Forum show that nearly 54% of the country's workforce today is in need of re-skilling, with nearly 41% needing re-skilling/up-skilling levels that could take anywhere between a month and over a year to achieve. Increasing automation also imposes a higher ask, in terms of both skill requirement and minimum learning levels. While the McKinsey Global Institute estimates that in a mid-point scenario, automation will cost the country 57 million jobs—it will add 114 million jobs at the baseline scenario—100 million new jobs will require secondary-level education, and jobs requiring college level education will go up by 50%. India's manufacturing sector has staggering levels of under-education—in textiles/clothing alone, as per an Icrier estimate, 55% of the workers with no formal education, nearly two-thirds of those with below-primary-level education and 54% of those with primary-level education hold jobs that require higher educational attainment. This means any meaningful skilling effort will also need to tackle poor educational attainment. Yet, the gap between education and skilling remains quite wide. Skilling efforts will also have to fight societal attitudes towards skills training/apprenticeship. To be sure, the mismatch between skills training and industry requirements dims apprenticeship's appeal—industry is reluctant to invest in apprentices given they come with low-level/outdated prior training. But, the fact is that significantly large numbers opt for a regular degree course, even if it does little for a person's employability. Merely having a skills university will not address this.

## Engineering AUTONOMY

Good move to grant leading private engineering/management schools greater autonomy

**T**HE DECISION OF the All India Council for Technical Education (AICTE) to grant graded autonomy to leading private engineering and business schools is a welcome move. As per the University Grants Commission (Categorisation of Universities for the Grant of Graded Autonomy) Regulations, 2017, universities, both private and public, will be divided into three categories based on their rating by the National Board of Accreditation and showing in global subject rankings. Private engineering/business schools belonging to category-1, apart from being eligible for grants without the requirement of inspections, will now be free to offer new courses, open research parks, incubation centres, etc, without approval as long as these are in the self-financing mode. They can also independently decide on salaries and fees. Academic autonomy has also been extended to category-2 institutions.

While graded autonomy might seem complicated, it is a huge improvement on the prevailing system where course creation, curriculum development, and faculty appointment pay little heed to industry demands. This cuts down red tapism and bureaucratic delays, and allows for greater alignment between educational institutes and the jobs market. One way to overcome the problem of a skills gap in India is to grant autonomy to higher education institutes across the board, and let the success of their graduating students in the jobs market dictate the institutes' reputations. While this might still be a long way to go, AICTE's decision is definitely a good move forward.

## ● THROUGH THE LOOKING GLASS

CONVERTING A BASIC HUMAN NEED INTO TRADABLE ECONOMIC CONTRACTS LEADS TO SIMILAR GAINS AS LENDERS HAVE COMFORT IN FINANCING HOME-EQUITY OWNERS

# Housing needs a stronger mortgage market

**H**OUSING IS A fundamental requirement of human existence. The requirement of shelter is so basic that in common parlance in India, it is clubbed together with food and clothing as the trioka of basic human needs of *roti, kapda, and makaan*. It is no wonder that housing is a key social demand, and a priority area for governments, both at the Centre and the states.

Housing as a socio-economic construct

The development of housing is a function of the economic reality of a location and its era. India has seen, and will continue to see, significant urbanisation. Where people choose to live is a complex optimisation of how close houses are to their places of economic activity (work, business catchment area, etc), how conveniently it is located (from schools, hospitals, common public areas like gardens, etc), and how cheaply and effectively it is connected with various other parts of the city.

Housing is intricately linked with urban planning, and public transportation. A well-designed city, with low cost and high speed of intra-city transportation, will have dispersed and more formal housing, which keeps prices low. A not-so-well-connected city will see dense clusters of housing—many of which may be informal, “illegal”, or “slums”. Any discussion on housing is, hence, a wider discussion on the economic development of a city, and the country.

A house is not merely a place to live and build a life, it is also one of the most significant assets of the family. An investment in a house roots a family to a location, giving them a significant stake in the development of the local

area. If the house also happens to be an appreciating asset, it creates its own wealth effect, allowing families to stretch themselves somewhat in times of need, or to increase consumption. In this role of housing, there is a natural trade-off for policymakers to think about: should housing supply remain constrained relative to demand so that there is a natural scope of appreciation, or is the public good better served by continuously reducing the costs of making a house so that more and more people can aspire to formal housing?

Is housing a public or a private good?

