Opinion

TUESDAY, NOVEMBER 5, 2019

GUNNING FOR UNITY

Chief minister of Delhi, Arvind Kejriwal

We will have to rise above party lines to find solutions. Pollution is a pan North India problem and needs a collective regional effort led by the Centre

RationalExpectations

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Sweeping reforms to boost exports

The HLAG rightly identifies several domestic constraints as the main problem; the question is whether govt can fix these quickly

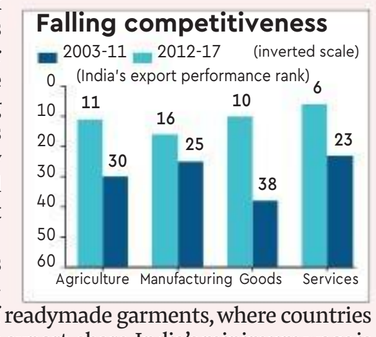
CLOSE TO TWO decades ago, a top global consulting firm made a presentation to then prime minister Vajpayee on raising India's growth to 8% or more. Half a percentage point could come from fixing land titling, for instance, another three fourths by ensuring contracts were honoured... the list was exhaustive, and impressive. When the presentation was over, most in the room were quite exhilarated with the prospect of India's growth accelerating, even the PM seemed moved; he then said to the gentleman making the presentation, "*Yeh sab to theek hai Guptaji, lekin yeh sab karega kaun?*" (this is all very well Mr Gupta, but who is going to do all of this?).

Much the same thought strikes you while reading the excellent report of the High-Level Advisory Group (HLAG)—chaired by economist Surjit Bhalla—on how to increase India's exports. The amnesty scheme for funds stashed abroad, though, is odd, both because HLAG gives credence to bizarre estimates of Indian money lying idle overseas and because decades of failed amnesty schemes haven't dampened its ardour for one more. HLAG, however, rightly identifies many of the hurdles to India's exports as being domestic ones—bad labour laws, high cost of capital, etc—and offers valuable solutions. But, as the late PM had asked the consultant, who is going to fix all of this?

Perhaps the most telling table in the report (*see graphic*) is the one on India's falling rank in global exports, from 10 in 2003-11 (when global exports rose 11.5% a year and India's by 20.5%) to 33 in 2012-17 (global exports grew just 0.3% and India's exports 1.5%); the collapse in India's rank makes it clear that the current slowdown is more India-related than driven by the global slowdown.

So, while it is surprising HLAG still believes India's target of doubling exports by 2025 is achievable, the report is a combination of good macro strategies and sector-specific ones. The good news here, and one on which HLAG justifies its optimism about the government undertaking sweeping reforms, is the corporate tax cut two months ago; HLAG had made this suggestion, to align India's tax rates with global ones.

If HLAG's recommendations spurred the tax cut, that is indeed a big win, but the question is whether the government will move on other important recommendations. Five years ago, the Shanta Kumar panel recommended moving towards area-based cash incentives for farmers in place of the complicated MSP-cum-subsidy regime that actually hurt farm growth, but, till recently, there wasn't even a half-hearted attempt at doing so.



Rigid labour laws, which have pushed India's wages to globally uncompetitive levels, are something that HLAG wants reformed. In the case of readymade garments, where countries like Vietnam and Bangladesh continue to gobble export-share, India's minimum wage is 2-3 times that in Bangladesh while the productivity is similar; India's wages are around 10-20% higher than Vietnam's, but the latter's productivity is around 30% greater, power costs are 40% lower, and lending rates are around half those in India.

In addition, HLAG points to the need for a complete rejig of India's policies. While HLAG talks of the need to build scale to get globally competitive—keep in mind India is most competitive in the spinning sector where most units are large-scale ones—India's textiles/garments policies tend to favour SMEs. And, while global textiles markets use more man-made fibres than cotton, India's tax structure favours the opposite. Essentially, HLAG is asking for a reversal of decades-old policy if textiles/garments exports are to boom.

Interestingly, while Bhalla told *Hindu BusinessLine*—the interview appeared on the morning before the official announcement was made—that India needed to 'put our house in order' before joining RCEP, the report generally plumps for India joining RCEP-type FTAs as India needs to be part of trading groups when multilateralism under the WTO is being replaced by FTAs; and, in any case, if putting our house in order has to come first, India will never sign on any FTA since these reforms have been pending for decades.

