Enter new oil retailers

The move to allow new players in fuel marketing can be more effective if refinery pricing is made transparent



AK BHATTACHARYA

few days before Diwali, the Union government took a major step towards liberalising its policy on retail marketing of petroleum products. It is the biggest decision taken in this area in the last 17 years. In 2002, retail marketing of petroleum products was thrown open to the private sector provided the applicant would commit to investing at least ₹2,000 crore in the petroleum sector. Last week's decision has allowed any entity to undertake

retail marketing of petroleum products provided its net worth is valued at over

The expectation is that many nonpetroleum players would be interested in retail marketing of petrol and diesel. Global giants like Total and Saudi Aramco may enter the Indian market. Even big retail chains could consider opening fuel outlets. This is because the earlier condition that a new player must have investments in the petroleum sector has been scrapped. But how successful will this policy liberalisation be?

It is clear that the retail policy liberalisation of 2002 did not yield the desired outcome. In 2002, the retail marketing network for petrol and diesel was monopolised by public-sector oil companies. There were 18,924 retail outlets then. In the last 17 years, these companies have added 39,000 outlets, taking the public-sector fuel retail outlets to 57,924.

In contrast, the private-sector initiative has been poor in spite of the policy liberalisation in 2002. In these 17 years, only 6,700 fuel retail outlets were opened by the private sector, including 5,128 by Nayara Energy Limited (earlier known as Essar Oil), 1,400 by Reliance Petro and 145 fuel outlets by Shell India. The absence of a market-linked pricing system for many products during much of this period was one of the reasons for the private sector's lukewarm response.

Thus, the demand for more fuel marketing outlets has been largely met by the state-controlled petroleum marketing companies. The compound annual growth rate (CAGR) in the sales of petrol and diesel in the last 17 years is estimated at 6 per cent. The CAGR of fuel retail outlets in the same period is just 7.5 per cent. And this growth could be maintained largely because of the public-sector oil retail outlets.

Last week's decision followed the government accepting the recommendations of an expert committee that examined how the 2002 policy liberalisation impacted the oil marketing network. The committee had concluded that while the government should retain its power to authorise the entry of new players in the oil marketing sector, it should now relax those rules by letting any entity with a minimum net worth of ₹250 core to set up fuel retail outlets. In line with the committee's findings, the government also set a condition that the new players will have to set up at least 5 per cent of their retail outlets in notified remote areas within five years of the grant of authorisation.

There are, however, many questions over the effectiveness of the new policy. Monitoring how the new players will fulfil their obligation of setting up 5 per cent of the new fuel retail outlets in notified remote areas would introduce an element of discretion that can always become problematic and lead to politicisation in the grant of authorisation of new fuel retail outlets. The chances of such obligations-based policy incentives being misused are also quite high. Past instances of how the scheme for import concessions linked to export obligations was misused and poorly monitored should not be forgotten.

Similarly, there is room for further liberalisation in the new policy. There is no reason why the new players should not be allowed to sell petroleum products, obtained from different refineries, from the same outlet. As long as the new outlets maintain transparency and provide disclosure on which refinery's fuel the consumer is buying, there is no reason why they are being mandated to sell fuel purchased from different refineries only through different outlets.

The more troubling question is that if the objective of the policy liberalisation is to usher in more competition in fuel marketing, then the government should also take the next step to remove opacity in the way public sector oil refineries are pricing petroleum products. Effective competition will be introduced once the new players, which have no access to their own refineries, can actually buy the fuel from the existing refineries. Such purchases will be difficult without a transparent pricing mech-

anism at the refineries. Yes, the new players can import petrol and diesel and sell them at a price that can create competition for the publicsector oil refineries. But why not use this opportunity to introduce more reform in retail oil pricing by India's state-controlled refineries. A consequence of such transparency would also facilitate the next move to allow different public-sector refineries to compete with each other on the final price at which they sell the petroleum products through their outlets. Once such reforms are introduced, the effectiveness of the latest move to allow new players to set up fuel outlets would improve enormously.

CHINESE WHISPERS

Backdoor politics



As the Bharativa Janata Party (BJP) faced criticism for taking support from Haryana Lokhit Party leader Gopal Kanda, an accused in criminal cases, it was the friendship between Jannayak

Janata Party (JJP) chief Dushyant Chautala (pictured) and Minister of State for Finance Anurag Thakur that helped it save some blushes. Chautala and Thakur are known to be good friends. He visited Thakur's residence on the evening of vote counting on Thursday to wish him on his birthday. It was by then apparent that the BJP was set to fall short of a majority. According to sources, the discussion veered towards politics and Thakur could sense that Chautala would be amenable to an alliance. Next day as the BIP faced criticism from within and outside about Kanda and understood the difficulties it would face managing so many independents, Thakur let it be known to the party leadership that Chautala would be willing to join the government. BJP President Amit Shah returned from Gujarat early, and Thakur got Chautala to meet Shah, ensuring that the two enter through the back gate of Shah's residence in Delhi to evade television cameras. The deal was struck and conveyed to the media at a press conference later on Friday evening.

Enterprising think tank

In an example of how think tanks affiliated to political parties can reach out to experts from all walks of life, the Rajiv Gandhi Institute for Contemporary Studies will host Ministry of MSME (micro, small and medium enterprises) Secretary Arun Kumar Panda for a book launch and panel discussion in the first week of November. Panda will launch Story of Indian MSMEs: Despair to Dawn of Hope, written by B Yerram Raju, who is adviser at the Telangana Industrial Health Clinic. The event will also have a panel discussion on the issues in access to social equity. National Small **Industries Corporation Director P** Udayakumar, among others, will participate in the discussion.

Swinging fortunes in Kerala

Voters in Kerala have given both the ruling Left Democratic Front (LDF) and the opposition United Democratic Front (UDF) reasons to cheer in the recently concluded by-elections in five constituencies. The ruling LDF won two seats, and UDF won the remaining three. The LDF wrested two seats from the Congress and managed to narrow the margin in the Ernakulam constituency, which is a Congress bastion. The UDF retained two seats. In Aroor, it managed to elect Shanimol Usman, who was the only Congress candidate in Kerala to lose the Lok Sabha elections last May. The BJP seems to be the only party left out in the cold by the voters. K Surendran, who led the BJP's Sabarimala campaign, bit the dust in Konni and was pushed to third position.

How safe is your money with Indian banks?

Either the DICGC cover should be raised or we need an independent resolution body to protect depositors. The FRDI Bill can ensure that



BANKER'S TRUST

TAMAL BANDYOPADHYAY

ill Infrastructure Leasing & Financial Services Ltd and Diwan Housing Finance Corp. Ltd stole the limelight in the second half of 2018 for all the wrong reasons, ballooning bad loans in the Indian banking system held centre stage. The mis-governance of a multi-state urban cooperative bank (UCB), which was run by a real estate developer, leading to its collapse, has changed the narrative. Since the Reserve Bank of India (RBI) clamped down on the bank and restricted withdrawal of deposits (capped at ₹40,000 now), at least four depositors have died because of stress and the fear of losing their life's savings. There is panic all around and everyone seems to be wondering how safe is depositors' money in the Indian banking system.

All deposits are insured but not for the entire amount. If a bank fails, a depositor (irrespective of the number of deposits) can get up to ₹1 lakh from

Guarantee Corporation (DICGC), a wholly-owned subsidiary of the RBI. The post-Independence banking crisis in West Bengal had set the ball rolling but the deposit insurance scheme came into force in 1962 after the collapse of Palai Central Bank, triggering a run on all banks in Kerala. The insurance cover, ₹1,500 in 1962, rose to ₹1 lakh in 1993 after its fifth revision. Since then, the amount has not changed. Adjusting for inflation, the value of ₹1 lakh in 1993 is ₹5.74 lakh now.

The insurance cover in most other countries is far higher. For instance, up to 500,000 pesos (\$9,500) is insured per depositor in the Philippines; the equivalent sum in China is 500,000 yuan (\$70,000) and in Thailand it is about 5 million bahts (\$160,000). In developed markets such as the UK, the first £85,000 of one's savings is protected if a bank/building society goes bust; for a joint account, the limit doubles. The banks in Europe offer €100,000 compensation to the savers and the Federal Deposit Insurance Corporation (FDIC) in the US insures up to \$250,000 per depositor. In neighbouring nation Sri Lanka, the cover is for ₹2 lakh per depositor; in Bangladesh, ₹1 lakh.

The ₹1 lakh limit covers at least 90 per cent of the accounts (barring government deposits, all other accounts are mandatorily covered) and 29 per cent of the deposits but it is pretty low vis-à-vis most other countries in relation to per capita income.

In 2008, when the collapse of

the Deposit Insurance and Credit Lehman Brothers Holdings Inc. plunged a large part of the world into recession, there were discussions on raising the insurance cover but the RBI refrained from doing so as it did not want to create an impression that the Indian banking system was unsafe. Indeed, not a single commercial bank has been allowed to fail ever since India embraced economic liberalisation in 1991. There have been cases of a few banks teetering on the verge of collapse but on every occasion the RBI stepped in and stitched together mergers of the weak banks with the stronger peers to

protect depositors. Between 1963 and 1992, DICGC offered full insurance cover to the depositors of seven commercial banks and another 20 banks' depositors got part of their money. Cooperative banks started coming under the cover in the late 1960s. Since then the depositors of 351 such banks have received ₹5,118 crore as full or part payment from the DICGC, which takes care of depositors when a bank goes bust or when a bank gets merged or reconstructed by the regulator.

