All the PM's presents

While the ambitious online auction along with the touristy display of the PM's gifts is new, giving away the mementos is an age-old practice

NOT FOR PROFIT

NIVEDITA MOOKERJI

The National Gallery of Modern Art (NGMA) at Jaipur House, New Delhi, may not be a popular destination for primary school children on any weekday, but the past month has been different. Two to three schools on an average have been sending their students daily to the NGMA to look up some of the mementos that Prime Minister Narendra Modi had received over the years. Since September 14, the mementos, ranging from shawls to *angavastra*, paintings to ceramic to graphic prints of government schemes such as Start Up India, Beti Bachao, Jan Dhan, Make In India and more have been on display at the museum, which usually houses works of marquee painters and sculptors.

It made sense to check out the gifts that the PM had received and were now up for online auction, before they were all bought and taken away from the museum. The proceeds of the auction will go to the Namami Gange or the Clean Ganga fund, and Mahatma Gandhi's 150th birth anniversary looked like an apt day for a visit. Unfortunately, October 2 was among the closed days for the NGMA, under the umbrella of the culture ministry, and one had to settle for a day ahead of Gandhi Jayanti, as the auction was scheduled to end at 5 pm on October 3.

It emerged later that the managers of the show might have decided to extend the bidding period to October 17, realising that there's energy left in the process and the funds for Namami Gange could go up further.

The scene at NGMA's administrative building, tucked in a corner of the vast complex that was once a residence of the Maharaja of Jaipur, did not quite reveal the action that the mementos under hammer had generated online. A group of uniformed school children sat on the floor in neat rows, listening to a guide about the display spread across the high walls. Some 400 odd gifts were on display, though 2,772 were being auctioned online. A helpful museum insider offered to give a guided tour on the condition that it was all off the record. Artistes, businessmen, politicians, bureaucrats, students and foreign tourists had been dropping in regularly to look at the PM's gifts, with the total number of visitors way above 1,000 — the guide said in a manner of giving away a well-kept secret.

Interestingly, while the new wing has an admission fee, it's free of cost to check out the PM's mementos in the other building, where the closely monitored visitors' register remained an important item to assess the success of the display. It was the second time recently that the NGMA was getting associated with the PM's mementos and a corresponding online auction. In January too, they had a similar show, though smaller in scale. This time, the expectations were much higher, but without any target.

At the current auction of the PM's mementos, shawls from various states have attracted attention more than any other items. But, bidders online, anonymous as of now, think differently. A painting of Mahatma Gandhi has already fetched ₹25 lakh, while its base price was ₹2.5 lakh. Rather strangely, it seems not much information has been made available on the painter or the source of the memento till now, even after writing to the authorities a number of times. But Gandhi has always been a hit in the auction circuit and this should not come as a surprise, especially, as it coincides with his 150th birth anniversary.

At a Sotheby's auction in 2017, a rare 1931 pencil portrait of Gandhi by artist John Henry Amshewitz had fetched £32,500. In 2018, a signed vintage photo of Gandhi, walking alongside Madan Mohan Malaviya, was auctioned for $41,806 in the United States. Again in 2018, an undated letter written by Gandhi was reportedly sold for $6,358. The list, of course, is much longer.

While this ambitious online auction along with the touristy display of the PM's gifts is new, giving away the mementos is an age-old practice. The gifts of ministers (including those of the PM), bureaucrats and diplomats while they are on official tours have always been deposited in the *toshakhana*, a Persian word that translates into a treasure-house. Governed by various gift acceptance policies, officials and ministers must deposit their mementos in *toshakhana* within 30 days of the end of their trips. *Toshakhana* officials assess the market worth of the gifts and then those could be purchased back. The gifts that are not purchased could be donated to public museums or embassies. Often, they are kept in Rashtrapati Bhawan or the PM's residence as well.

Automakers hit the fast lane overseas

The slowdown in the domestic market has whetted the overseas ambition of the industry

T E NARASIMHAN

Once a booming car market, India is now in the grips of a prolonged slowdown, forcing automakers from Maruti Suzuki to Toyota Kirloskar to cut production or halt manufacturing temporarily to clear the pile-up in inventory. Since the start of the year, companies have been struggling to sell cars despite deep discounts, let alone increase demand.

But there is a positive story emerging from the gloom. The slowdown has whetted the ambition of automakers to expand their foothold abroad. So even as domestic passenger car sales declined 29.4 per cent between April and August this year, exports grew 6.5 per cent, partially cushioning the blow from slowing sales. A similar trend was in evidence for two-wheelers, where domestic sales declined 14.85 per cent, but exports grew 4.52 per cent, with motorcycles leading the way.