For the same reason of boosting trade, HLAG recommends India wooing the Samsungs and Apples of the world if exports of mobile phones are to grow (*bit.ly/2Nc5WFX* and *bit.ly/32eZxOo*)—the two firms comprise the major portion of the global smartphone market—instead of the current policy that distributes incentives over hundreds of firms, and has resulted in a huge hike in imports of mobile-phone components from China. But, despite working on this for well over a year, the government has not been able to make up its mind on wooing a few majors in the manner countries like Vietnam have done. In which case, as in the past, when China exited the low-end textile/garments market, India could lose this China opportunity as well. Indeed, HLAG is critical of India's rising protectionism; the decision to not join RCEP, will likely end up increasing protectionism.

One of the HLAG's big concerns, not surprisingly given Bhalla has been voicing this for decades, is the need to cut the cost of capital. But, RBI reducing repo rates, desirable as it is, alone, won't help. For one, government-mandated small savings rates act as a floor for bank deposit rates; also, till NPAs are high, banks will keep margins high. Risk-premiums, too, will remain high till banks can trust borrowers more; the large number of funds-siphoning and corporate downgrades make it clear this premium isn't going away in a hurry.

Also, as this newspaper has argued for a long time, even if lending rates were to fall dramatically along with corporate tax rates, firms will not invest till government policy remains hostile. And, whether it is telecom or taxation or e-commerce or oil/gas, etc, there are too many recent and ongoing examples of policies that the government needs to convince investors are a thing of the past. Doing that isn't going to be easy.

RCEPReview

If India is holding out for a better deal, that's good; but if India opts out of another FTA, it will be the biggest loser

GIVEN THE EXACT contours of the deals being hammered out at RCEP were never made public, it is difficult to make a reasonable assessment of whether India did the right thing by—for now only?—not joining RCEP, or whether, as in the past when Indians opposed the Dunkel Draft, this will lead to increased protectionism that will leave the country weaker. Ironically, just last week, the HLAG report on exports warned against rising protectionism in India; a country that, thanks to protectionism, is not competitive cannot, in the long run, even compete against imports.

The dairy industry, we learned from furious op-eds in newspapers, would be wiped out by cheaper milk from New Zealand; for some reason, there was no explanation for why India couldn't act against this if it was dumping. Nor was there any discussion on what stopped India's dairy industry from getting more competitive. Steel producers, similarly, were worried about getting hit by cheaper imports from RCEP, and most industry was worried about what would happen as China got easier access to the Indian market.

It is possible that all the fears were justified, and India has done well to bargain for greater safeguards, just as China bargained for more time when it joined the WTO. The question to ask, however, is whether the government could have used RCEP, as we did with WTO in the past, to drive meaningful local reform, especially since poor local policies are responsible for India's low competitiveness. And, if India's dairy industry would be hit, perhaps its cereals and fruit and vegetables would benefit; trade policies can't be dictated forever by the losers. At a time when multilateral trade is under threat anyway, FTAs and RTAs are the only way forward. India can choose to stay out completely, but there is no such thing as the perfect deal. Keep in mind that, even as India keeps away from RTAs/FTAs, its balance of trade continues to be under pressure as cheaper imports—including smuggling—find it easy to out-compete an industry that chooses not to grow up.

TAXING TIMES

AS CAPITAL IS HIGHLY MOBILE, TAXING IT AT HIGH RATES MAY LEAD TO ITS FLIGHT, THEREBY HAVING ADVERSE EFFECTS ON ECONOMIC ACTIVITY, EMPLOYMENT AND INCOMES

Should corporate taxes finance anti-poverty programmes?

M GOVINDA RAO

Member, Fourteenth Finance Commission & former Director, NIPFP. *Views are personal*

CONGRATULATIONS TO ABHIJIT Banerjee and Esther Duflo, along with Michael Kremer, for winning the Nobel prize for their research in applying randomised control trials for anti-poverty interventions. We, Indians—and, more particularly, the economists' community—are proud of their achievement. With the achievement, comes the burden of having to answer the media and public's questions about the appropriateness or otherwise of many government policies and programmes; and they expect ready answers. Having won the highest award, the winners, too, think that they have answers to the questions posed.