Clearly, the depositors of cooperative banks need the maximum protection. There are 1,545 UCBs with a ₹4.7 trillion deposit portfolio and 44 of them are present in more than one state. How does DICGC raise the cover? It charges Re0.10 or 10 paise premium per Rs100 in deposit as insurance premium. DICGC's reserve ratio or money available with it as a percentage of insured deposits is just 2.7 per cent. Ideally, it



should be 4-4.5 per cent. So it needs to raise the premium. Under its Act, it can be raised to Re0.15.

Should it be raised for all or DICGC should opt for risk-based premiums the more vulnerable the bank, the higher the premium? There could be a hybrid model too where after a certain limit, the graded system kicks in. While the high street banks may not like the idea of subsidising the UCBs forever, there is a flip side to the risk-based premium arrangement. The riskier banks will have to pay more and this will affect their already fragile health. Also, even though the premium will be based on the confidential rating of a particular bank, people will know how much the bank is spending for the insurance cover from its balance sheet and other regulatory filings and this will affect its deposit flow. Incidentally, Bangladesh has opted for risk-based premia — 0.10 per cent for the so-called problem banks, 0.09 per cent for early warning banks and 0.08 per cent for others.

What's the ideal level of insurance cover? Certainly, a depositor's full exposure to a bank should not be guaranteed as there is a moral hazard — once the full amount enjoys insurance cover, a bank will not be meticulous in its health care.

The FDIC, an independent federal agency insuring deposits in at least 5,400 US banks and thrifts, also examines and supervises certain financial institutions for safety and soundness, performs

certain consumer-protection functions, and even manages receiverships of failed banks. DICGC does not do any thing beyond offering the cover.

An independent resolution corporation can take care of all this. In fact, the Financial Sector Legislative Reforms Commission has recommended creation of such a body but this has been kept on hold. The Financial Resolution and Deposit Insurance (FRDI) Bill, which has envisaged this, is pending before a Joint Parliamentary Committee. The objective of the Bill is resolution of deposit-taking bankrupt financial intermediaries, while the Insolvency and Bankruptcy Code takes care of the resolution process for ailing non-financial firms. Media reports suggest that the finance ministry has started work on reviving the Bill more than a year after the proposed insolvency law for financial institutions was withdrawn by the government.

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INSIGHT

Big data. Humanised.

How it can help vulnerable people get a handle on their health and their lives



AMBI PARAMESWARAN

hat is big data anyway? There are many definitions. The simplest one I came across says that big data stands for information that goes beyond what could be squeezed into a large spreadsheet. Big data cannot be filled into a spreadsheet simply because it is no longer numbers. It includes words, visuals, pictures, videos and more. Add to that the enormous amount of information we share on social media platforms, Google searches, blog posts, online reviews, personal photographs, videos etc and you have the big mass that is big data, I was told.

At a recent seminar hosted by IIM Calcutta Alumni Association Mumbai Chapter, Professor Ram gave us a new definition. She should know: she is Anheuser-Busch Endowed Professor of MIS, and Entrepreneurship & Innovation in the Eller College of Management at the University of Arizona. In her scheme of things, big data needs to be seen through just two simple lenses. One, big data has led to 'datafication' of what till now that was not in the realm of data. Take for example the smart watch you are wearing. By merely wearing it you are able to convert a lot of signals from your body that has always existed into data. You can count the steps you took yesterday, measure your pulse rate, and even take real time measurement of your blood pressure.

Two, big data is so defined because it comes with "time and geo stamp". We are collecting a lot of data that is not just data but it comes with a clear marker about when it was collected and where it was collected. Take real time traffic measurement that is happening on Google maps. The data is getting collected real time with clear geographical tags (Google has some catching up to do on predicting travel times in Indian cities like Mumbai; for that it probably needs Big Big Data that goes into the realm of divinity).

The question is, how do you use all this big data. Professor Ram shared two interesting examples with us.

The university was approached by a leading Dallas hospital to see if the MIS department could predict the admissions that can be expected in the emergency room. A well-manned emergency room can save lives. But it is expensive to have additional medical or para-medical staff on standby. The data analysis took several steps. First was the simple analysis of past three years' emergency room records. To their surprise the researchers from the university found that the most critical cases were not from gun shootings or traffic accidents but from domestic accidents, cardiac and asthma cases. They narrowed down to study asthma since that department was keen on finding out more. Their search for predictive links led them to many places including Google searches, weather data, pollution data (particulate matter in the atmosphere) and even Twitter postings relating to asthma attacks.

Researchers collected tweets posted between October 2013 and June 2014 and narrowed down to 3,810 tweets that mentioned asthma attacks. They could



link this data with incidence of asthmarelated emergency department visits. By mining the tweets and linking it to emergency room visits and atmosphere data, the researchers could build a robust model. As they say in the article published in IEEE Journal of Biomedical and Health Informatics, "Rapid progress has been made in gathering non-traditional digital information to perform disease surveillance. We introduce a novel method of using multiple data sources for predicting the number of asthma-related emergency department visits in a specific area. Twitter data, Google search interests and environmental sensor data were collected for this purpose... Our model can predict the number of asthma ED visits based on near-real-time environmental and social media data with approximately 70 per cent precision".

In yet another case the researchers were posed the question of addressing student drop-outs in the under-graduate programme at the University. In the US only 60 per cent of the students graduate within six years. Current approaches such as student grades and demographic information was of limited value, especially since a student often decided to drop out within the first 12 weeks of starting at a University. How does one predict who would drop out and who needed help? The academic research had shown that two key factors predicted if student would continue or drop out -- the ability to make social connections and regularity of activity. How does one measure these two in a non-invasive manner?

Professor Ram's team had at its disposal the data from student identity cards (smart cards) which were used for entry into the mess halls, library, dorms, class room buildings etc. This data was being collected live, real time by the university. By mapping card transactions that occur very near in time and at the same location, researchers could make inferences about a student's implicit friends group and social networks. They could also build a model around the regularity of the students activities, in an anonymous fashion. According to Ram the model that was build was able to predict at the end of the first 12 weeks the potential for a student to drop out to the extent of 85-90 per cent accuracy. By providing selective help, the University was able to hit a retention rate of 86.5 per cent, the highest in its history. While questions of privacy remain, here is a case where big data was used to help a very vulnerable cohort manage their lives better.

As you would have learnt by now, big data is not just about Big Brother watching you. When used sensibly, it can save lives and help build better future citizens. One human bit at a time.

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LETTERS

All's well that end's well

The recent Supreme Court judgment upholding the definition of adjusted gross revenue (AGR) as set by the government has brought finality to the issue. The inclusion of various nontelecom revenue in the AGR has long been disputed by telecom service providers (TSP). However, the final word from the apex court has settled the issue of AGR definition completely. This also means the TSPs will have to shell out a big amount to the government as spectrum charges and licence fee pending for years.

The telecom industry is going through its worst crisis ever. With the aggressive entry of Jio a few years ago, the tariffs hit rock bottom, resulting in huge losses for most incumbent players. The industry is beset with a debt burden of ₹7 trillion. Payment of licence fee/spectrum charges by TSPs because of the judgement would exacerbate the situation. Under the circumstances, the regulator and the government must look for ways to protect the

Hopefully this will bring the industry back on the path to profit.

Sanjeev Kumar Singh Jabalpur

What's the priority?

This refers to "BSNL, MTNL to merge, to get ₹70,000 crore in deal' (October 25). First and foremost, the government must state whether the aim of the merger is to make the enti-

com services to every nook and corner of the country - even inaccessible and non-profitable locations. If the answer to the question is to make the organisation profit oriented, the following steps should also be considered. First, the government should permit the shut-down of around 13,000 telephone exchanges in rural areas that are incurring a loss of ₹3 lakh on an average per month. Else, 100 per cent compensation must be allowed. Second, the BSNL management must function independently without any hindrance. Third, allow BSNL to participate in the auction of spectrum, adhering to all the terms and conditions, such as repayment holidays, applicable to private operators. Also allow the company to choose the circles that are profitable.

ty profitable or is it to extend the tele-

If the government's aim is to have a strong arm to protect telecom customers from exploitation, monopoly and pressure tactics from private operators and to fulfill the dream of digital India, then it should not be so keen on profitability. Some balance, without burdening tax payers, is welcome.