So what is helping this overseas push? Several factors seem to be at play. For one, a weaker rupee has helped Indian manufacturers outflank foreign rivals in terms of prices. Many car makers have designed their plants in a way that they can easily switch to making cars that are of export quality during lean phases in the domestic market. The country's largest car exporter, Hyundai Motor India's MD & CEO S S Kim, for example, says a flexible industry 4.0 plant can cater to both domestic and export markets and switch from catering to one market to another with ease. The demand is coming in particular from markets in Africa, where automobile ownership is low and the industry is still in the early stages of growth.

This flexibility in the manufacturing plants has kept the company's Chennai unit running at around 97 per cent capacity despite flagging sales in the local market, says Kim. The plant caters to around 91 countries across Africa, West Asia, Latin America, Australia and Asia-Pacific.

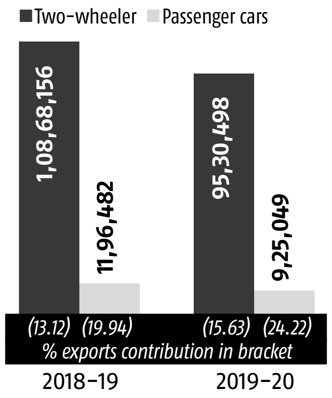
This strategy has been implemented by many others who are now tapping the export market. During January to August, Hyundai Motor's export grew 15.84 per cent to 122,518 units from 105,768 units a year ago.

Other car makers who saw a jump in exports during this period are Nissan (27 per cent increase), Toyota Kirloskar (21 per cent) and Volkswagen (7.3 per cent). Utility vehicle manufacturer Mahindra & Mahindra's export rose by 42.3 per cent and Maruti Suzuki's by 4.4 per cent.

Some have also focussed on building synergies between alliance partners to cut operation costs. Such a strategy has several offshoots. Biju Balendran, MD and CEO of Renault-Nissan Automotive India, says optimising technology and common facility has helped them deliver higher-value vehicles to customers. Renault-Nissan has Mitsubishi as its alliance partner. In addition to cars, the company also exports around 4,000 auto parts to 66 plants across 28 countries. From the Chennai plant, powertrain parts are sent to countries such as Romania and Brazil. It also exports stamping panels to plants in Russia and Egypt.

OFFSHORE DRIVE

Total sales* in April–August



* both domestic and exports Source: SIAM

As far as two-wheelers are concerned, in the scooter segment, Yamaha Motor India, Piaggio and Suzuki have reported a strong growth, while in motorcycles out of the 12 players, five have reported growth in exports. All of them though have reported a drop in sales in the domestic market.

TVS Motor Company, for example, saw 6.4 per cent growth in exports during April-August, while domestic sales declined by 5 per cent. The company currently exports to over 60 countries across the globe. Export contribution to sales rose to 24 per cent from 21 per cent. It has invested in setting up sales and service networks to expand in new geographies and strengthening its presence in Africa, Latin America and Central America.

Exports have shored up sales for commercial vehicle manufacturers as well, although the growth in this segment has been slower than in passenger cars. Satyakam Arya, MD & chief executive of Daimler India, said the Chennai facility is being developed as a global export hub. The facility will cater to the Latin American markets from 2022. Daimler's exports saw an 8 per cent growth, and new categories are being added to grow it further. For example, the company has initiated exports of sub-9-tonne small vehicles from its India facility recently, even though it is not sold in India.

Ashok Leyland has also set a target to increase export contribution to 20 per cent over the next five years, from around 10 per cent now.

Besides neighbouring markets, original equipment manufacturers are aggressively looking at the ASEAN and Latin American markets. Recently, the US market has also gained traction. According to data from the US department of commerce, imports of new passenger vehicles and light trucks from India during January-June 2019, rose 9 per cent to $395.8 million from $360.45 million last year.

Exports bring in a considerably bigger margin for manufacturers compared to domestic sales. Exports typically fetch 15-25 per cent margins, while in domestic market it is 11-13 per cent.

Companies counting on the export market say they do not expect a slowdown in the near future. Hyundai is planning to start export of its new compact SUV Hyundai Venue from this month. Figures for September released earlier this week show exports grew 13.5 per cent over the same period last year, and they are likely to drive growth in the near future. Another new entrant into the market, Kia Motors, said that the company will be producing 40,000-60,000 cars this year, of which 30 per cent will be exported.

CARE Ratings in a report said passenger vehicles is expected to witness a growth of 6-8 per cent in FY20 driven by exports of passenger cars and multi-utility vehicles, after declining by about 10 per cent year-on-year in FY19.

The country's decision to switch to stricter BS VI emission norms has also helped some exporters. Daimler's Arya says the switch has opened up more opportunities for the Chennai plant to export fully-built vehicles, engines and parts. It is likely to start export of BS VI vehicles and parts from the Oragadam factory, near Chennai, from 2021. It will initially export to Mexico, Chile and New Zealand and will explore the possibility to ship the products to Europe later.