The case in point relates to the emphatic answer by Banerjee on the effectiveness of the corporate tax cut in reviving the economy. He is reported to have said that reducing taxes to boost investments is a myth spread by businesses. "You don't boost growth by cutting taxes, you do that by giving money to people", he states. The question, however, is whether it helps growth or employment by driving out businesses through high taxes. The best approach to tax policy and reforms is to broaden the base and lower the rate, and to develop a simple and transparent tax system. The base should be broadened by minimising exemptions and concessions. In a world where capital is mobile, taxing it at high rates may lead to its flight, resulting in adverse effects on economic activity and employment, and incomes of labour. A tax on capital, thus, may turn out to be a tax on labour. The strategy of raising revenues, by levying high rates on corporates, to finance anti-poverty interventions may be self-defeating.

In fact, the government's move to reduce the corporate tax was in keeping with the principle of broadening the base. By stipulating the condition that the lower rate will be applicable only to those companies that do not avail the various tax concessions, the finance minister cleverly steered the politically difficult path of eliminating tax preferences which had been benefiting various interest groups. The revenue budget, in the revenue foregone statement, records various corporate tax concessions under 28 heads, and these include items like accelerated depreciation, export profits of units located in SEZs, area-based concessions to north-eastern and Himalayan states, incentives for investments in infrastructure, oil exploration and energy sectors, and donations to charitable trusts and institutions. No serious tax economist advocates loading the tax policy with so many objectives, and providing avenues for evasion and avoidance of the tax by proliferating concessions. The costs of tax concessions in terms of revenue foregone and distortions are high; their efficacy in achieving the professed objective is doubtful.

The decision to reduce the rate of tax on companies to 22% is conditional on not availing tax preferences and concessions. The effective rate of tax after the reduction is expected to be 25.17%, which is only marginally lower than that of 29.49% prevailing in 2017-18. The revenue loss from the reduction works out to a much lower ₹1.2 lakh crore, lower than the declared ₹1.42 crore. If one adjusts for overestimation of revenue in the budget, the loss works out to be ₹98,579 crore, as estimated by Rangarajan and Srivastava (*bit.ly/2NbVi1S*). Of this, the additional dividend likely to accrue to the central government from public sector companies is expected to be over ₹30,000 crore. Not surprisingly, the stock market, which went euphoric in the two sessions after the announcement of the tax cut, shed over two-thirds of the gains in the next few sessions as reality dawned.

The high international mobility of capital presents a formidable challenge for taxing it at high rates as the flight of capital in response to after-tax rate of return could result in loss of employment. Besides, highly progressive tax systems are not costless. They increase the cost of economic efficiency, and when distortions are taken into account, adverse impact on economic activity may outweigh any gains from progressiveness. That is precisely the reason for suggesting that focus shift from vertical to horizontal equity, and from changing income distribution to poverty alleviation, which has to be carried mainly through the expenditure side of the budget. In fact, some tax experts, like Auerbach and Shaviro, argue for discriminating income taxation, with capital income taxed at lower and less progressive rates except in the case of natural resource-based industry. They go on to recommend replacement of the present system of corporation tax with destination-based VAT on goods and services (GST), with labour costs deductible in addition to the input costs. Even if we do not go that far, it is important to realise that ensuring competitiveness to attract investments requires, besides competitive levels of infrastructure and governance, reasonable tax rates comparable to the competitors'. In the case of personal income taxation, too, the steeply progressive taxes, with highest marginal rates exceeding 90%, which used to be fashionable even in countries like the US and the UK in the 1950s and which continued in India until the mid-1980s, are no longer considered desirable, not least because they were ineffective in changing the income distribution, and instead made tax evasion a legitimate activity.

> The reduction in the corporate tax would check outflow of Indian investments, besides attracting inflow of some additional investments

Surely, reduced corporate tax rate, alone, cannot be a solution to the present slowdown, but it certainly can be a part of the solution to arrest the declining investment ratio by making India a better investment destination and discouraging Indians from investing abroad. The reduction in the corporate tax would check outflow of Indian investments, besides attracting inflow of some additional investments. This is important for reducing distortions. The measures to augment demand, too, are important, and the time is opportune to raise substantial revenue through strategic disinvestments to enhance public spending. This is the time for the government to loosen the purse, and reform the proliferating subsidies and transfers to targeted cash transfers. The government should persuade the GST Council to simplify and rationalise GST by simply converting the 28% category into 18%. This would help in the revival process as the high tax rate has hurt not only the automobile sector, but also the employment-intensive construction sector. The challenge of economic slowdown should be converted into an opportunity to undertake reforms to fast-track the resolution process, effectively enforce property rights, and undertake governance reforms in the ailing public sector financial institutions. Reforms in the land and labour markets, too, have been spoken of for long, but are crying for action.