Venu K P via email

Letters can be mailed, faxed or e-mailed to: The Editor, Business Standard Nehru House, 4 Bahadur Shah Zafar Marg New Delhi 110 002 Fax: (011) 23720201 E-mail: letters@bsmail.in All letters must have a postal address and



Business Standard

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Faith in the stock market

Banks and NBFCs continue to remain cause for concern

quity prices have displayed unusual patterns in Samvat 2075. Between November 7 last year and October 26, the Nifty and Sensex have gained over 9 per cent each. But while the headline indices have done well enough, the mid- and small-cap indices have suffered capital losses, and the majority of listed stocks have lost ground. As a result, most equity investors have suffered and that has perhaps been a contributory factor in the weak consumption patterns witnessed this festive season. Despite this and the steady stream of negative news on the corporate and macro-economic front through the past 12 months, most investors appear to have kept faith with the stock market. Equity mutual funds have received stable inflows and assets under management continue to grow. Overseas investors have retained their optimism about the Indian economy, with foreign portfolio investors (FPIs) continuing to contribute substantially to both the equity and debt segments. This is at least partly due to political continuity, with the BJP retaining its grip on governance by winning handsomely in the Lok Sabha elections this year.

Apart from weak consumption, the worries in Samvat 2076 centre round the pattern of default that has become increasingly common in the debt market. The NBFC and banking sector continues to cause concern with fresh cases of default unearthed with depressing regularity. What's more, credit-rating agencies have clearly failed to identify risks, with many of the defaults emanating from entities with high ratings. This has caused a crisis of confidence in the debt segment. Lenders have turned cautious. Debt funds have been forced to rejig schemes and book losses. Investors have pulled back from the income segment. Even as the Reserve Bank of India has adopted an easy money policy, with an accommodative stance and a sequence of six successive policy rate cuts, it has not managed to turn sentiment around. That could be the central bank's most challenging task in the months to come — both consumption demand and credit offtake will depend to a large extent on the return of confidence.

Corporate results and macro-economic growth have now been poor for the past five quarters. Corporate advisories and macro-estimates from investment banks and multilateral institutions suggest that there could be an uptick in the earnings pattern in the next six months, given a reasonable monsoon. Corporate earnings may receive a boost now, if only due to the low base effect. A few factors now favour investors looking at India. One is that global energy prices remain weak, limiting the outgo of forex on that account. Another positive is that inflation remains benign, giving the central bank room to ease monetary policy further if there is need. The economy continues to grow, albeit at a slower pace. Given a large economy like India, there will always be pockets of resilience and interesting investment plays for those who look hard enough. But investors would also like to see signs that the government is looking at a combination of tax code reforms and the simplifying of corporate regulations to encourage investment and consumption. Investors have had to hold their nerve through almost two years of lacklustre equity returns after the markets peaked in early 2018. The data indicates that most of them have kept faith with the markets despite all the bad news. That gives hope that Samvat 2076 would provide more joy than what Samvat 2075 did.

Now, the hard part

Stable policy must back the EoDB momentum

ndia has made creditable progress in the World Bank's Ease of Doing Business (EoDB) rankings, clocking in at number 63 in 2019 from 77 in 2018, and bettering its position on seven of the 10 parameters. The EoDB has been one index in which the National Democratic Alliance government has recorded consistent improvements. Since 2014, the country has jumped 79 notches up the rankings, a reflection of one of Prime Minister Narendra Modi's key initiatives. The principal drivers of this improvement has been the Insolvency and Bankruptcy Code, which saw India move up 56 ranks on the parameter "Resolving insolvency" between 2018 and 2019. Technology has also played its part, with the move towards e-filing of construction permits, property registration, and paying taxes accounting for improvements on these parameters. Taken together, these are impressive achievements and in that sense, India has earned its position on the list of "economies with the most notable improvements" for the third year in a row at number nine. The cautionary note, perhaps, is that it shares this listing with countries that can be scarcely described as open, liberal economies — Saudi Arabia, Bahrain, and Kuwait, all monarchies, Pakistan, a failed state, and China, a dictatorship.

The obvious anomaly in India's eye-catching EoDB performance is that little of this is reflected in growth and employment-accelerating investment. Stripped of reinvested and other capital — a definition that was introduced during the United Progressive Alliance — growth in foreign direct investment (FDI) has been anaemic at best, and in 2018-19 it actually shrank, albeit by a marginal 1 per cent. The data on industrial investment proposals recorded by the Secretariat of Industrial Assistance shows that the number of proposals and investment, though rising, is still to reach even the modest 2013 levels, an indication that investor confidence has never matched the buoyancy of the EoDB rankings. Exports have scarcely grown. Though the improvements in the disaggregate rankings are commendable, they are in, a sense, low-hanging fruit. Weaknesses on three EoDB parameters on which India has made no progress or done worse — enforcing contracts (163, no change), getting credit (22 to 25), protecting minority investors (7 to 13) — suggest themselves as the more difficult agendas that the government needs to tackle on a war footing. They reflect the serious flaws in India's judicial system and a crisis in the financial sector. Recapitalising zombie state-owned banks, merging poor and well-performing banks without detaching them from government interference, and proposing to amalgamate defunct public sector telecom companies do not reflect the kind of bold, reformist mindset that India had come to expect from this regime.

The mismatch between India's EoDB performance and economic growth is also the result of variables that are not captured by the index. Maverick economic policy must rank as the principal failing: The twin shocks from the 2016 demonetisation and the accelerated timetable for introducing a poorly designed goods and services tax in mid-2017 followed by rising protectionism are all part of the problem. The most recent example of sending, at the behest of a domestic lobby, investigatory letters to foreign-owned ecommerce majors Amazon and Flipkart for details of their festive season sales is unlikely to enhance investor confidence. In short, the government needs to look beyond the EoDB for sustained economic growth.



Opening bell for class-action suits

The Companies Act does not prescribe a maximum cap on the damages that may be awarded

steep sudden fall in share price can now trigger much more than uncomfortable investor calls for the management of a listed company. Recent moves by the government have resulted in game-changing developments for the securities regime in India, making listed companies vulnerable to class-action lawsuits by investors on the back of big losses in share value.

ILLUSTRATION BY BINAY SINHA

The scope of issues that can attract a class action under Section 245 of the Companies Act, 2013, is fairly wide, and includes any matters pertaining to

the conduct of management that is prejudicial to the interests of the company or its shareholders. A sudden stock price drop often links to a specific event, action or inaction by the company, and allows shareholders to quantify the loss suffered for compensation purposes. If the identified event is proven to result from a wrongful act or a breach in fiduciary responsibility or a lapse in the duty of care and loyalty for instance, it could result in significant monetary compensation payable by the listed company and its directors/auditors to investors. From international expe-

rience, the typical corporate actions that attract securities class litigation include misrepresentations in financial documents/prospectus (Facebook, Lyft, Alibaba and Wells Fargo), false forward-looking statements (Electronic Arts Inc.), accounting standards

violations (Petrobas, Enron and WorldCom), internal control weaknesses (Costco and LendingClub), misleading/delayed disclosures (Fiat Chrysler and Yahoo), related-party transactions (Altisource Portfolio Solutions), regulatory issues (Danske Bank) and acquisition/merger integration issues (DaimlerChrysler, AOL Time Warner and Bank of America).

An application for a class action must be made by the requisite number of shareholders/depositors before the National Company Law Tribunal (NCLT).

In May this year, the government notified the regulations whereby a "class" for listed companies can now be formed by the lesser of: (A) 2 per cent of the issued share capital, (B) 100 shareholders, or (C) 5 per cent of the total number of shareholders. The government is also reportedly considering a proposal to extend financial support to minority shareholders seeking to pursue classaction lawsuits. At the admission stage, the NCLT will review the application to determine whether the action requires a "class action" and whether the applicants are act-

ing in good faith. If the action is admitted, the NCLT will order a public notice to be issued to all share-holders, after which the matter will be heard on merits. A shareholder, who forms part of a "class", would need to seek the permission of the NCLT to opt out

of the proceedings.

We expect that certain procedural and substantive legal defences will be frequent fliers in class actions. The procedural side includes defences that the minimum representation of members is not met, the applicant is not acting in good faith, or that the cause of action is personal and not of a "class". A frivolous or vexatious suit could attract a penalty on the applicant which could extend to up to ₹1 lakh. On the substantive defences, arguments and evidence would need to demonstrate that the corporate action was not unlawful, wrongful or prejudicial, or entitled to the benefit of the defence of the "business judgement rule". The individual liability of directors may be defended based on the lack of knowledge, record ed dissent, satisfaction of the duty of care, loyalty and diligence, etc. Often, the company's defence may seek to ringfence the wrongful act to a single "rogue actor by demonstrating that the internal controls of the company were otherwise robust. A key point to note is that "market practice" or "everyone does it" is unlikely to hold water as a valid defence. For instance, in an action in the United States in the matter of Vaalco Energy Inc., it was observed that "Just as 'all the other kids are doing it' wasn't a good argument for your mother, the idea that 175 other companies might have wacky provisions isn't a good argument for validating your provision".

The Companies Act does not prescribe a maximum cap on the damages that may be awarded. Given current Indian jurisprudence, it is unlikely that there will be punitive damages to the extent that have made class actions headline news in the United States, though we would have to wait and watch. While the liability of the company itself may be limited because of the nature of a body corporate, there are no obvious limitations on the liability of the directors, auditors and experts.