CHINESE WHISPERS

English for tourism

The Madhya Pradesh government believes language is a key barrier in the way of the state becoming foreign tourist-friendly. So it has taken up the task to equip its policemen to deal with foreign tourists visiting the state. The job to train policemen has been assigned to the Indian Institute of Tourism and Travel Management, Gwalior. Police persons ranked constable upwards are being taught English, besides being trained to be friendly with tourists and helping them.

Ticket counter at Janpath

Infighting in the Haryana Congress has reached the doorstep of party President Sonia Gandhi, with former state unit chief Ashok Tanwar and his supporters protesting on Wednesday outside her 10 Janpath residence in New Delhi, alleging corruption in the distribution of tickets for the upcoming Assembly polls. As his supporters raised slogans against management committee chief Bhupinder Singh Hooda, Tanwar alleged that tickets were being distributed on whims and fancies and were also being "sold", ignoring those who had worked for years. In a bid to end factionalism in the party ahead of the polls, the Congress last month named Kumari Selja chief of its state unit, replacing Tanwar, and appointed Hooda chairperson of the election management committee. Hooda had openly come out against Tanwar, who is known to be close to Rahul Gandhi and had been state unit chief since 2014.

Photo and finish

Hard on the heels of some Samajwadi Party (SP) top guns, including sitting Rajya Sabha and Uttar Pradesh legislative members, quitting the party and joining the ruling Bharatiya Janata Party (BJP), another close aide of party President Akhilesh Yadav is rumoured to follow suit. Former UP cabinet minister Abhishek Mishra, who had a stint as faculty in IIM Ahmedabad before he joined the SP and won the 2012 Assembly election from Lucknow, is at the centre of much discussion, after his photograph with Lok Sabha MP and Delhi BJP President Manoj Tiwari went viral. Although both Mishra and the embattled SP are mum on the issue, the grapevine in the state capital has it that Mishra has decided to switch sides, given the sorry state of affairs in the socialist party with no perceptible revival in sight.

INSIGHT

Changing the way India shops... forever

Kirana stores hold the key to retail and ecommerce growth in India

ANKUR PAHWA & PINAKIRANJAN MISHRA

India is witnessing the most compelling retail consumption story largely on the back of a young, tech-savvy population with sharp digital education, faster and cheaper internet access and growing purchasing power. As large global and domestic retail as well as ecommerce players battle for a growing share of the consumer's wallet, India's offline physical infrastructure — the *kirana* stores and telecom points — are emerging as allies to help players capitalise on the next wave of retail growth.

The traditional *kirana* channels had constraints in assortment, products, price and location, but they enjoyed massive consumer goodwill with the local community they served, thanks to proximity, availability of credit, and the option to return/exchange products with relative ease. This is the trust factor essential to scale up retail. This will remain the key advantage, and the reason *kiranas* will continue to play a key role in the Indian retail ecosystem.

Little wonder large ecommerce players are looking to leverage the existing physical infrastructure to strengthen and expand their own presence. These large players are helping the smaller ones go digital while also incorporating them into their mainstream distribution network. Some large retail and ecommerce companies have run pilot projects and have witnessed considerable success.

Taking a cue from some major ecommerce players in China, companies in India are building business-to-business ecommerce platforms with digital wholesale marketplaces for products such as smart phones, televisions, apparels, spices and soap. It's a win-win as it opens new avenues for both retailers and small store owners. It equips retailers with customer data to analyse consumption behaviour at the grassroots level — also helping in the personalisation of their products and services, and marketing for a region — thus ensuring higher return on investment.

For offline retailers, real estate remains a huge challenge in India which has a bearing on their pricing and profitability. The *kirana* model, however, entails lower rental costs, minimal capex and fewer stock keeping units in a small space. Their knowledge of the local consumer community helps them to better utilise the limited store space and turnover goods smartly. The wholesaler is used as a warehouse. The digitisation of these stores with strong ecommerce-like technology and deals add efficiency to the entire distribution chain.

Tech startups are creating systems for easy access to wholesale procurement by these stores and to facilitate low inventory. Their solutions often entail little or no new capital investment, earning commission on all orders and increased customer loyalty. In fact, digital financial platforms are also playing a crucial role in helping *kirana* stores go online, by providing end-to-end payment solutions including invoicing, micro-lending and so on. This creates a newer and more efficient go-to-market channel for brands to cater to a burgeoning customer base in small towns with big aspirations.

However, the digitisation of these stores is still at a nascent stage. There are several challenges in onboarding these small stores including knowledge of software use, connectivity and language (unless vernacular) which may reduce the pace of adoption of the tech-led model. Technology, while being a barrier can also be an enabler by building intelligent regional language platforms and in aiding buying, better cataloging.