AAP has arrived

AAP government in Delhi has been delivering the goods over the last five years. Its approach to governance is systematic, which means changes are likely to be sustainable

JAMAL MECKLAI

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Views are personal

AS PEOPLE WHO have been reading my ramblings for some time would know, I am an absolute devotee of the Aam Aadmi Party. I believe it is the only party in India, and perhaps in the world, that proudly displays its integrity by listing all donations on its website—no hiding behind electoral bonds, or hundreds of thousands of small anonymous donations.

In addition—and, critically—the AAP government has been delivering the goods over the last five years in Delhi. Importantly, its approach to governance is systematic, which means the changes are likely to be sustainable. Its improvements are well-known in education—the Delhi government spends 26% of its budget on education versus an average of 15% in all Indian states—and healthcare, where it spends 12% of its annual budget (5% is the average state number) and anyone, even people with high incomes, can get completely free and highest quality (comparable with private hospitals) service for the widest range of medical conditions. Its reforms in power, water, and transportation have resulted in most people having higher disposable income—an Uber driver in Delhi, for instance, who makes about ₹30,000 per month, is at least ₹6,000-₹8,000 a month better off than his counterpart in Mumbai since he doesn't have to pay for education or healthcare plus, depending on his usage, electricity or water. Additionally, there is the recent effort to improve costs for women by providing free public transportation. And all this, while maintaining the strictest financial discipline—in five years, the budget has nearly doubled, with tax collections having increased 55% without any increase in tax rates.

The environment remains an extremely difficult area, and while there have been some improvements in the average pollution levels, it is a tough nut to crack, particularly as the winter comes in, and the pall in the air is visible. Nonetheless, AAP's approach, as in other areas, is structural, and I have little doubt that their commitment will win out, assuming the central government and the governments in adjoining states work together.

Of course, while all of this is old hat to me, what is interesting is that many people who used to roll their eyes at my AAP-love as "there he goes again", are becoming less dismissive. Most haven't yet bought in completely, but where they would scoff outright, they now are simply quiet and listen, before politely changing the subject. Perhaps, the dire state of governance in the rest of the country has engendered an increased willingness to at least listen.

> AAP will certainly win Delhi again, which will hugely strengthen their brand and then, look out—here comes India!

But, the biggest joy and surprise came when I took some clothes to the dry cleaners on Saturday morning. While I waited my turn, I listened in on the conversation between four men, two of whom worked in the shop, and the other two were customers. One of the customers said that he saw on TV that the Sena weren't going to give in, and would get the chief ministership by joining hands with NCP and the Congress.

I piped in, "I think it would be great if Aaditya (Thackeray) became the CM. I don't know too much about him except that he wants to keep bars open all night. But he is just thirty years old, and we need young leaders in our country".

Everyone seemed to agree, but the other customer said, "It hardly matters. All the parties are equally corrupt."

"Except the Aam Aadmi Party," I said, ready to deliver my usual lecture.

To my amazement, one of them—I think it was the boss of the shop—said, "You're right. Actually, they should be running the whole country. You should see the government schools in Delhi—they're like GD Somani (one of the better private schools in the area)".

It was such a wonderful surprise to see that information about what AAP has been doing had seeped into this little middle class outpost of Bombay despite the near-zero media or other fanfare.

The other customer said, "We never hear of any good things that are happening. *Bas TV par Arnab aur uske dost bhaukte rete hai* (On TV, Arnab and his friends keep shouting)".

The boss continued, "AAP will come to power here also, but it may take some time". Then he asked me, "Do you know Raju, who runs Tikamdas, near Regal? He's the head of AAP in Colaba. If they had run a candidate this time, I would definitely have voted for him".

I had a flabbergasted and delighted smile on my face. AAP has arrived!

Of course, they need your help—they are a poor party that run a rich government in Delhi, in stark contrast to all other states and the Centre, where we have parties that are rich running governments that are poor.

AAP will certainly win Delhi again, which will hugely strengthen their brand, and then, look out—here comes India!