The US securities holders of Satyam received a settlement of \$125 million pursuant to a class action in the US. In contrast, the Indian shareholders received no compensation and were only left to observe the regulatory actions taken against the company and its auditors. This situation will likely not repeat. Investors now have rights of restitution that will change the principal-agent relationship, as well as the power balance between shareholders and management. Going forward, we also expect that there will be an activist arbitrage that will come in, that will become a much more sophisticated and essential product in India, and that governance matters and liability concerns will take up more mind space for directors, management and auditors.

Cyril Shroff is managing partner of Cyril Amarchand Mangaldas. Amita Gupta Katragadda is a partner in the firm's disputes, governance and policy practice



CYRIL SHROFF & AMITA GUPTA KATRAGADDA

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Why govt is responsible for PMC

t is a month now that the Reserve Bank of India (RBI) has suspended the fraud-ridden normal functioning of the Punjab and Maharashtra Cooperative (PMC) Bank. The RBI has appointed an administrator who, with all due respect to his other skills, has not run a bank, far less a bank that has been

hit by a massive fraud. His job, assisted by three others bankers, is not to find a solution, but follow procedure. If the past is any guide, this will turn PMC Bank into a zombie bank, neither living, nor dead.

I gather that some ₹27 crore a month is needed, just to keep PMC Bank's 137 branches open across six states while the administrator and his advisors move slowly through the thicket of rules and procedures. The cost of its zombie-like existence, nearly ₹1 crore a day, will steadily eat up depositors' money. The longer the bank remains in this

state, the more money it loses, because the core banking business of lending money has been halted.

This is what happens every time a cooperative bank is put "under directions" from the RBI. Kapol Cooperative Bank became a zombie bank on March 31, 2017, with a withdrawal cap set at ₹3,000 per depositor. The bank will remain "under directions" till January 2020. Rupee Cooperative Bank became a zombie bank on February 22, 2013. The depositors don't have access to their money but the staff gets its salary. The RBI has allowed the bank to release some money for exceptions.

The 103-year-old CKP Cooperative Bank was put under directions on May 2, 2012. The RBI-appointed board of administrators ran the bank until April 2015, after which a new board was elected. The depositors converted a part of their money into share capital in 2015. The bank is still "under directions" after several extensions over the years. Every few months more zombie banks join the list: The Needs of Life

Cooperative Bank, Kolhapur-based Youth Development Cooperative Bank, Shivam Sahakari Bank of Ichalkaranji, The City Cooperative Bank, Mumbai, Maratha Sahakari Bank, Karad Janata Sahakari Bank all "under directions" of the RBI.



IRRATIONAL CHOICE

DEBASHIS BASU

Why is the government responsible?

This process harms depositors, the stakeholders who matter the most. They are victims of fraud, committed by politicians in most cases; in PMC Bank's case it was a business house. But who is responsible for allowing rampant crony capitalism, fraud and political influence to destroy the savings of millions of depositors in one cooperative bank after another? It is the government (Ministry of Finance or MoF, and the RBI). Consider this:

- The government has overtly encouraged the growth of cooperative banks. At no time has it made customers aware of any additional risk in such banks, over scheduled commercial banks.
- On an average one cooperative bank fails every few months. The RBI has not learnt any lessons from previous failures and has not taken any steps to prevent cooperative bank failures.
- The RBI never made customers aware that it was not regulating them in the same manner as other commercial banks.
- Cooperative banks were allowed to provide many of the services that commercial banks provide. PMC Bank, for instance, was permitted to open nonresident accounts and have foreign currency dealings. It could give bank guarantees, enter into forward contracts, and issue credit cards. All these permissions came from the RBI, presumably after adequate due diligence.
 - In permitting specific cooperative banks to

issue credit cards or sell mutual funds and insurance, the RBI signalled that they are fit and proper.

- By allowing bank interest to be paid without tax-deducted at source, the MoF encouraged depositors with lower income (below the minimum taxable total income) to invest in fixed deposits of such banks. They were naturally keen to avoid the trouble of filing tax returns and then claiming refunds.
- The revolving door between the RBI's urban banks department and advisory positions at cooperative banks is scandalous. Senior RBI officials who are sitting on critical information about shady cooperative banks become advisors to the same banks after retirement. Why, senior RBI officials are even gracing the boards of large crooked finance companies.
- For the past 25 years, every single payout of deposit insurance has been to cooperative banks while the bulk of the premium is from scheduled commercial banks. Both the MoF and the RBI have known how cooperative banks work and yet have done nothing about it.

These are only a few of important issues; lack of space prevents me from going into more. I am also quite struck by how callous the RBI has been in handling a failed bank. If a bank has intangible assets, it can be a takeover target. If so, it needs to be treated as a going concern with strategies that are appropriate for it. Instead of a retired central banker, it should be led by someone with deal-making skills that lead to takeover of assets or mergers. If it doesn't have such assets, it is a gone concern. Such banks need a hardcore banker who can call back the loans, salvage what he can, liquidate investments, pay back the depositors and shut down the bank. In either case, speed and direction is the key. But both MoF and the RBI remain apathetic. They would rather convert all failed cooperative banks into zombie banks. This is another reason why they should take full responsibility for their inaction and compensate the depositors.

The writer is the editor of www.moneylife.in; Twitter: @Moneylifers

Timothy Egan makes room for the Holy Spirit



MATTHEW THOMAS

If you're looking for something to believe in, you could do worse than Timothy Egan's particular blend of intelligence and empathy. In his ninth book, *A Pilgrimage to Eternity*, this self-described "lapsed but listening" Irish Catholic makes the 1,200-mile journey from Canterbury to Rome along the Via Francigena "on foot, on two wheels, four wheels, or train — so long as I stay on the ground," as he attempts to decide what he believes. If this book doesn't quite settle the question of belief for you, it will at least fortify your faith in scrupulous reporting and captivating storytelling.

Egan was educated by Jesuits and is a "skeptic by profession." He says he has arrived at a point in life where he is "no

and so he undertakes this journey willing to be led to deeper belief. He writes, "Until atheism can tell a story, it will always have trouble packing a house."

But this isn't just a book about religion: It's also one about family. Egan is visited in his travels by his son, his daughter and, finally, for the last leg, his wife. He writes of how the two of them tried to expose their children to the basics of major religions and then "let the free market of ideas settle the debate as they thought it through." Now full-fledged adults, Egan's children have "a reasonable person's skepticism toward the supernatural claims of religion." Egan expresses some misgivings about his own flexibility as a parent, wanting his children "not to foreclose on the idea that a great faith, though flawed, can contain great truths.'

His journey can also be enjoyed as a travelogue, complete with the kinds of absurdities that happen on any long trip. For instance, Egan learns that *Canterbury Tales* is not sold at Canterbury Cathedral; the book is too bawdy. When he arrives at

the Abbey of St. Paul in Wisques, Egan must pass an amusing entrance exam. In a series of rapid-fire questions, the abbot asks, "How are things in America?"

Egan answers, "Troubled."

"Why is that?" "Trump."

"What's wrong with him?"

"Everything."
"I'll show you to your room," the abbot

says, satisfied.

Then there are the meals — many good, some spartan. And the mishaps: Egan doesn't properly tape his toes in the Alps and carries on, blistered and mangled, until his discomfort finally forces him into a car. At this point, the reader shares his sense of relief and defeat.

Along the way, Egan sets a goal for himself: To get enough stamps in his pilgrim passport to earn a special seal from the Vatican at the end of the journey. Considerable energy builds around the lengths he goes to to get those stamps. When he finally lands the hard-won certificate, he says: "It's official. I know how the Scarecrow felt when he got his brain."

stunningly comprehensive history of both Christianity and Western Europe. It's all here: from St. Maurice, "believed to be 'the first black saint" (wrote Henry Louis Gates Jr.), and the 1,500-year-long uninterrupted prayer at the abbey named for him; to the 1518 Treaty of London forever outlawing war between Christians (it lasted "barely two years"); to Mencken on Puritanism: The haunting fear that someone, somewhere may be happy." In fact, there's so much history that the plot can sometimes feel like an excuse to get the background in, though one hardly complains; Egan is so well informed, he starts to seem like the world's greatest tour guide. You follow along as much to hear him talk as to see the sights. It feels as if there's nothing he hasn't digested for the reader, and his extraordinary reliability is reminiscent of that of the monks he describes so evocatively throughout the book.

Egan doesn't shy away from contentious subjects. He calls for more women in the church's hierarchy. "The desire among women to be a guiding part of this

faith is great," he writes. "There are more than 50 per cent more nuns and sisters in the world than priests." He's sick of the church's censorious attitude about sex little basis for which can be found in Jesus' teachings - and harbours a healthy skepticism about Mary's perpetual virginity and Jesus' celibacy. He sees misogyny in this history, and in the revisionist denigration of Mary Magdalene, and traces this thread from St. Paul — an "early celibate' to SS. Jerome and Augustine, who preached celibacy after long careers of debauchery, and to St. Benedict, who "feared sex so much that whenever he was aroused he threw himself into a patch of nettles or a bed of thorns." Of the 1968 Vatican encyclical against birth control, Egan writes that it "is almost universally ignored by Western Catholics — and has little basis in the philosophy of Christ." Egan also turns a critical eye on those

Egan also turns a critical eye on those who treat refugees poorly. For instance, he describes how the police in St.-Omer, France, "fired tear gas at volunteers" who were distributing food and clothing to refugees. Representatives of Secours Catholique, the charity behind the effort, pleaded, "Didn't Christ say we have an obligation to help 'the least of these brothers of mine'?" The authorities' response: Such assistance would only

encourage the refugees to stay. Egan writes, "A religion whose leaders once called on followers to wage savage war against faraway cities held by people of a different religion now fights to feed and protect forsaken members of that same faith from those same faraway cities."