The rural ecommerce market is a $10-12 billion opportunity (EY analysis) waiting to be tapped and with internet penetration expected to touch 45 per cent by 2021, it provides for a significant opportunity. That said, companies need to come up with indigenous solutions to overcome some of the unique challenges that catering to this segment entail. Also, given the diversity that India presents, this will require uber-localisation. Existing ecommerce players will also need to tinker with their existing models to help in demand generation and supply and services innovation to serve the rural markets better. But clearly, the omni-channel approach will be the most effective strategy to reach out to consumers and fuel consumption growth.

Innovative efforts undertaken by the government, including the focus on cashless digital transactions has accelerated the inclusion of rural India in the retail map. Policy initiatives like Digital India would also help retailers connect with consumers in otherwise under-penetrated geographies. Indeed, the convergence of technology and retail, the effective use of the existing physical infrastructure with the evolving digital infrastructure have impacted retail already; a stronger focus on digitisation and omni-channel strategies will change the way India shops... forever.

Pahwa is partner and national leader, ecommerce and consumer internet, & Mishra is partner and national leader, consumer products and retail, EY India. Views are personal

LETTERS

Great going

Kudos for devoting a full page (October 2) to the 5th anniversary of the revolutionary Clean India programme launched by Prime Minister Narendra Modi. You've done an excellent stocktaking of this crucial project. The project has indeed gone beyond mere tokenism and photo-ops. Notwithstanding a few misses, in totality, there are huge gains. Just the costs averted and savings illustrated in your chart are hugely impressive. That each household could save as much as ₹70,000 on an average per annum is incredible. A possible reduction of over 5 per cent in the loss to GDP if 100 per cent households are provided toilets is mind boggling. Who would've imagined such widespread advantages of a clean-up programme?

The frank comments of Parameswaran Iyer, secretary, Ministry for Drinking Water and Sanitation, give us hope that the government is serious and the 10-year sanitation strategy will ensure that "India will transition from open defecation free (ODF) to ODF Plus". The government's move to rope in a vocal and eloquent Opposition leaders like Shashi Tharoor is a great idea. Such efforts will help widen the acceptance of the scheme across the political spectrum and make it a truly national effort. Endorsement by the country's biggest industrialist Mukesh Ambani should also help. More than anything else, enthusiastic participation of school children gives a lot of hope.

Of course, a lot remains to be done but it's been a tremendous start and the going has been great.

Krishan Kalra Gurugram

Khadi's relevance

As part of Mahatma Gandhi's 150th birth anniversary, various institutions, boards, departments, agencies and organisations have come out with excellent initiatives, plans and programmes. The Central Board of Secondary Education (CBSE) has asked schools across the country to voluntarily observe khadi-wearing day at least once a month. Mahatma Gandhi propagated the use of khadi or *khaddar* during the freedom movement not only to boycott foreign goods but also to make Indians self-reliant and use clothes spun by our people with indigenous material that is affordable, climate-friendly and good for us and the environment. Gandhi gave a message to India that khadi can unite us. The CBSE's proposal is laudable and can be emulated by other organisations.

Khadi, being the heritage fabric of our nation and institutions, pushing forward the idea of using it can truly provide employment opportunities to lakhs of rural artisans in the country. Khadi promotes unity and equality, and by incorporating innovative fashion technology, the new generation is sure to take it with open arms. Being skin-friendly and adaptable to any climatic condition makes Khadi unique. Its quality and the eco-friendly production make it extraordinary.

The young generation will definitely love it. It will also teach them about our rich heritage, our freedom movement and also bind them to the worthy life of Gandhi.

M Pradyu Kannur

Being Indian

The Citizen Amendment Bill is a long overdue step in the right direction. Following partition, Pakistan became the land of the Muslims, but the Hindu-majority India had no qualms about minorities, including Muslims, choosing to stay back. India therefore belongs to these original Indians and their descendants. India has the right to have a selective admission policy. Hindus, Sikhs, Jains, Buddhists, who want to come back have nowhere else to go except India.

Apart from the Citizenship Amendment Bill, I request the home minister to also pass a Natural Indian Citizen Bill, defining a natural Indian. A natural Indian is one whose parents were Indians at the time of his/her birth and who has never held the citizenship of a foreign country even for a single day. Only such natural Indians will be allowed to hold Constitutional posts, enter the armed forces and other sensitive organisations in the intelligence, communications and scientific domain. The third Bill necessary is the Prevention of Conversion Bill. Only then will our citizenship and demographic structure remain truly secular.