A point that requires conceptual clarity and political consensus is whether housing is a public good or a private one. Housing is a basic human necessity, and good housing creates strong linkages with the local society. However, beyond the basic aspect of shelter, housing increasingly starts to become a private good, with significant investment by families and individuals in shaping their houses according to their specific usage and needs. The political consensus on this topic is relevant because the economic lens through which a public and a private good is viewed are very different. In case housing is seen as a public good, tight low-rental laws, or high supply of government-constructed flats are tools to keep in check the overall prices of houses. In case housing is viewed as a



**AKHILESH TILOTIA**

Author of 'The Making of India'  
Views are personal

private good, there are incentives for asset-owners to preserve and grow the value of their assets.

Across most societies, there is a thin, sometimes undefined, line between economic segments of society where housing moves from being a public good to a private one: it is important to keep policies meant for one segment from impacting the viability of the other.

Mortgage securitisation

Development of a housing mortgage market is the conversion of a physical unit of infrastructure into a bundle of economic rights and liabilities that are reasonably standardised. The standardisation of economic agreements and legal architecture can lead to the creation of a tradable market in such rights and liabilities. The rights in a property can create significant economic value—such rights allow various players like lenders, tenants, service providers, etc, to take an economic interest in a property.

Standardised loan covenants can allow pooling, sharing, and diversification of risks by allowing investors to assess the risks and returns of bringing together different types of bor-

**RBI's Harsh Vardhan committee recommended the formation of a new government-sponsored intermediary through NHB specifically for HFCs**

rowers in a portfolio. Converting a basic human need into tradable economic contracts leads to significant gains from financialisation: costs of ownership can be reduced and purchasing ability increased as lenders have comfort in financing home-equity owners.

Regulatory support can help in the creation and development of this market. Harsh Vardhan Committee formed by the Reserve Bank of India (RBI) to improve mortgage-backed securitisation recommended the formation of a new government-sponsored intermediary through the National Housing Bank (NHB) specifically for housing finance companies. The committee has suggested formation of an intermediary company, with an initial capital of ₹500 crore, in which the government will hold 51% stake, which will gradually be brought down to 26% over five years. The intermediary would be allowed to invest in the pool it securitises.

Shareholding in, or association with such an intermediary can offer originating entities (banks, and housing finance companies) the ability to shape the standardisation of the mortgage contracts, servicing agreements, legal recourse, etc. Especially, in times of stress in the underlying housing market or within the financing entities, such a market can help transfer assets and risks to hands that are more capable of taking them on.

A well-functioning housing and its finance market is a fundamental requirement of an economy.

## The upside to Facebook's Libra disaster

If Facebook really wants to bring financial services to the “unbanked,” it should try doing it on a smaller scale than these companies' presence promised

**LEONID BERSHIDSKY**

Bloomberg



**IT IS JUST AS** well that big companies that process and facilitate payments have quit Facebook's Libra cryptocurrency project, fearing a regulatory backlash. If Facebook really wants to bring financial services to the “unbanked,” it should try doing it on a smaller scale than these companies' presence promised. And even then, the probability of failure will be high.

It is clear why PayPal Holdings Inc, Stripe Inc, eBay Inc, MasterCard Inc and Visa Inc have decided not to join the Libra Association, which Facebook has been organising to run the proposed digital currency. They took seriously the recent warning of senators Brian Schatz of Hawaii and Sherrod Brown of Ohio that because of their membership, they could “expect a high level of scrutiny from regulators not only on Libra-related payment activities, but on all payment activities.” The concern is that a cryptocurrency used in conjunction with encrypted messaging could potentially be used in illegal transactions, and anyone involved in creating such an opportunity would be suspect.

The US regulators are perfectly capable of scuppering major cryptocurrency projects. On October 11, the US Securities and Exchange Commission announced it had stopped Telegram Group Inc from distributing digital tokens, so-called Grams, to the investors who contributed \$1.7 billion to the creation of the cryptocurrency last year. These include major US venture capital firms such as Benchmark, Sequoia and Lightspeed. The same could easily happen to Libra.

That is the problem with starting so big. Telegram's token offering was the biggest ever recorded. Facebook made a big announcement on Libra and presented a list of partners that read like a who's who of the payments industry. They envisaged global launches for their cryptocurrencies. Of course regulators and politicians were alarmed.