After traveling through England, France and Switzerland, bedraggled and untouched by strangers, Egan finally receives a hug from a woman in Italy. She is no longer a Catholic — but she still asks Egan to say a prayer for her when he sees Pope Francis. "I like this pope," she says.

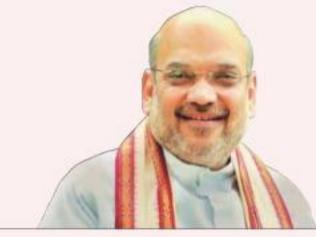
The woman would never know if Egan failed to utter that prayer, but he keeps his promise at a Mass at St. Peter's Basilica. Of course he does, you think at the end of this marvelous account. Reading it, you feel yourself in the presence of goodness — the kind you might simply have to decide to believe in.

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PILGRIMAGE TO ETERNITY
From Canterbury to Rome in Search
of a Faith
Timothy Egan
Viking; 384 pages; \$28



MONDAY, OCTOBER 28, 2019



POOR ARGUMENT Union home minister Amit Shah

The Congress only did lip service by saying 'garibi hatao' (remove poverty). But they only removed the poor. If they had really done something, we may not have been launching these schemes today.

Towards true unnati, and ending MGNREGA

The plan to pay a subset of MGNREGA households for getting skilled is a great idea, will pave way for better jobs

THAS BEEN clear for a long time that MGNREGA is barely the poverty reduction tool it is often made out to be; at ₹204 per day per person, the average wage rate across the country is too low to sustain a household of five even if the card-holding member got 100 days of employment as promised under the programme. As it happens, just around a tenth of all households got this—in FY19, just 50.3 lakh households of the 5.5 crore that were alloted work reached the limit of 100 days of employment—and just around 43% of the households that have job-cards received employment under the programme. While MGNREGA outlays rose from ₹44,000 crore in FY16 to ₹70,000 crore in FY19, it is not clear how much it helps reduce poverty levels. For one, the wages are not enough to lift the really poor out of poverty, just around 50 days of employment are provided in a year and if this employment is not provided at a time when the individual has no other job, it is not an addition to the household income since some other paying job has to be sacrificed to get MGNREGA wages. The biggest problem, of course, is that MGNREGA has no in-built plan to reduce poverty since it doesn't really build any skills that can help workers get higher-paying jobs later; indeed, till some time back, MGN-REGA works were not even linked to any meaningful asset creation.

The government's proposed *Unnati* scheme, if it works as planned, offers MGNREGA beneficiaries a ticket out of the programme, and, in the long run, out of poverty. Under Unnati, the government will provide 100 days of training to one member from each MGNREGA household that completed 100 days of work under MGNREGA in FY19 in skills such as masonry or carpentry, with the trainee being given a stipend of upto ₹21,000 for the period; this translates into 100 days of training at the FY19 daily MGNREGA wage rate. Since a major reason for workers not opting for skilling was the opportunity cost in terms of lost wages, this takes care of that aspect. It is not clear if another member of the household can continue to avail of MGNREGA and get a job.

If the government is able to ensure the skilling effort is genuine and is able to impart valuable training to workers—the Aadhaar linkage will ensure only genuine beneficiaries get the benefits—this will go a long way in raising their productivity, and hence, incomes. Right now, based on a news report in The *Indian Express*, Unnati is planned as just a pilot with a ₹300 crore budget over three years; based on current wage levels, that means less than 50,000 people are to get skilled per year. That is less than a tenth of the 50.3 lakh who are eligible since they have completed 100 days of work. It makes sense to see how the scheme works and, if it does, to migrate as many MGNREGA workers as possible towards Unnati. An anti-poverty scheme that seeks to dissolve itself over time is the only scheme which is going to really work.

Go beyond the test

Exam for independent directors won't guarantee better policing

ECENT CASES LIKE ICICI Bank, IL&FS, and Jet Airways, among others, are sure to have rocked confidence in corporate governance in India. Investors and other stakeholders would perhaps now back keener regulation, especially for independent directors whose oversight is supposed to check malfeasance by other board members or company executives. To that end, the government's move to make a self-assessed proficiency test for those wishing to become independent directors compulsory should seem welcome. From December onwards, they will have to apply to the Indian Institute of Corporate Affairs (IICA), under the corporate affairs ministry, before signing up for the job or within three months of the new rules coming into force. Once part of IICA's database, they will have to pass the test within a year. If a person has served as director or in a key managerial position in a large listed or unlisted company for more than 10 years, she is exempt from the taking the tests. However, the new regime fails to address the problems that afflict the system at present.

To be sure, many firms, especially family-owned ones, skirt the provisions on independent directors by appointing persons who are independent in name only. These 'independent' directors then serve mostly as rubber stamps, more so because they are often not familiar with laws governing companies, the conduct of business, even basic accountancy and other facets of corporate governance that they are supposed to ensure are complied with. A test helps here if clearing it means that the person has reasonable competence to fulfil the responsibilities of an independent-director; the person, thus, is less likely to allow herself to be manipulated in board functioning if she knows that she can't plead ignorance in the case of improprieties coming to light. The new regime, however, falls glaringly short of plugging the gaps, by missing the fact that the behemoths where corporate governance failure recently made headlines had heavyweights, with decades of corporate governance and industry experience, as independent directors. So, the lack of competence hardly seems to have been the problem. In the ICICI $bank \, case, the \, board \, gave \, unwarranted \, support \, to \, former \, MD \, \& \, CEO \, Chanda \, Kochhar,$ who was facing allegations of serious misconduct, when it should have asked her to step aside till the time her name wasn't cleared. Similarly, the IL&FS board featured many heavyweights, including Maruti-Suzuki chairman RC Bhargava, and former shipping secretary Michael Pinto, as independent directors. The fact is that the company's risk management committee, of which Bhargava and Pinto were members, met just once between 2014 and 2018, when the IL&FS group's debt rose 87%! If decades of demonstrated expertise don't guarantee competent execution, what sense does exempting top management veterans make?

In any case, it makes little sense to hold only independent directors responsible for the actions of the company. The best thing for the government to do—to ensure both independent and other directors do their job—is to punish those who have allowed various irregularities in the companies on whose boards they are on. The penalties should include not just disgorging of all sitting fees, but also, if the lapses are a lot more serious in the case of IL&FS for instance, barring directors from being on the board of any company for a certain period of time.

FundingINNOVATION

Allowing contributions to public-funded universities and incubators to be deemed CSR spending is a good move

■ HE 2% MANDATORY CSR spend is undoubtedly an additional tax on business in India. But, if CSR must be kept mandatory, it is perhaps better to put it to productive use. The government had earlier allowed allowing CSR contributions to central and state disaster relief funds and for certain welfare programmes, but whether such CSR spending had the desired impact or not was debatable. The government has now announced that companies can contribute to public-funded universities, IITs, incubators and autonomous bodies. This broadens the scope of CSR spending for India Inc while ensuring that the spend can have genuine beneficial impact. More important, it will also translate into a route for greater engagement between public universities and industry on R&D. Spending on research and development in India has been stagnant at 0.7% of GDP for the past two decades, whereas the likes of China have surged ahead.

Many Indian universities and research organisations suffer from chronic shortage of resources given limited collaborations. That is also one of the main reasons why none of the Indian universities feature in global top-100 rankings. Despite engineering institutes having on-campus incubation centres, and India being touted as the third biggest start-up hub in the world, universities' contribution has been minimal. The policy can help universities improve mechanisms for research, which has been another pain point for the economy. According to Clarivate Analytics, only 10 Indians figure among the world's top 1% highly-cited researchers in two fields. The CSR policy can, thus, be a good step towards fostering innovation,

WELFARE FARMING

UP'S MILLION FARMERS' SCHOOL WILL IMPART AGRICULTURAL KNOWLEDGE AND TECHNIQUES TO FARMERS THAT CAN HELP PROMOTE INTEGRATED AND DIVERSIFIED FARMING SYSTEM

Kisan Pathshala for doubling farmers' incomes

VER SINCE PM Narendra Modi announced his target of doubling farmers' incomes by 2022 at a farmers' rally in Uttar Pradesh (UP) in 2016, the Centre, as well as several state governments, have remained occupied with evolving ways and means to achieve this target by the proposed deadline. The UP government's Million Farmers' School (MFS) programme is one such innovative effort to enhance farmers' incomes through dissemination of agriculture-related information on technology, government schemes, and modern farming methods.