T R Ramaswami Mumbai

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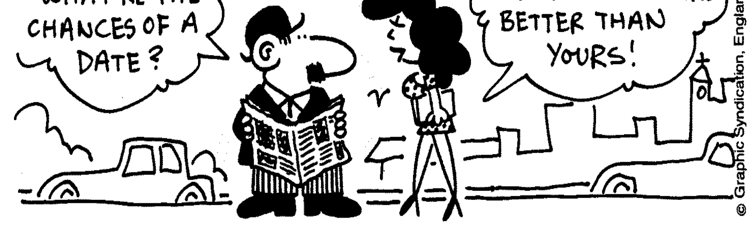
All letters must have a postal address and telephone number

HAMBONE



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Risk to state govt finances

Debt at the subnational level is high

Goods and services tax (GST) collection in September slipped to a 19-month low of ₹91,916 crore. A lower GST collection along with slower growth in direct taxes and a reduction in corporation tax rates could affect the finances of not only the Union government but also of the state governments. States spend about one and a half times more than the Centre and account for about two-thirds of the general government capital expenditure. Therefore, the state of state government finances has a significant bearing on macroeconomic outcomes. In this context, the annual study of state finances by the Reserve Bank of India serves an important purpose by filling a critical information gap. The latest edition, released this week, highlights several issues that could affect the broader economy in the medium term.

For one, at the aggregate level, states have budgeted for a fiscal deficit of 2.6 per cent of gross domestic product (GDP) in the current fiscal year, compared to the revised estimate of 2.9 per cent last year. While states at the aggregate level have maintained the fiscal deficit below the 3 per cent mark, the quality of expenditure has deteriorated in recent years with a rise in revenue expenditure. In 2018-19, for instance, states witnessed a slippage of 34 basis points in their revised estimates for fiscal deficit, compared to the budget estimates, largely because of lower receipts and higher expenditure on account of farm loan waiver and income support schemes. This restricted the flow to capital expenditure, which would affect growth in the medium term and, in turn, hamper revenue mobilisation.

Second, GST collection has fluctuated and the targets for most states have remained elusive. While the states are compensated for any shortfall in GST collection, the arrangement is not permanent. Therefore, all outstanding issues in the GST system should be resolved at the earliest. It is also important to examine what needs to be done with regard to the introduction of the invoice matching system, which so far has posed a major challenge before the tax administration. The other problem for states is that the revenues from sources such as stamp duty and sales tax have become more volatile in recent years, which affects predictability of receipts. Also, states generally tend to overestimate revenues, which could be undermining the quality of expenditure.

Third, debt at the state level has increased over the last few years and is at about 25 per cent of GDP. The report shows that India has the highest debt-to-GDP ratio at the subnational level among its peers. It further highlights that at the aggregate level, debt is sustainable in the medium term, but if outstanding guarantees are taken into account, state government debt would become unsustainable. State governments provide guarantees to borrowings by state public sector enterprises, which have gone up in recent years. Deterioration in the financial conditions of power distribution companies could also put pressure on the state governments' finances. As things stand today, bringing down the state debt to 20 per cent of GDP by 2024-25— as recommended by the committee that reviewed the Fiscal Responsibility and Budget Management Act — would require an increase of 14 per cent in receipts every year.

Overall, while states have adhered to fiscal discipline, there are potential risks to their finances. A prolonged slowdown can dent state government finances and result in a vicious cycle of lower expenditure and lower growth. Therefore, it would be advisable that the Centre and states work together to push up economic activity, improve tax compliance and prioritise capital expenditure to maximise returns.

A laudable achievement

But Swachh Bharat could have been more than building toilets

One of the signature programmes of the Narendra Modi-led National Democratic Alliance (NDA) government is the Swachh Bharat Mission (SBM), which was launched five years ago on Mahatma Gandhi's birthday, October 2. It followed up on Mr Modi's laudable decision to highlight the problem of sanitation and cleanliness in his first speech from the ramparts of the Red Fort, on Independence Day 2014. In many ways, the SBM is representative of many of the missions of the NDA government; it takes an existing scheme under a Central line ministry and adds enthusiasm, public engagement and implementation energy to the mix. This combination has led to the NDA's most notable successes, including the Jan Dhan programme for access to bank accounts and the sanitation component of the SBM. The government has sharply accelerated toilet-building in rural India and, according to its statistics, almost all Indian households now have access to toilets. By any standards, regardless of questions about usage and the reliability of statistics, this is a worthy aim and an admirable achievement.

However, questions should indeed be asked along three axes. First, is the sanitation and waste disposal task indeed as complete as suggested? Second, are the institutional bases for the SBM firm enough to ensure a sustainable change in Indian public hygiene and cleanliness? And third, is the SBM too narrow-focused on toilet-building? Of these questions, the first is most controversial, but perhaps has the clearest answer. The statistics from the Union Ministry of Drinking Water and Sanitation (MDW) have been challenged by independent researchers. A study released by the Research Institute for Compassionate Economics insisted that, in spite of official claims to the contrary, 44 per cent of those living in rural areas of the heartland states of Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan continue to defecate in the open in spite of a spike in the increase in access to toilets. These figures underline questions about MDW claims regarding sanitation that date back to the Census 2011 and the National Family Health Survey. The most objective interpretation of these disparities is that a gap between availability and usage continues to plague the SBM. More independent evaluation is necessary.