LETTERS TO THE EDITOR

Sanctity of media

Today, almost all electronic media channels are debating on different subjects, especially involving Hindus and Muslims, the political situation in Pakistan, *Mandir-Masjid*, etc. Debates hardly take place on progressive subjects like the alarming unemployment, soaring prices, misuse of drugs, depreciation of rupee, continuous fall in GST, and peasants' suicides. Representatives of different political outfits, and experts on religion and media participate in these debates. Yet, they often conclude purposelessly. Often, the participants do not even allow their opponents to speak, resulting in every debate not only ending in smoke and confusion but also proving to be a sheer waste of time, money, and energy. Occasionally, anchors, instead of conducting the proceedings fairly and impartially, become spokespersons of the ruling party. Their role should be to objectively, moderate the programme, recusing themselves from voicing personal opinions, biases, and judgments. Even during debates, several times, anchors have openly been blamed for taking sides with a particular party. In many cases, our anchors pretend to be experts themselves. The saddest part is that they do not realise how much this attitude undermines their actual role. Although the unconditional freedom of the press is a cornerstone and a fundamental element of democracy, debating issues solely or even majorly on fundamentalism, and in a partial manner, is altogether polluting, and defeat the very purpose of freedom of media. Further, there need to be at least some check by the News Broadcasting Standards Authority, the regulator for India's private news channels

— SK Khosla, Chandigarh

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HIGHER EDUCATION

The minority report

The Muslim community must take charge of improving their human capital. When other groups like SC/ST/OBCs have demonstrated such rapid improvement, there is no reason the Muslim community cannot

A COUNTRY CAN TRULY rise when all its communities are economically empowered. Higher education (HE) is one of the most powerful drivers towards economic empowerment. It unlocks new avenues for aspiring citizens to develop their human capital, access better employment and financial opportunities, and improve quality of life. Today, socio-economic growth is driven by the knowledge economy and the biggest benefactors of this new economy are people and countries that are focusing on human capital development.

The recently released AISHE 2018-19 report indicates tremendous change among all communities except for those designated 'general merit'. The compound annual growth rates (CAGR) of the communities are 6.3% (SC), 7.8% (ST), 6.3% (OBC), 7.7% (Muslims), and 7.5% (other minority communities), between 2012-13 and 2018-19. In the same period, enrollment of general category dropped at a CAGR of negative 0.5%. GoI's institution of the 10% EWS category may be a response to this decline.

Enrollment proportions for the SC, ST and OBC communities in 2018-19 are close to their population composition—14.9% enrollment against 16.6% of the population for SCs, 5.5% enrollment against 8.6% of the population for STs, and 36.3% enrollment against 40.9% of the population for OBCs. Towards the objectives of inclusive enrollment and coverage, affirmative action has indeed yielded results.

Minorities, however, have not demonstrated the same progress. Minorities constitute 20.2% of India's population, but only 7.5% in HE enrollment. AISHE only tracks Muslims separately, who represent 5.2% of HE enrollment against 14.2% of the population. All other designated minority religions are jointly categorised—Christians, Sikhs, Jains, Buddhists, and others—and are collectively at 2.3% of total enrollment against 6% of the population. The upcoming 2021 census will inform us of the latest composition.

Women's education and fertility rates

Education impacts access to employment opportunities, quality of life, development of human capital, and the ability to uplift communities. Education and literacy, especially of women, also have a significant impact on population growth and fertility rates. Previous article by authors Pai and Baid (*FE*, May 28) correlates female literacy with a decrease in fertility rates to establish that educating girls is one of the most salient contributors to fertility downturn. Economic empowerment is another. The Muslim community experienced a 23% decrease in fertility rates between 2003-05 and 2013-15 correlating with an increase of 30% in female literacy (only 14% in male literacy). Other religions too saw significant drops in fertility, but given that the Muslim community had the highest fertility rate, by far at 3.4 in 2003-05, the impact is greater. Higher education of the Muslim community, especially among women, will take this progress further.

Enrollment of Muslim women in higher education rose faster than men's between 2012-13 and 2018-19—8.7% vs 6.9%. Total enrollment increased from 5.85 lakh to 9.66 lakh for women and 6.67 lakh to 9.93 lakh for men, as shown in accompanying table. In the 'Other Minorities' communities combined, women lead men in enrollment—4.71 lakh vs 3.97 lakh in 2018-19. As analysed in our previous article (*FE*, Oct 18), it seems women across all communities are enrolling in larger numbers with clear aspirations. Now, growth rates must accelerate to improve gross enrollment ratios (GER) within the community.