MFS, also popularly known as Kisan Pathshala, is an extension programme that the government of UP initiated in 2017 with a view to encourage the use of modern farming techniques, to make farming more profitable, sustainable, and resilient. Unlike traditional extension services, MFS integrates various facets of agricultural knowledge into a packaged format, and delivers it through village-level trainings across all districts in the state. Printed materials—booklets, pamphlets with such information are also distributed among participants.

The key objective of the MFS is to impart agricultural knowledge and techniques to farmers, which in turn can enhance agricultural production, improve soil health, and promote integrated and diversified farming systems.

The programme complements the existing ones implemented by the Agricultural Technology Management Agency (ATMA), Krishi Vigyan Kendras (KVKs), and other agencies. The training usually comprises of a daily twoto-three hour session in the evening for a module of three to five days in the primary school building in the village. Four such trainings—in Rabi 2017-18, Kharif 2018-19, Rabi 2018-19, and Kharif 2019-20—have taken place since its launch in 2017. Farmers



receive technical and vocational train-

ing on topics such as improved vari-

eties, crop and soil management practices, input use, and marketing. Farmers are provided information on the various government schemes available for the benefit of farmers, and how they could avail these benefits. Field-level officials from ATMA are deployed for training the farmers at the pathshala. The programme is funded through the Rastriya Krishi Vikas Yojana (RKVY) and utilises the existing physical and institutional infrastructure in training farmers, making it cost-effective. As the name suggests, it is aimed at reaching out to a million farmers every time—the program has successfully attracted an average of one million farmers in each of its editions.

The most important role of agricultural extension is to provide knowledge, technical expertise, exposure to innovation and research, and to create awareness about the plethora of schemes that may benefit the farmer. In doing so, it helps expand farmers' human capital endowment—both, their innate abilities and learned skills—enhancing their individual agricultural performance and, in turn, the aggregate agricultural performance.

In this light, the International Food Policy Research Institute (IFPRI) in a recent study evaluated the impact of the MFS on agricultural knowledge outcomes of participants vis-à-vis non-participants. Since the programme is relatively new, it is too premature to evaluate its impact on

technology adoption and incomes of farmers. Therefore, based on primary data collected through a survey of 1,336 households (participants and non-participants) from 64 villages across 16 districts representatively sampled in UP, the report assesses the direct quantitative impact of MFS on

Participants cited

a positive

perception with

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usefulness and

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training

knowledge of farmers. An indirect, but significant impact of the programme has been a thorough revitalisation of the existing agricultural extension machinery in the state. This is likely to have a positive ripple effect on other extension programmes being run by the same government apparatus.

the level of agricultural

In terms of agricultural knowledge, participants are found to have 6-14% higher agricultural knowledge com-

pared to those who did not attend the training. The difference in the level of agricultural knowledge is observed across spatial and social dimensions—relatively larger differences in knowledge levels are seen among those belonging to less-developed regions and more disadvantaged social groups.

The programme seems to have fared well in terms of farmers' perceptions too. Participants cited a positive perception with regard to the programme's usefulness and relevance as the most important reasons for

attending the training. Over 85% of participants thought that the trainers were well-trained and knowledgeable; about 90% believed that the information provided in the training was useful. In terms of comprehensibility of the training, almost 95% of interviewed participants said that they could understand what was being taught. The novelty factor in the course content, however, seemed to be missing—over 70% of participants agreed that they already knew most of what was being taught. Interestingly, farmers displayed great enthusiasm for inclusion of new and advanced knowledge on cultivation of highvalue horticultural crops (such as

> mushrooms, aloe vera, etc), pisciculture, agroforestry, floriculture, drip and sprinkler irriga tion, and innovative agribusiness models in the course curriculum as agenda for future training. On the whole, the programme has been received well—over twothirds of the interviewed participants were willing to attend similar train ings in future, and would even recommend it to others in their circles.

Preliminary results from our study point to an encouraging start. Given

its high penetration at the villagelevel, the MFS has potential to achieve much more. Improving its knowledge transfer mechanism for higher impact, and evolving the course content to suit the expansive horizons of the modern farmer should be high on the programme's menu for upcoming editions. Scaling-up the programme within the state, and replication of the model in other states may take the government a step further on the path for doubling farmers' incomes by 2022.

A bold plan for clean cars

What distinguishes this proposal is not only its scale but also its ability to unite the American environmental movement, the American labour movement and large automakers

CHUCK SCHUMER

SCIENTISTS TELL US that to avoid the most devastating effects of climate change, the world needs to be carbon neutral—to have net-zero carbon dioxide emissions—by mid-century. At the moment, we are not remotely on track to meet that target. We need to act urgently and ambitiously, which will require building diverse coalitions of political support.

That is why I am announcing a new proposal designed to rapidly phase out gas-powered vehicles and replace them with zero-emission, or "clean," vehicles like electric cars. The goal of the plan, which also aims to spur a transformation in American manufacturing, is that by 2040 all vehicles on the road should be clean.

What distinguishes this proposal is not only its scale but also its ability to unite the American environmental movement, the American labour movement and large automakers. It has already earned the support of climate groups like the Sierra Club, the Natural Resources Defense Council and the League of Conservation Voters; labour unions like the United Automobile Workers and the International Brotherhood of Electrical Workers; and car manufacturers like Ford and General Motors.

How would the plan work? First, it would give you a large discount on an American-made electric vehicle when you trade in a gas-powered car. Lower-income Americans could get an even bigger discount on a new vehicle or a discount on a used electric vehicle. In total, these discounts should result in 63 million fewer gaspowered cars on the road by 2030 and put America on a path to having 100% of new car sales be clean.

Second, the plan would make elec-

tric vehicles—and the necessary battery-charging infrastructure—accessible to all Americans, regardless of where they live and work. This would be accomplished by providing grants to states and cities to build charging stations, with a particular emphasis on low-income, rural and other underserved communities.

Third, the plan aims to establish the US as the global leader in electric vehicle and battery manufacturing by providing grants to retool existing manufacturing plants in the US and build new ones in this country that specialise in those technologies.

Accomplishing all of this would require an estimated investment of \$454 billion over 10 years.

You might object: Isn't the transition to electric vehicles already happening? Yes, but it is progressing too slowly. Transportation still accounts for nearly onethird of America's carbon output. Even though many American automakers are preparing for an all-electric future, electric vehicles are still too expensive for too many Americans,

and our country lacks sufficient battery-charging infrastructure.

Critics have long said that bold action on climate change would cost America, money and jobs. This is not true. My plan is estimated to create tens of thousands of new, good-paying jobs in this country and should reestablish the US as the world leader in auto manufacturing. Much as America experienced a revolution in auto manufacturing at the outset of the 20th century, America under this plan should experience a revolution in clean auto manufacturing at the beginning of this century.

But, we have to move fast. China now accounts for more than half of the world's electric vehicle market; it overtook the US as the world leader in 2015. If we don't match the level of China's commitment, we will miss an enormous opportunity. I have promised that if Democrats

win control of the Senate in November 2020, I, as majority leader, will introduce bold and far-

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This proposal for

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reaching climate legislation. This proposal for clean cars would be a key element of that bill.

Achieving progress in Washington on any major issue requires a broad coalition to break through the partisan gridlock. The support that this clean car proposal has already garnered from the environmental movement, the labour movement and automakers means not only that it is more likely to win support from the public but also that it is

more likely to become law. Having a clearly popular and beneficial proposal like this one as a key element of a larger climate plan will give Democrats a strong hand to play.

This proposal is about American jobs, American global economic leadership and protecting the planet. Nothing could be more worthy of pursuit.

THE EDITOR Voter's message

LETTERS TO

There were no distribution of sweets or bursting of crackers in the BJP offices in the wake of the election results in Maharashtra and Haryana. The overall mood of the customary BJP meeting in New Delhi head office post-the results was downbeat. In Maharashtra the BJP finds itself at the mercy of Shiv Sena, an ally given to displays of mercurial temperament. Both are natural allies espousing virulent nationalism in competition with each other. Sharad Pawar campaigned single-handed defying the vagaries of nature and improved on his party's tally. BJP has failed to cross or reach the half-way mark in Haryana despite playing the 'nationalist' card to the hilt. It has had to take a lot of flak for not spurning, if not for taking the support of Gopal Goyal Kanda, the accused in the Geetika Sharma suicide case. The independents and JJP now hold the key to government formation. On a more fundamental and deeper level, it is some consolation and even cheer that BJP did not perform well enough to claim popular validation for its sectarian moves, its role in creating a climate of fear, anxiety and insecurity or continue with its politics of arrogance and intimidation. The demolition of the myth of BJP's invincibility leading to the hope that the tables can be turned on the Hindutva-oriented right wing party is the best thing to happen to the country. The BJP has emerged as the single largest party in terms of seats and vote shares. At the same time, it will ignore the unambiguous message of the voters that they will not barter their votes for jingoism at its own peril. Now that the voters have begun to see through its ploys, the BJP cannot take the Indian voters for granted and escape delivering on the economic front. It has to accept that politics cannot be divorced from economics and act accordingly to curry favour with the voters. — G David Milton, Maruthancode

Write to us at feletters@expressindia.com



For Finer and Faster **Data on Crime**

National Crime Records Bureau gets better

The 2017 report of the National Crime Records Bureau presents a mixed picture for the country. Though much delayed, the report breaks new ground through the addition of new categories allowing for significant diversification of data. However, the decision by the government to withhold figures for crimes such as mob lynching, murder by influential people, khap panchayat killing and murder for religious reasons is not a good move. The government must release this information at the earliest.