However, on its fifth anniversary, it should be noted that the SBM was not supposed to be about just the disposal of solid waste. It is supposed to be about more than sanitation — it is about public cleanliness, particularly clean cities with proper drainage and garbage disposal. This aspect of the SBM, which had no effective ministry-run scheme to draw on, could have seen better performance. The ministry of urban development runs a contest for the cleanest Indian city, the results of which are usually greeted with derision by most cities' residents. This is in spite of exceptional citizen engagement, with volunteers taking the lead to clean up public spaces in many areas. The problem here is that such volunteerism is no replacement for the institutional architecture, such as empowered and accountable local government, that would genuinely guarantee cleaner towns. Even the sustainability of dry latrines which will need to be emptied after a few years can be questioned. The Indian state is good at missions that target one thing, and less good at administrative reform that improves people's lives sustainably. Swachh Bharat, in spite of its many laudable achievements, is a reminder that this broad trend still holds good.

ILLUSTRATION: BINAY SINHA

Extend the tax-cut logic to infrastructure

A judicious lowering of input costs can increase productivity

SHYAM PONAPPA

With the tax cuts, it is as though the government suddenly stumbled on the wisdom of deferred gratification. The government line is that tax cuts will give much more in the long run than revenue lost, and we heartily agree. Yet, this logic isn't extended to personal and consumer taxes. Nor is it applied to essential inputs to infrastructure to reduce costs further, specifically for radio frequency spectrum for communications, and for coal for electricity.

The cut in corporate taxes is brilliant. A significant step in responsive governance, and so utterly overdue. No ifs and only a few buts, which one hopes influencers and decision makers will consider and act on in short order. The concerns are about interrelated processes (for completeness in end-to-end design and execution, upping the odds of delivery and achievement), and symmetry on the demand side, without which we cannot get optimal results.

Many have expressed reservations about the tax cuts instead of incentives to consumers to revive demand. Some experts have cited the failure of such reforms globally in reviving growth. While these concerns may have merit, the key criteria in such comparisons are whether the circumstances are comparable, or too different. For instance, are the markets large, with scope for expansion, or small, less diverse, or more saturated; what is the level of momentum or inertia? And so on.

While stock markets were euphoric, experts have been divided in their opinion, because demand has been subdued and these are supply-side incentives. Another reason is that companies paying high taxes gain the most, while the majority don't gain directly in profits. Profits will rise for the highest taxpayers by 11 per cent, while large FMCG companies such as HUL, ITC, and Nestle will increase profits by 9 per cent (Moneycontrol). Profits for IT and pharmaceutical companies are estimated to increase by 5 to 6 per cent, and existing automobile manufacturers are unlikely to benefit directly during this slowdown, although new ones will pay 17 per cent tax, as in Singapore. However, a number of auto component manufacturers who paid taxes at 29-35 per cent will get increased profits of 4 to 10 per cent, and Icra expects localisation to increase. Crisil's study of nearly 1,000 companies in 80 sectors estimated that profits would increase by nearly ₹37,000 crore, while the State Bank of India, based on about 3,500 companies (and this newspaper based on 490 companies), estimated increased profits of about ₹45,000 crore, and India Ratings of ₹60,000 crore. These profits could result in price cuts, spurring demand.

However, India's tax rates are still not especially competitive. A recent article in these pages showed that effective tax rates in India are still among the highest after including tax on dividends and share buyback, at 46.8 per cent for existing manufacturers, and 41.1 per cent for new manufacturers. By contrast, comparable rates in Vietnam and Thailand are 20 per cent, and in Indonesia and China, 25 per cent. For details, see chart.

Add costs for improving infrastructure (stable electricity supply; water, sewerage, and waste management; communications; transport and logistics), and law and order, and that's how much must be done for our supply side to be really competitive. Then, there's demand, which needs a stable, functioning GST system with lower rates, and income tax cuts to match.

If time, energy and money were channelled into these areas instead of events and jamborees, we could be further along in unleashing our potential. Thereafter, skilling and education applied to systematic development could take us even further.

Tax-cuts & infrastructure

It is this episodic intervention without logical consistency or integrated, step-by-step convergence focussed on delivery that results in our disjointed infrastructure, and this infrastructure is the very foundation for our productivity and wellbeing. Apart from apparent lack of systems thinking, detailed process flows,[1] and project management, there is also confusion between free-market ideas and the application of any form of industrial policy, because of the backlash from past mistakes with dirigisme and socialist planning.

This is where we have to leap across the chasm, and either "get it" as with the corporate tax cuts, or fail.

Digitisation as development priority

Our broadband and digitisation efforts are disappointingly ineffective.