Focus on Muslim-dominated areas

For rapid improvement of human capital development amongst the Muslim community, it will help to focus on areas with larger populations. Accompanying table shows the five states with the highest number of Muslims along with J&K, which has a Muslim majority population at 68.3%. Uttar Pradesh is first with 3.84 crore Muslims at 19.3% of its population. These six states together have 11.3 crore Muslims, 66% of the India total. This data is per 2011 census; the upcoming 2021 census will provide an update.

GER is an excellent indication of human capital development within a community. Since, AISHE does not provide GER estimations for Muslims and other minority communities, the authors have made estimations. Muslim GER was calculated using census 2011 compositions in each state, and the eligible 18-23 years population and number of Muslims enrolled from AISHE. In all six states and India total, there is a stark difference between the overall GER and estimated Muslim GER. For example, Uttar Pradesh's GER is 25.8, but estimated Muslim GER is only 6.6. Surprisingly, even J&K being a Muslim-majority state has a low Muslim GER, 18.1, compared to the state GER of 30.9. It speaks volumes of the failure of the state to provide adequate opportunities for development to its citizens.

Low GER amongst the Muslim community across India, at 9.7, indicates the need for a different approach. A special drive to increase capacity and number of schools and colleges in Muslim-dominated areas is necessary. Further, focused training toward competitive exams for government jobs and skill development programmes such as National Skill Development Corporation (NSDC) will provide opportunities for educated Muslims to utilise their skills in the workforce. The central government and state governments, where Muslims are in higher numbers, must make it a mission to improve enrollment in the community. Targets to accelerate GER over the next five years must be set and executed. The ministry of minority affairs has sufficient budget of ₹4,700 crore year-on-year already allocated to implement this. Priority to Muslims' higher education, especially women, must be executed in this budget.

The Muslim community must take charge of improving their human capital. When other groups like SC/ST/OBCs have demonstrated such rapid improvement, there is no reason the Muslim community cannot. In this world, where the velocity of change is unprecedented due to technology, the internet and other drivers, every community must focus on its human capital development. The Indian Muslim community must utilise every advantage they possess to ensure their children are not left behind in this new world dynamic. Focusing on higher education is one of those compelling advantages.

HE data from MHRD

	Muslim Enrollment (in lakh)			Other Minorities (in lakh)		
	Male	Female	Total	Male	Female	Total
2018-19	9.93	9.66	19.59	3.97	4.71	8.68
% of total	**5.2%**	**5.3%**	**5.2%**	**2.1%**	**2.6%**	**2.3%**
2012-13	6.67	5.85	12.52	2.53	3.12	5.64
% of total	**4.0%**	**4.3%**	**4.2%**	**1.5%**	**2.3%**	**1.9%**
CAGR	6.9%	8.7%	7.8%	7.8%	7.1%	7.4%

Population data from census 2011

Community	AISHE 2018-19 (lakh) Enrollment	AISHE 2018-19 (lakh) % of total	Population % Census 2011	AISHE 2012-13 (lakh) Enrollment	AISHE 2012-13 (lakh) % of total	HE enrollment 6-yr CAGR
SC	55.67	14.9%	16.6%	38.48	12.8%	6.3%
ST	20.68	5.5%	8.6%	13.2	4.4%	7.8%
OBC	135.92	36.3%	40.9%*	94.16	31.2%	6.3%
Muslims	19.59	5.2%	14.2%	12.52	4.2%	7.7%
Other Minorities	8.68	2.3%	6.0%	5.64	1.9%	7.5%
General Merit	133.45	35.7%	13.6%	137.52	45.6%	-0.5%
All	**373.99**	**100.0%**	**100.0%**	**301.52**	**100.0%**	**3.7%**