According to the report, there has been a steady rise in the number of cases registered across the country from 29,49,400 in 2015 to 29,75,711 in 2016 to 30,62,579 cases in 2017. This seeming rise in the crime rate could also indicate better reporting: more people coming forward to report crimes and greater willingness by the police to register cases. The sound practices leading to improved responsiveness by the police should be replicated across the country. There has been a 5% decline in the number of



rioting incidents, but the total number of riot victims rose by 22% in 2017. Where the 2017 report breaks new ground is in the detailing and nuance in categorising data. For example, almost half of the offences registered under the Scheduled Caste and Scheduled Tribe (Prevention of Atrocities) Act

were insults and humiliation of Dalits—this information is critical for policy formulation geared towards prevention. The reportalso provides information of pendency of cases with the police and courts, including the period of such pendency.

Detailed crime statistics are an important instrument for improved policing and crime prevention. However, it should not withhold the figures for moblynching, murder by influential people, khap panchayat killing and murder for religious reasons. Clear data will improve the quality of the public discourse and policy making, to ultimately bring down crime levels. Another area that requires attention is the time lag in publishing the crime statistics. It is important to ensure that statistics are as current as possible, for debate on it to be meaningful.

To Russia with Love from President Trump

The biggest gainer, in geopolitical terms, from President Don $ald \, Trump's \, decision \, to \, with draw \, US \, troops from \, Syria's \, ``blownian's \, Contract of the cont$ od-stained sands" has been Russia. The abrupt removal of US troops from the Kurdish area along Syria's border with Turkey was treated by Turkey as a green light for moving into Sy $rian\,territory\,to\,drive\,the\,Kurds\,out\,of\,proximity\,with\,Turkey,$ where a homegrown separatist Kurdish movement has long been suppressed by the government. As Turkish forces advanced and the Kurdish militia, which had fought along with America and its allies to drive Islamic State radicals from what had been proclaimed the Caliphate, were forced to retreat and strike a deal with the Syrian army of Bashar al-Assad and its Russian backers.



Russia's leader Putin met Turkey's pre sident Erdogan at Putin's dacha at Sochi, and struck a deal that guaranteed the safety of the Kurds, provided they retreated 30 km south of the Turkish border. Russian monitors would be stationed in Syria to enforce the terms of the agreement. Ef-

fectively, Russia is now the principal world power that preserves peace in the Middle East. In the process, it accomplishes three other tasks. One, it drives a wedge between Turkey and its Nato allies. Two, the move extends and reinforces the authority of President Assad over a larger tract of Syria as the civil war concludes, while also extending the influence of Syria's backer Iran in the region. And, three, Russia firmly inserts itself as an ally of the West in containing the Islamic State -Russia it is who has to prevent IS prisoners, who still remain in the area being vacated by the Kurds being released.

President Trump's America First policy, thus, has strengthe ned America's erstwhile superpower rival, and Russia's part $ner\,and\,America's\,emerging\,superpower\,rival\,China.$



Like the great littérateur, this sauropod was a towering heavyweight of its time

Barapasaurus was a Tagorean Colossus

Tagore as a dinosaur? Perish the thought. Arguably, Bengal's most celebrated son can never be deemed Jurassic; not when his extensive literary work is still read, recited, sung, danced, dissected and debated even today. Even a dinosaur named after Tagore may have elicited a few raised brows, but then again, the creature strode the Indian subcontinent as a colossus in its time, just like the man the species has been named after. $So, even\,if\,the\,remains\,of\,six\,Barapasauras\,Tagorei\,were\,un$ earthed in Nalgonda district of Telangana (in the centenary year of the great Bengali bard's birth) and not from the red earth of his homeland, commemorating the literary behemoth in their zoological name is well deserved. After all, like the maestro, they were creatures of unparalleled stature (at 47 ft) and heavyweights (7 tonnes) in their field; but whether the littérateur actually also had outsized legs and feet like his sauropod namesake - as 'bara-pa' implies - is unclear.

As famous names are only given to newly discovered species of beetles, wasps, spiders, fish and crustaceans these days, a dinosaur is a great honour. However, Mesozoic era names can be deceptive: remember that the Obamadon was not a variant of the giant mastodon (a Pleistocene period ancestor of the elephant) but a foot-high, long-toothed lizard from the Creta

India needs to get much more serious about reviving private participation in infrastructure

No Stuttering on PPProgress



Rajiv Memani

he private sector has played a key role in India's growth trajectory. In infrastructure, public-private partnerships (PPP) have especially helped address financing gaps. However, over the last decade, the share of private in-vestments in the sector fell from 37% in 2008 to about 25% in 2018. Immediate measures are necessary to reverse this decline and enable higher private participation in infrastructure.

In the past, lack of dedicated institu-tions to oversee the sector delayed crit-ical decisions. There is an urgent need to establish an autonomous '3P India as a centre of excellence for PPPs, to fa cilitate sophisticated contract models, develop quick dispute-redressal mech-anisms, and build capacities, while mainstreaming PPPs in the country.

Clean It Up

Due to the long-term nature of PPP contracts, uncertain market conditions and lack of capacity among stakehold-ers, disputes are bound to arise during the lifecycle of projects. This often results in delays and freezing of funds in the absence of an efficient and credible countrywide dispute resolution mechanism. An institutional arbitration ecosystem should be developed and promoted by creating a trained pool of competent arbitrators, uniform and regularly updated standardised flow of procedural rules, minimalist judicial dispute framework and regular adoption of institutional arbitration in do-

Countries such as Britain and Australia have developed institutions and processes to identify, prepare, procure and manage PPP projects. In Australia, all levels of government have endorsed PPP and now apply the 'National PPP Policy and Guidelines' to projects released to the market. India, however, s yet to adopt these learnings.

The PPP toolkit, developed by the fi

nance ministry, should be endorsed and applied consistently across all lev-els of the government. The size of in-vestments should be preferred over number of projects, and big-ticket projects, which create value for money, should be prioritised.

The second important driver is en-

couraging long-term financing from institutional investors, which are re-quired for projects with long gestation periods. Banks, which have been a major financier, are slowly retreating from PPP lending due to asset-liability mismatch, restrictions posed by Basel-3 norms and high levels of non-performing assets (NPAs).

Globally, long-term capital is raised via capital markets, where major inv-estors are pension funds and insurance managers. Today, Canada and Australia are frontrunners in pension fund allocation to infrastructure—apfund allocation to infrastructure—ap-proximately 5% compared to the global average of around 1%. Investment norms and portfolio limits are relaxed in Canada, with no ceiling on investments in various asset classes.

In India, however, the norms are quite stringent. Here, the regulation stipulates that life insurers investup to 15% of their fund in infrastructure fir ms and prohibits companies from investing in projects rated below AAA. These norms could be relaxed in a rational way by creating a risk fund that is owned by the government, as sug-gested by Insurance Regulatory and Development Authority former chair-





man J Hari Narayan

Despite the relaxation of limits by the government, FDI in infrastructure has not grown as expected, partly due to sluggish domestic investments. Me asures are required to revive domestic investments since foreign investors generally follow domestic trends.

A larger share of government lend-ing could reinvigorate confidence am-ong banks and foreign investors in greenfield projects, even if it means GoI indirectly bears a part of the risks. Existing lending norms should be reassessed in line with models prevalent in mature markets.

Bond Helps

For instance, as per the Transportation Infrastructure Finance and Innova tion Act (TIFIA) in the US, the govern-ment provides up to 30% of the project finance on subordinated terms, there by increasing the rating of the project and making it more attractive for com-mercial lenders and bond holders. When the project becomes operational government's debt could be refinanced with capital market debt, thereby crea ting space for bond market to flourish.

GoI could complement these refor ms with procedural and regulatory changes to maximise benefit from such a model. Further, foreign inves-tors are averse to assuming demand risks in current market conditions. Therefore, 'government-pays' PPPs should be a preferred model of project implementation

India witnessed a cycle of aggressive bidding by private players between 2009 and 2012 under the PPP model, a major reason for delays or cancella tion of projects. However, the author-ities lack the capacity to assess wheth-er a bid is aggressive or otherwise. A framework for authorities to analys the lowest bid with respect to internal estimates and to reject any bid outside the prescribed range will help. Alter natively, any outlier bid could be scru-tinised further by the authority or any institution constituted to assess the project's viability and validity of as sumptions.

Authorities should have the right to substantially increase the earnest money deposit (EMD) amount of selected bidders whose bid is considered as an outlier. Bid capacity should be given due consideration during evaluation and the number of eligible play ers for financial opening should also

Finally, it is important to diversify PPPs across sectors. PPPs in India have largely been concentrated in the transport sector, especially roads. The sector is no longer attractive for investors and a large number of road pro jects are stuck. There is an opportuni-ty to revive PPPs in other sectors such as water and sanitation, health and education.