This is one instance where we should consider adopting China's approach in developing broadband (except for state ownership) as a priority, driven by a strong industrial policy, "to play a leading strategic economic role and to deliver economic benefits to the Chinese people".[2] India professes similar objectives, but without the detailed planning to adopt broadband and to aid manufacturing. There are expectations about e-services without detailed, step-by-step proposals. In China the broadband network was formally recognised as public infrastructure and incorporated into government plans, and spectrum was not auctioned. The backbone is dominated by state ownership, and private investment in broadband for access in buildings and public facilities (airports, subways, highways) has to ensure fair access to all service providers as a matter of policy.

Two other developments have a bearing on this. One is the move to share spectrum and infrastructure. In July, the UK allowed public access to three bands assigned to businesses, organisations, and mobile companies for use by anyone at nominal cost.[3] Another is the deteriorating state of BSNL and MTNL with their 185,000 employees, before they go entirely Air India's way. As with tax cuts, the government can, after consultation and with participation from the private sector could:

- Adopt a beneficial shared infrastructure policy with centralised/cloud Radio Access Networks (c-RANs: see *https://www.researchandmarkets.com/research/w8ds5f/global_cran?w=12#summary*),
- Give access to all available spectrum on payment based on usage,
- Retrain and use BSNL and MTNL as stakeholders for public security and public interest in consortiums with private operators.

Our interests would be well served at much lower cost by extending this approach to all resources for our collective benefit.

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1: For a good example applied to Aadhaar/PDS, see: Subhashish Bhadra and Varad Pande - https://indianexpress.com/article/opinion/columns/public-distribution-system-one-nation-one-ration-card-scheme-modi-government-6029134/

2: Krishna Jayakar and Liu Chun, 2014: https://www.researchgate.net/publication/267726214_The_Race_between_the_Dragon_and_the_Elephant_Comparing_China_and_India's_National_Broadband_Plans

3: https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/airwaves-opened-up-to-support-wireless-revolution

EFFECTIVE TAX ON CORPORATIONS

Note: OECD rates based on the 2018 numbers consider combined taxation for corporates at the top marginal rate. *India's rate given is the lowest applicable to current companies; **For new domestic manufacturing units Source: OECD, EY, Business Standard research

Aligning the CSR mandate

SWOT

KANIKA DATTA

You could almost sense the dismay in C-suites across India following the news that the Union government was shelving its big-bang Gandhi Jayanti announcement of a blanket ban on six items that contain single use plastics (SUP). Judging from the hectic email traffic from corporate communications professionals and PR executives, it was clear that the impending SUP ban was about to become a major *cause celebre* in corporate India's corporate social responsibility (CSR) agenda.

There's one thing to be said for Indian corporations. They may be short of innovation, strategic ideas or even governance standards, but on CSR they have been unerringly on point. Perhaps it's something to do with India Inc's DNA that they've honed the ability to pick up signals from Raisina Hill to a fine art.

Narendra Modi's enlightened announcement that the government would ban cups, plates, bottles, straws, bags and sachets using SUP on Gandhi's birth anniversary has provoked robust support. Airports and other public places complied with lightning speed to declare their spaces no-SUP zones, and large manufacturers made sure the press propagated their efforts to recycle plastic and so on. That is certainly a heartening response to a problem that is reaching code red status rapidly.

The no-SUP CSR programmes won't go to waste, though. The blanket ban was rescinded because it would have thrown thousands of workers in small units that make SUP-based products out of work. Now, the Union environment ministry has said it would work towards curbing SUP, offering manufacturing units a sensible phase-out route that will keep the campaign relevant for some time to come.

It is easy to predict that how far India Inc persists with its no-SUP projects will depend on how much emphasis Mr Modi's government continues to place on the issue. The close alignment between CSR programmes and pet prime ministerial projects has been a pattern ever since the CSR law was passed by the preceding United Progressive Alliance government.

The latest India CSR Outlook report, published annually by NGOBOX, shows that the bulk of the CSR spends by 368 large corporations — accounting for three-fourth of CSR spending — were devoted to education and skill development, followed by WASH (water, sanitation and hygiene). Together, these issues account for 61 per cent of CSR spends. The NGOBOX study shows that this has been the trend for the past four financial years.

The first is partly the legacy of Manmohan Singh's Right to Education legislative initiative that saw large corporations focus their CSR energies on primary schooling. Many companies narrowed it down to schooling for girls — a subset of "women's empowerment," the issue in vogue at the time. Mr Modi's "*Beti bachao, Beti padhao*" and "Skill India" campaign offered opportunities for corporations to enlarge these programmes.

The rising number of sanitation CSR projects is unmistakably an offshoot of Mr Modi's Swachh Bharat programme, which imaginatively relabelled the UPA's Bharat Nirman toilet-building project and infused it with greater energy to reduce if not eliminate (as is claimed) open defecation in India.