*From NSSO, HE data from MHRD

	Census 2011 population (lakh)		AISHE 2018-19 (lakh)				Muslims in HE estimation (lakhs)*		AISHE
	Muslim population	% of total	18-23 yr population	Total enrolled	Muslims enrolled	% of total	18-23 yr population	GER	State GER
UP	384.8	19.3%	250.9	64.7	3.2	4.9%	48.3	6.6	25.8
WB	246.5	27.0%	108.5	21.0	2.3	11.1%	29.3	7.9	19.3
Bihar	175.6	16.9%	118.1	16.1	1.5	9.4%	19.9	7.6	13.6
MH	129.7	11.5%	132.3	42.3	1.5	3.6%	15.3	10.0	32
Assam	106.8	34.2%	37.4	7.0	1.0	13.9%	12.8	7.6	18.7
J&K	85.7	68.3%	12.8	3.9	1.6	40.0%	8.7	18.1	30.9
Sub-total	**1,129.1**	**-**	**660.2**	**155.0**	**11.1**	**7.2%**	**134.4**	**8.3**	**-**
All India	**1,719.4**	**14.2%**	**1,420.8**	**374.0**	**19.6**	**5.2%**	**201.8**	**9.7**	**26.3**

HE data from MHRD, * estimations by authors

GOOGLE-FITBIT

Into a stew of uncertainity

SHIRA OVIDE

Bloomberg

I hope Alphabet Inc. has a plan

THE GOOGLE PARENT company announced on Friday that it would spend $2.1 bn to buy Fitbit Inc, a pioneer in the fitness-tracking gadgets that haven't proved to be a lasting consumer electronics category. Google has now spent billions of dollars developing homegrown hardware such as its Pixel smartphones and buying all or parts of companies that specialise in hardware.

This growing collection of computer hardware betrays Google's apparent belief that it's not well-positioned to navigate the coming world of technology. It's a surprising show of defensiveness from a company that has charted the course of computing for the last 25 years.

Most of the world's big technology companies, including Google, Amazon, Facebook and Tencent, are betting that people's interactions with computers will become more diverse. This makes sense. For decades, people's primary interactions with computers have been through glowing rectangles—mostly personal computers or smartphones.

Technologists now believe that essentially everything will become a computer. The lines will blur between real life and the digital one. When we interact with cars, televisions, home appliances and other people, there will increasingly be a layer of technology between those interactions, even if the technology is not as obvious as a glass screen. Google, in theory, should be able to take advantage of this shift. The company is great at software and making sense of computerised information, and those are the skills that will make companies winners if and when technology pulls away from the glowing rectangles.

The path to that world, at least for now, seems to require more but different types of glowing rectangles. Amazon has introduced a zillion gadgets — everything from speakers and headphones to a microwave oven—to inch toward the future of barrier-free computing.

> The uncharacteristic oddity is that everything Google is trying in hardware shows how far it is from figuring out the future of computing

Google has followed this model, too, and it seems to believe it can't get there alone. Before the Fitbit deal, Alphabet had already bought connected-home startups Nest and Dropcom, spent $1.1 billion to acquire engineering and design teams from smartphone maker HTC and this year purchased smartwatch intellectual property from Fossil. What does a watchmaker know about technology that Google doesn't? Google didn't really say. Maybe the fruits of that deal will surface in future Google products.

Google keeps refining how it talks about its hardware efforts. At an event last month to introduce updated consumer electronics, executives trotted out the phrase "ambient computing". This is a techie shorthand for the future of computing beyond the glowing rectangle, with computing woven into every fiber of our lives. It's not entirely clear how Fitbit fuels Google's mission. Fitbit's device sales—mostly watches or other wrist-worn devices that count steps, measure heart rate or do some tasks of smartphones—have stalled. Everyone talks about technology giving people more control of their health and spotting problems like high blood pressure or diabetes early enough to make a difference in people's lives. Apple's pitch for the Apple Watch is basically, "If you don't have one, you will die." (I'm exaggerating, but not by much.) For now, its a pipe dream. The current health or fitness-focused gadgets aren't quite a revolution. Devices like Fitbits and the iWatch are nice-to-have novelties or relatively niche tools for healthy or fitness-obsessed.

People like me have focused on Google's relatively small market share in growing consumer electronics devices beyond smartphones — devices like voice-activated speakers and wireless headphones that double as computer navigation. That's not Google's real problem, though. These market share figures are proxies for a company's status in charting the path to the world of computers beyond the glowing rectangles.

Google typically tries a host of technology and business strategies to the point of incoherence. This is just what Google does. And it can afford to test and try and buy lots of things as it plots a future where devices of any type are not necessarily people's primary gateways to the digital realm. The uncharacteristic oddity is that everything Google is trying in hardware shows how far it is from figuring out the future of computing.