The writer is chairman, EY India

AIR POLLUTION

Make India Smog-Free Again



Vivek Bhatia

Diwali has left its usual aftermath in the air. It's that time of the year when unlike in countries with far better air conditions, people in most parts of metropolitan India are compelled to wear a respirator mask because of the all-encompassing smog. It's not just acute discomfort one is talking about. A November 2018 University of Chicago study (bit.do/feBny) found that the average life span in Europe is short-ened by 1-2 months due to fine dust particles, while in India it's 4.3 years.

Overthe last decade, air pollution has become a major health hazard, especially in northern India. The main reason for poor air quality in the national capital region (NCR) is stubble-burning in Punjab and Haryana from late September to October. It is estimated that farmers in these two

key agrarian states burn up to 35 million tons of crop waste after har-vesting. This is done to save time bet ween crop cycles, as these crops are grown in one of the highly fertile egions of India. While farmers view stubble-burning

as an economical way of getting rid of straw and shortening the turnaround the next crop, the resultant smoke is so severe, that it is visible even from

outer space.
Taking cognisance of this severe issue and to dissuade farmers from stubble burning, GoI is taking positive steps to address it through initiatives such as 'Make in India', and farmer engagement with focus on rural solid waste management. These measures have enabled engineering companies to design innovative stubble-based biomass boilers for power generation. These devices not only address challenges associated with air pollution but also related to power deficit, as they offer industrial units the opportunity to generate energy from biomass.
These innovative stubble-based

biomass boilers with water-cooled



Stomp It out

vibrating grate technology, utilises crop waste for efficient and eco-friendly energy generation. The critical elements of the boiler include a spe-cial feeding system, and internal surfaces, which can cope with the high alkaline content of biomass, and a special grate design. The cut biomass is spread across a grate that continuously vibrates at the bottom of the furnace and is cooled by means of a water-jacketing mechanism. These biomass boilers promise to

make a crucial difference to air quality in countries such as India, Nepal, Sri Lanka, Bangladesh, Myanmar and Bhutan where stubble burning is still common practice. With GoI's

increasing focus to reduce emission of harmful gases, the demand for such biomass boilers is only expected to rise. Moreover, it will encourage engi neering companies to introduce such advanced solutions, which will bene-fit industries and simultaneously open secondary earning avenues for farmers by selling the stubble.

conducive policies and innovative technologies towards generating energy from biomass, it's imperative that Indian enterprises bring a long-term vision of generating renewable energy by deploying such sustainable

technology solutions.
The pursuit towards cleaner energy will play a key role in supporting the country's transition towards full renewable energy ecosystem. India is currently the world's fourth-largest carbon emitter. But it has made sig nificant strides in field of renewable energy. The deployment of biomass boilers will create a win-win situation for farmers, industries and the public atlarge

The writer is CEO. Thyssenkrupp

NEUTRON TO NYLON 🛠

The Worm Turns in Spacetime?



Debkumar Mitra

Albert Einstein's set of General Theory of Relativity (GTR) equations is the crystal-gazing device of theoret-ical physicists. They use it to describe our universe and all the strange objects and phenomena found in it.

The solutions of GTR equations have helped astrophysicists predict the existences of black holes and gravitational waves. When these were first predicted, they served as a fodder for speculative fiction. But, today, we even have a photograph of the 'shadow' of a black hole and can listen to clashing neutron stars that resulted in gravitational waves. A wormhole is one such awe-inspiring structure in the universe.

Wormholes, theoretically possible from solutions of GTR equations, are a nassage between two separate regions of spacetime. According to current thinking, these passag could connect one area of our universe to a different time and/or place within our universe—or, to a different time or space in another universe However controversial the idea that may sound, wormholes cannot be wished away. There are physicists

who question the existence of such structures. But such objections have not stopped some of the best minds in the business to find them.

Earlier this month, in a paper, 'Observing a Wormhole' published in Physical Review D, De-Chang Dai and Deian Stoikovic put a new spin on the subject. The duo described a way to locate' wormholes if they exist. They focused on Sagittarius A*, an object that physicists believe to be a super massive black hole at the centre of our galaxy the Milky Way. There is no evidence - not even a theoretical one

— that a wormhole is present there. But the paper suggests it is a good place to look for one since wormholes



are expected to require extreme gravitational conditions, and super-massive black holes are the best candidates for it.

According to the researchers, if two stars exist—one on each side of the wormhole—then the star on one side should feel the gravitational influence of the star on the other side. In other words, the gravitational flux will go through the wormhole. Their idea suppose a wormhole does indeed exist at Sagittarius A*. Then, the stars that are in close vicinity of that wormhole would be influenced by the gravity of stars at the other end of the passas

The location of the wormhole would then be possible by "searching for small deviations in the expected orbit of stars near Sagittarius A*." All the astronomers have to do is to first map the expected orbit of a star in that region and then track the observed move ment of the star. If they spot any vari-ation, then the wormhole is 'predicted'. The moment one confirms the

existence of a wormhole, the next thing would be to know the effects of going through it. There are controver sial predictions of wormhole travel, all still in the realm of speculative fiction. So, even if Earth becomes inhospitable, it is not possible to go through a wormhole to another point in time when our planet had healthy green cover

would need a large source of negative energy to keep the wormhole stable for the entire duration of the travel

and not collapse under extreme gra-vity. We do not know how to do that. However, theoretically such travel is possible. We just don't have the technology. Yet.

The paper also identifies a star S2 that orbits Sagittarius A*. The scientists believe that the variation between the expected and observed orbit of S2 can help us predict the location of the wormhole. The way technology is progressing, in the not-so-distant future, we could well have a device to precisely map the deviations in the

And what if we do spot a deviation? It could be due to yet-to-be-known phenomena. Or it could deviate under the influence of another unknown object. But the deviation would most likely prove that the wormhole is indeed there.

In Einstein's GTR, gravity is the curvature of spacetime. The tech-nique, according to the researchers, will also work for locating non-traversable wormholes, as the effects of gravity would be felt on both sides, irrespective of its character

Strangeness apart, wormholes are a legitimate area of research. Remember, the astronomers on the flying great 1726 satirical novel Gulliver's Travels 'predicted' the existence of Martian satellites much before they were actually discovered. Who knows? One day we could get 'beamed up by Scotty' through one of these wormholes



THE SPEAKING TREE **Stop Fooling**

Around SWAMI SIIKHARODHANANDA

How can I know my mind? An alert mind is not a problem: an unaware mind is. The mind projects the future to be fulfill-ing but misses the beauty of the present. If you are rich, you want to be richer; if you are st-rong, you want to be stronger; if you are beautiful, you want to be more beautiful. Such a mind does not make you live life, but leave life. Such a mind creates false prayers. You make a ritual out of prayer and pretend to pray. Such prayer beco mes an empty gesture

Why am I so greedy? There is a visible world and there is an invisible world. There is a visible self and an invisible self. The visible world is a world of diversity and the invisible world is a world of oneness. If we live on the periphery, we will feel incomplete but completeness is one's nature. This incom-pleteness wants us to be a complete person. But the only track it knows is greed, wanting more. The enlightened masters give us not a dogma but a device to reach this state of completeness

We should stop fooling around with life. Just thinking to be happy is not enough; just thinking to be wise is not enough. It is a luxury to think but it is wis-dom to live. Ask yourself: are you concerned with reality or fantasy? There are two ways to know reality. If you want to know objective reality, then sci ence is the way out. If you want to know subjective reality, turn

Chat Room

Reforms Behind **Better Biz Ease**

Apropos the news report, 'India Climbs 14 Spots in Ease of Doing Business Rank' (Oct India climbed 14 places to 63 from 77 in the 2020 edition of the World Bank's Ease of Doing Business ranking, riding on reforms in seven major areas and a substantial bump-up from the insolvency law rolled out in 2016. In fact, India has been among top 10 performers for the third year running. In 2014, Prime Minister Narendra Modi had set a target of breaking into the top 50 in the annual ranking by 2020 and, fortunately, we are very close to the target.

However, the country has

moved up only one rank in starting business. The focus should be on bold reforms to make it easier to start a busi-ness that is vital for the econo my to grow. Finance minister Nirmala Sitharaman's assurance that all efforts would be made to relax compliance of the goods and service tax during the next Goods and Services Tax Council meet, besides making it easier to start a business, is welcome India certainly needs to do better in parameters such as paying taxes and enforcing

PRIYANSHU SHARMA

BCCI Right to Catch 'em Young

This refers to the news report 'Dube New Face, Samson Returns' (Oct 25). BCCI deciding to give better opportuni ty to youngsters is a good decision. Several youngste have been performing consis



prove in the game with mentoring by seniors. India's domestic

and can

tently well in

cricket is quite competitive and the Indian Premier Lea gue is a big boon. Courtesy Indian Premier League, we have players such

as Hardik Pandya and Jasprit Bumrah who debuted just three years ago and are among the best in the world today, making them almost indis-pensable for the team. This initiative of giving more opportunity at the beginning of a player's career will help the team as the transition period would be easy and

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