What's not to like if corporations are focusing their CSR mandates on education, sanitation and related issues? Nothing at all, if the projects are viewed in isolation. But a closer look at spending patterns suggest that the programmes aren't that aligned with the original intent of the mandate (introduced via an amendment to the Companies Act in 2014).

The UPA government thought up this stipulation as a means of deflecting criticism for the inefficient and inadequate compensation to people impacted by large industrial projects in the backward regions of central and eastern India. But a closer examination of the spending shows that the bulk of it has gone to the relatively better developed western regions, mostly within the ambit of corporations' operations (the lack of new projects anywhere in India may have something to do with this).

By ostensibly encouraging corporations to focus on societal development, the UPA adroitly avoided the "*suit-boot ki sarkar*" sneer that so enraged Mr Modi in his first term. This may explain why the NDA initially attempted to deepen this CSR legacy by transforming a voluntary "pay or explain" mandate into an obligation that would attract criminal charges for defaulting companies. Cooler heads have prevailed since and the proposal has been withdrawn but corporate India has understood the signals. This year, the big companies spent 63 per cent more than their prescribed CSR spending. Next year could see corporate India outdo itself on fulfilling its CSR mandate. Whether all of this really transforms India is, of course, another question.

Why India's waste management stinks

BOOK REVIEW

GEETANJALI KRISHNA

India ranks among the world's 10 biggest producers of waste today and is projected to be in the top four within the decade. Although Prime Minister Narendra Modi's Swachh Bharat Abhiyan has been successful in raising awareness that the nation urgently needs to be cleaned, the fact is that five years since its launch, the country continues to reel under growing mountains of waste. Ankur Bisen's *Wasted: The Messy Story of Sanitation in India, a Manifesto for Change* examines India's sanitation challenge, tracing it to its historical and cultural roots.

The questions aren't new, but they still manage to raise a stink. How is it that India has caught up with the developed world as far as consumption is concerned but remains firmly in the middle ages when it comes to waste management? Why is India dumping 80 per cent of its garbage in open landfills without treating or processing it? And why are some Indians so fanatical about kitchen hygiene – but throw kitchen waste on the streets? Mr Bisen explores the reasons, historical, cultural and infrastructural, for the twisted Indian mindset on sanitation and the biases that force it to oscillate between pretense and ignorance.

At the root of India's waste problem is a simple, indisputable fact — the role of citizens and waste management has never been defined. Individuals have never been guided or mandated on methods of disposing of their own waste. Predictably, Mr Bisen examines how notions of caste and purity have influenced Indian attitudes towards cleanliness and sanitation. Waste has traditionally been seen as ritually polluting and the job of an inferior "other" to pick up. This has resulted in a collective attitude that blames the garbage on the streets on the paucity or inefficiency of the municipal cleaning staff, instead of questioning why the garbage is there in the first place.

It is while examining the infrastructural and legislative weaknesses in the country's waste management system hat Mr Bisen makes some excellent points. The job of waste management has largely been left to local municipal bodies. And although effective waste management today needs precise scientific inputs, upgraded infrastructure and legislation, the government has not empowered local civic bodies with any of this. To understand what good laws can achieve, one need not even look to the West; India's cleanest state, Sikkim, has already enacted some of the country's most effective laws governing waste and e-waste disposal. Mr Bisen examines laws in other "cleaner" countries to give a clearer understanding of what needs to be done in India. Seattle, for example, enforces a law that decrees that a household is also responsible for keeping clean the public area that is immediately outside. When it comes to waste segregation, Belgian law mandates that citizens segregate their waste into not two, but six (for glass, paper, plastic, e-waste, batteries and miscellaneous). The author seems slightly out of touch with reality when he suggests that a similar system be implemented in India, where agencies have not even been successful in persuading citizens to segregate their waste into two bins! The need perhaps, isn't six different bins but a concerted effort to bring the issue of waste management into the mainstream.

Comparisons of Indian waste management practices with those followed by "cleaner" countries throughout the book are interesting. Hong Kong, for instance, incentivises the on-site recycling and reuse of construction waste with favorable tax slabs. It emerges that cleaner countries tend to have waste management as a central or federal subject, instead of dealing with it at the local level. Japan is a striking standout: The author writes that it has enacted 25 Acts on waste management in the last 50 years! In recent years, all the laws Japan has passed pertain to the changing nature of waste. Some countries have become such successful recyclers of waste that they no longer have a lot of waste that goes into the landfill. Germany, the Netherlands, Denmark and Austria are now almost circular economies, which means that everything they use, gets reused.

Mr Bisen writes that India is at a crossroads: Either it can seek a new solution to waste management or benefit from new technologies and experiences of other countries. Whichever path the country chooses, garbage disposal and sanitation practices cannot, and should not, be viewed as merely the sum of sweepers and waste collectors available at any point in time.

WASTED: The Messy Story of Sanitation in India, a Manifesto For Change
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