To avoid this kind of outcome, Facebook—whose stated goal with Libra is to offer affordable payment services and loans to people currently priced out of the financial services market—could have tried the strategy that got results for one of its remaining partners, Vodafone Group Plc.

Vodafone launched M-Pesa, Kenya's storied “mobile money,” in 2007, and one of the project's major assets was the Kenyan central bank's consent to the launch without any formal regulation. Vodafone's local cellular operator, Safaricom Plc, quickly built up a network of stores where people without bank accounts could pay in and receive cash, and old-fashioned mobile phones began to double as wallets for transfers and purchases. The lack of regulatory intervention and the large physical network, fed by relatively generous commissions, made sure that by 2019, M-Pesa claimed 37 million active customers in seven African countries.

But attempts to transplant the service to many other markets have failed. Vodafone has closed M-Pesa in India (in part because of regulatory obstacles), South Africa (low customer interest), Romania and Albania (apparently it was unprofitable). Vodafone discovered there was no cookie-cutter solution. In different countries, lenders, retailers and mobile operators offered competing services, and regulatory scrutiny varied.

To find countries in which to launch such an electronic money service, one would need to go down the list of nations with large populations of the unbanked. The top 20, according to the World Bank, includes big ones, such as China, India, Indonesia and Brazil.

But in most of these countries, people are already using some form of digital money in lieu of dealing with tradi-

tional financial institutions. That is why the list of 20 countries with the smallest percentage of people who have recently made or received digital payments looks completely different.

In other words, it is not easy to find a country where a lot of people have neither a bank account nor access to other kinds of financial services. And then there is a chance that the cash-using population of a specific country wants to stay that way. One possible reason M-Pesa didn't quite work in Albania and Romania is that these countries have large informal economies. With up to a third of gross domestic product “in the shadow,” traceable electronic transactions are unattractive compared with cash.

These difficulties of finding good target markets, and ones with friendly regulators to boot, should explain Facebook's desire to launch at scale, to throw everything at the wall and see what sticks. But the risk with this approach is that the idea of offering cheap financial services to the unbanked begins to look like a smokescreen for building a huge unregulated bank in the developed world—just what regulators in Europe and the US fear the most.

Instead of pushing ahead with the remaining partners and risking the same kind of trouble as Telegram, Facebook should go back to the drawing board and start thinking of smaller projects tailor-made to specific countries' requirements. Expansion would be slow, and there would be failures and miscalculations along the way, but regulators in each market might be easier to persuade that the project's goals aren't nefarious.

*This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners*

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## LETTERS TO THE EDITOR

### Another jolt for Congress

The Congress, whose fortunes are at a low ebb, received another jolt with Karnataka leader KC Ramamurthy putting in his papers in the Upper House. The Rajya Sabha MP cited the inability of the party leadership to address the problems plaguing it as the prime reason for quitting. Elected to the Rajya Sabha in 2016, Ramamurthy is likely to cross over to the BJP soon. With its numbers rapidly dwindling, the Congress must address the growing sense of gloom within its rank and file if it is to be a viable alternative to the BJP. — NJ Ravi Chander, Bengaluru

### Tackling lynching

Union home minister Amit Shah has been denying that there has been increase in lynchings in the country under the BJP, calling it propaganda. While several incidents of lynching have been reported, most were linked to suspicion of cow slaughter. Men from the Muslim community have also been beaten to death after being harassed for not chanting *Bharat Mata ki Jai or Jai Sri Ram*. Recently, 49 eminent personalities had written a letter to prime minister Narendra Modi on the growing cases. The issue also featured in the Vijaydashami speech of RSS chief Mohan Bhagwat, but he disowned the word ‘lynching’, calling it a western concept. It should be stopped and a new law must be made to tackle it — MA Qasmi, Mumbai

### Brexit deal

Britain & EU Deal must be far-sighted, broad-minded, and cooperative, and not be done in a hurry, involving irrelevant people. This should inspire other trades for future eras. Involved must be Economics Nobel laureates, who have publications via theoretical and practical experiments with real economics of an individual and the society. — PVM Rao, Secunderabad