The future of digital governance

India should work towards creating an unbroken value chain

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THE LAST FEW years have witnessed a marked acceleration in India's efforts to embrace information and communication technology (ICT) for effective governance. Various government programmes have leveraged ICT on a large scale to transform the public governance ecosystem in the country, which is a key step towards making the country "Fit for Future". Some of such large-scale digital-led successes include the transformation brought out in direct and indirect tax regime in the country, government procurement reforms driven through Government e-Marketplace, roll-out of Pradhan Mantri Jan Aarogya Yojana (Ayushman Bharat), direct transfer of government benefits to citizens, participatory governance enabled through MyGov, amongst others. One of the big contributors to success of these and many other programs has been the creation of a strong ICT backbone in the country, which comprises of multiple horizontal enablers such as Aadhar, Unified Payments Interface (UPI), Digital Locker as well as a robust infrastructure later made up of BharatNet, government of India Cloud etc. Backed by this strong ICT backbone, nationwide digital delivery of paperless, cashless and faceless service has become a reality.

Having built a robust foundation for itself we, now, need to prepare for the next wave of digital governance. The next wave of digital governance needs to align itself with the perspective of digitally empowered citizens, businesses and government alike. To take the 'Digital India' story forward, a paradigm shift in e-governance approach is needed, where service delivery is both 'pro-active' and 'life-cycle driven'.

The shift in approach requires a change from the traditional 'department-centric' view of service provisioning to a 'stakeholder-centric' view driven by their personas, ensuring delivery of services becomes more seamless across the value chain, and such services are delivered proactively, wherever possible.

Let's visualise this through an illustrative persona Manohar ('Manohar' here represents any typical Indian citizen). Can we create the next generation service delivery framework where touchpoints with government of all the major events in the life of 'Manohar' are identified and digitalised without any broken chain, where governments across levels reach out to Manohar proactively for delivery of services and benefits, where Manohar accesses such services and benefits on a channel of choice, in local language, where information once provided by Manohar is recorded and not asked for again

While challenges do exist in creating an unbroken value chain like this, this is the right time to embark on this journey. Advances made by government through its Digital India program provide us the right launch pad to take up such persona-based approach for delivering services. Also, in wake of the large-scale roll-out of various e-governance initiatives, the government now has a multitude of data. This data can be leveraged across secure government platforms to reduce redundancy in information sought from the businesses and citizens across the value chain, identify trends, improve delivery mechanisms and for better policy planning. All this can be done within the larger framework of respecting an individual's privacy and ensuring security of gathered data.

This approach needs to come up with newer models of e-governance. It needs a design thinking approach to understand life-cycle events and pain points of stakeholders. It needs a lot of focus on the usability aspects of the delivery channels. It would also mean bringing in appropriate changes in various government rules and regulations, aligning with the stated objective of 'minimum government, maximum governance'. Apart from new designs and processes, new structures for service delivery within various levels of the governments would also be required, structures that focus both on stakeholder needs and departmental needs. On one of my consulting assignments, I came across a government organisation that has formed a Customer Happiness center and an Employee Happiness center. Can we think of something on these lines?

This is the right time for us to take yet another leap in e-governance. Today, India is making rapid strides in adoption of emerging concepts such as artificial intelligence (AI), machine learning (ML), Internet of Things (IoT), blockchain, cloud computing, drones, microservices etc, which have a huge potential in transforming governance. The platforms we have created—many more are being created—form the bedrock for this service delivery transformation. These technologies and platforms have all the potential to ameliorate certain structural and capacity constraints in our existing service model.

Several initiatives are being taken by the government to enhance existing governance mechanisms by leveraging advancements in technology. This includes building various AI-based applications, implementing blockchain pilots, creating new architectures for delivery, amongst many others. Some of the states have already embarked on the journey of creating technology driven frameworks, which would enable proactive delivery of services and benefits to citizens. Such efforts are bound to intensify, given the growing challenges in governance and availability of technology in the country. The need is now to converge such efforts and align them with a futuristic governance framework, a framework that has a 'human-need centric design', a framework that considers demand as important as supply side.

Going forward, we will no longer be followers in the digital governance space but will soon emerge as trend-setters.