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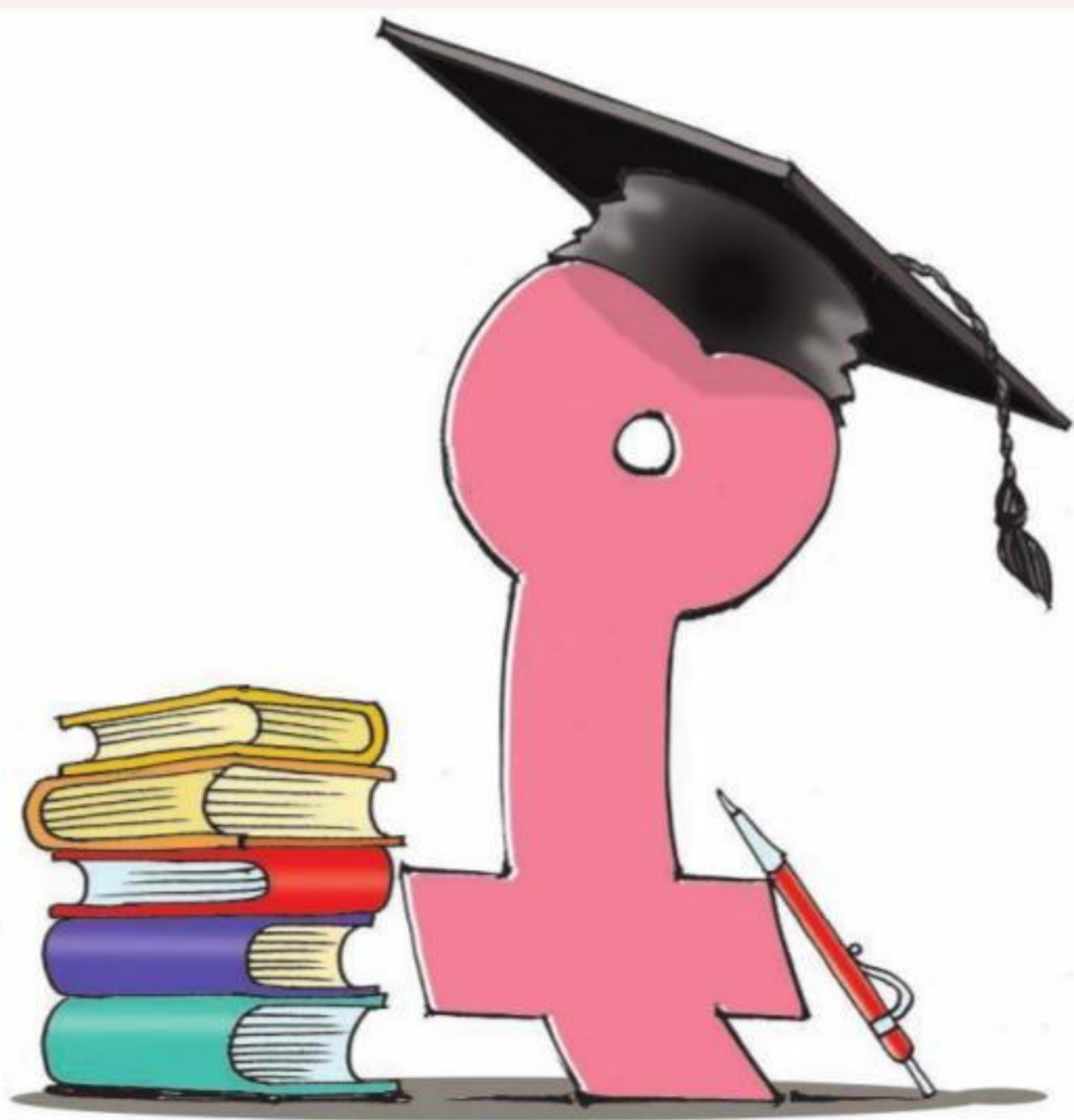


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**TV MOHANDAS PAI & NISHA HOLLA**

Pai is Chairman, Aarin Capital Partners and Holla is Technology Fellow, C-CAMP. Views are personal



THE RISE OF THE INDIAN WOMAN

# Historical shift in higher education

This is the first year that the all-India female GER has risen above male GER, which stagnated at 26.3

female GER is higher? GER is calculated as the ratio of students enrolled to the eligible 18-23 age—in which there are fewer women, at 48.6%, than men. Interestingly, in the seven years between 2011-12 and 2018-19, the number of women in the eligible 18-23 age population increased from 6.7 crore to 6.9 crore whereas the number of men decreased from 7.33 crore to 7.3 crore. These dynamics combined with the rapid increase in women enrolment is yielding a female GER that is overtaking male GER. The 2020-30 decade will see the rise of the Indian Woman; as more educated women join the workforce.

Focus on expansion and quality

The number of registered HE institutions has risen from 49,964 in 2017-18 to 51,649 in 2018-19. AISHE estimates the eligible 18-23-year-old population was 14.2 crore in 2018-19. FICCI's Higher Education report indicates GER could rise to 50 by 2030. Today, GER of 50 indicates a potential capacity of ~1,375 students/institution. Instead, because GER is only 26.3, average enrolment is 693/college. For now, India has adequate base infrastructure for rapid brownfield expansion, which is easier, quicker and more effective. The need of the hour is to expand and enhance our current institutions and improve quality of education and GER.

Graduates need follow-on employment opportunities

Total number of graduates who completed their course in 2018-19 is 90.9

the all-India female GER has risen above male GER, which stagnated at 26.3.

How is it that even though women enrolment in absolute numbers is lesser,

Higher education enrollment

Enrolment	2011-12	2015-16	2018-19	7-yr CAGR	
				Base: 2011-12	Base: 2015-16
Total	2,91,84,331	3,45,84,781	3,73,99,388	3.6%	2.6%
Male	1,61,73,473	1,85,94,723	1,92,09,888	2.5%	1.1%
Female	1,30,10,858	1,59,90,058	1,81,89,500	4.9%	4.4%
% Female	44.6%	46.2%	48.6%	-	-

Data from AISHE, MHRD

Correlation of workforce to higher education enrolment

	LFPR (15-29 yrs)		(18-23) age population		Estimated workforce in 15-29 bracket*		AISHE enrolment	
	Men	Women	Men	Women	Men	Women	Men	Women
2011-12	63.6%	24.4%	7,33,33,306	6,69,83,763	13,99,19,948	4,90,32,115	1,61,73,473	1,74,30,858
2017-18	58.8%	16.4%	7,31,21,283	6,87,08,245	12,89,85,943	3,38,04,657	1,92,04,675	1,74,37,703
Delta	-	-	-2,12,023	17,24,482	-1,09,34,005	-1,52,27,658	30,31,202	44,26,845

Data from PLFS, AISHE

\*calculated by authors as LFPR x (18-23) popn. x 3

Population data from census 2011

Group	Population %	AISHE enrolment, % of total			Change in absolute numbers (lakh)
		2011	2012-13	2018-19	
SC	16.6%	12.8%	14.9%	17.19	
ST	8.6%	4.4%	5.5%	7.47	
OBC*	40.9%	31.2%	36.3%	41.76	
Minorities	20.2%	6.0%	7.6%	10.11	
Remaining population (general merit)	13.6%	45.6%	35.7%	-4.06	
Total	100.0%	100.0%	100.0%	72.47	

\* OBC population from NSSO

lakhs, up from 89.7 lakhs in 2017-18. Tamil Nadu has India's highest GER at 49, and third highest number of graduates at 8.64 lakh. Bihar's GER is among the lowest in the country, at 13.6 barely up from 12.0 in 2011-12. It produced 3.81 lakh graduates, only 4% of India's total. If Bihar with such a large population and high fertility rates does not focus on human capital development, it is a demographic disaster in the making.

Uttar Pradesh has the highest number of graduates—15.3 lakhs amounting to 16.8% of the total. The state has been the highest producer of graduates every year. Moreover, more than half the graduates are women! Providing these graduates with gainful employment in the state will greatly boost UP's economy.

Periodic Labour Force Survey (PLFS) 2017-18 is reporting labour force participation rate (LFPR) in the 15-29 age group as 16.4% for women and 63.6% for men; down from 24.4% and 63.6% respectively in 2011-12. By extrapolating AISHE data for the 18-23 age population to the 15-29 bracket (with a factor of three to adjust for the 5- to 15-year window), we arrive at rough estimates of the 15-29 population for 2011-12 and 2017-18 as shown in accompanying table. The corresponding LFPR indicate that approximately 14 crore men and 4.9 crore women were in the workforce in 2011-12, which dropped to 12.9 crore and 3.4 crore respectively in 2017-18—a drop of 1.09 crore men and 1.52 crore women. In the same time period, AISHE data shows college enrolment rising from 1.62 crore men and 1.3 crore women in 2011-12 to 1.92 crore men and 1.74 crore women in 2017-18—an increase of 30.3 lakh men and 44.3 lakh women.

PLFS must consider that the 15-29 years' workforce could have seemingly shrunk because more are in school and college. In the 18-23 bracket alone, AISHE data demonstrates increased enrollment year-on-year in colleges. MHRD data shows enrolment in secondary school and pre-university is also increasing, which means more children in the 15-18 age bracket are in school. Putting the two together, more than half of the 15-29 age bracket surveyed by PLFS are increasingly in school/college, which could account for the perceived drop in workforce participation. Secondly, after receiving an education, many women do not get employment opportunities in their home states. On average, men are more mobile than women and are able to move elsewhere in search of skilled work. Both these counts could explain the increase in unemployment rates among women as reported by PLFS. Today, PLFS is only conducted across 1.02 lakh households; there is need to expand the sample size while also considering education as a factor for perceived non-participation in the workforce.

Affirmative action yields results

The 2011 census provides composition of all groups except OBCs, which we obtain from NSSO. The upcoming 2021 census will provide updates. Percentage of SC, ST and OBC groups in HE rose from 12.8%, 4.4% and 31.2% respectively in 2012-13 to 14.9%, 5.5% and 36.3% respectively in 2018-19—all moving close to their population compositions at 16.6%, 8.6% and 41% respectively. Minorities have not demonstrated the same progress; while their population is 20.2%, their HE representation has only moved from 6% in 2012-13 to 7.6% in 2018-19.

Government's focus on HE has benefited previously disadvantaged classes who have developed dramatically. Representation from the population designated 'general merit' is regressing. Between 2012-13 and 2018-19, other groups increased by 17.2 lakh (SC), 7.5 lakh (ST), 41.8 lakh (OBC), and 10.1 lakh (minorities), while the 'general merit' enrolment decreased by 4 lakhs—from 45.6% representation to 35.7% in six years. NDA-II was probably responding to this decline when they instituted the 10% EWS reservation to support low-income families in general category.

AISHE clearly indicates aspirations are on the rise. We have enough capacity to get bullish on increasing enrolment and improving access to high quality education. We must build on the momentum to push this through to the peak of human capital development as India rises.

# RCT fodder for agri growth

**KUSHANKUR DEY**

Faculty, IIM Lucknow, associated with an Agri-Business Group



Relevance of RCT can be explored in agricultural marketing policy research

**R**CT OR RANDOMISED CONTROL TRIAL has become a fad in experimental research. Relevance of RCT can be explored in agricultural marketing policy research as agriculture and development cannot be seen in isolation. And that exploration bears some rationale for India.

We know that small landholders account for a little over 85%, and have less than one to two hectares of operational landholdings. They, however, contribute to more than 40% of gross cropped area, but often realise a poor return as consequence of unexpected crop loss due to climate change, distress sales of their marketed surplus, and excessive intermediation in agricultural markets. Because of these interconnected issues, smallholders do often fail to take informed decisions on which crops they should grow, when, where, and how to market their produce.

To overcome such problems or to offer a real-time feedback to smallholders about market potential of their produce, National Agricultural Higher Education Project at the auspices of Indian Council of Agricultural Research has instituted the Centre for Agricultural Market Intelligence in a few State Agricultural Universities. World Bank has extended funding support. The major objectives are to study price forecasting and behaviour of agricultural commodities, export competitiveness, evaluation of electronic National Agriculture Market (e-NAM), capacity building of farmers and associated stakeholders or market institutions.

The Centre need to carry out experimental research to a greater extent. Evidence-based scientific study needs in-depth understanding of the context and phenomenon, that Randomised Control Trials (RCTs) can achieve.

First, price forecasting of agricultural commodities necessitates an extensive field research to understand how farmers engage in price setting. RCTs make a significant difference as against other evaluation-based measures. For instance, in Africa, experiments have focused on assessing the role of price information in agricultural markets via SMS. In India, similar type of intervention took place in Gujarat in 2007-09 to elicit information about farmers' price expectation and their attitude towards futures price adoption. Second, export competitiveness of commodities is based on acreage and substitution effect

of agricultural crops that leads to price effect in international trade. RCTs can be useful in assessing export competitiveness in those areas of cultivation which are awarded with GI for particular crop/commodity.

Third, evaluation of e-NAM requires a thorough understanding of agricultural market functioning. As 8-9% of total regulated market yards (about 7,500) are converted into e-NAM, it is opportune time to use RCTs for evaluating the performance of the electronic spot markets in terms of price discovery, crops arrival, auctioning, and trend in farmer participation. Based on RCT-based experimental research, agriculture marketing policies can be tweaked to increase farmer awareness of market realities, improve their bargaining power through collective action, and to bring about efficient allocation of resources.

Fourth, capacity building of farmers and stakeholders also need RCT. For instance, Farmer Producer Companies have drawn policy attention from the market access and risk management viewpoint. Notwithstanding a renewed interest in agriculture policymaking, capacity building programme need to assess farmer market orientation, perceived risk attitude, risk exposure, farm size and performance. RCTs can be instrumental in assessing pre- and post-intervention of resource agencies towards capacity building of farmer organisations.

Fifth, it is important to note that any evaluation-based experiment entails investment and time. As poverty alleviation research has been emerged through a dedicated lab named J-PAL, a network of researchers does carry out extensive field interventions in the developing and least-developed countries on poverty issues. Drawing a parallel from such research, agricultural market intelligence centre needs an appropriate design for the required intervention and should develop a network of diverse scholars and professionals to incentivise farm realities with appropriate policy instrument and mechanism.

# Fielding experiments

Randomised control trials are no panacea

**SITAKANTA PANDA**

Assistant professor (Economics), IIT Bhubaneswar. Views are personal.

date, which she had co-authored with Marianne Bertrand and Sendhil Mullainathan in 2004, analysed the efficacy of the DID estimates. Not just DID, other methods like propensity score matching and regression discontinuity design have also become popular within the field experimental literature.

This also is an opportune time to remember and appreciate that experimental approaches are not the only guiding light or the best of the methods to study development phenomena. Thanks to a lot of methodological pitfalls, RCTs are not the best approach to study development issues in many settings. Another Nobel laureate Angus Deaton, and others, have been vocal

critics and rightfully so, about the derive erroneous lessons or approaches we derive from RCTs. Angus Deaton and Nancy Cartwright (DC henceforth) have written a seminal critique against RCTs titled "Understanding and misunderstanding randomised controlled trials", published in the journal *Social Science & Medicine* in 2018.

Most people do not believe that a certain finding of an RCT in a certain region or for a certain population could be valid to other regions or populations due to contextual differences. RCTs are prone to such issues of lack of external validity. In many circumstances, randomising the intervention raises ethical and social issues. Moreover, RCTs are



very expensive. In another article titled "Reflections on RCTs" published in the same journal, DC remarked, "Experiments are sometimes the best that can be done, but they are often not. Hierarchies that privilege RCTs over any other evidence irrespective of context or quality are indefensible and can lead to harmful policies. Different methods have different relative advantages and disadvantages."

All the estimation methods need meeting of requisite assumptions and causal inference methods are no exception to it. If causal assumptions are met, many methods including RCTs can provide credible para-

meter estimates. In this sense, RCTs are not special. One of the assumptions of an RCT is that the treatment or intervention is independent (orthogonal) to all causes of the outcome other than its own downstream effects. Many 'randomistas' (believers of RCTs) cite randomisation as the source of such orthogonality conditions and DC argue it is not true. There are concerns about whether the treatment assignment process was really random or made to be random following a statistical scheme. Further, post-randomisation problems can occur. Owing to reasons like lack of blinding, varying levels of time/place/length of treatment for the two groups, an RCT cannot rule out correla-

tions with other factors affecting the outcome. Many people ignore the fact that full blinding of subjects in experiments is impossible and they take the RCT results at their face value. Even if full blinding is assumed, the RCTs must ensure, and not assume, that no other relevant systematic differences occurred between treatment and report of results. This orthogonality condition must be satisfied in any case and not just assumed.

It is observed that RCT-using researchers are signing agreements with provincial and national governments to obtain funds and approvals for such studies. Since RCTs are very expensive, some critics point to the incentive structure of tailoring results. Then, there is 'publication bias' that affects some researchers.

To sum up, we quote DC, "They show that the treatment worked somewhere, usually a very special somewhere (often made more special by the stringent requirements of doing a good RCT) and it is a long and often difficult evidential road from that to 'It will work here'. And for this endpoint, the RCT is not a particularly natural starting point. Indeed, this is one of the misunderstandings that we are most concerned about, that a well-done RCT can be automatically transported, simply by virtue of being an RCT."

It's a good time to listen to Deaton and put the RCT studies in perspective.