Going solo

Through ups and dramatic downs, SpiceJet's Ajay Singh is steering his rocky boat all on his own

OUT OF THE BLUE

ANJULI BHARGAVA

One man's loss is another man's gain. Never has the proverb seemed more apt than in India's aviation sector of late. A few weeks ago, SpiceJet chief Ajay Singh argued that the sector could go the "teflon way" if fares didn't recover while IndiGo's CEO Rono Datta claimed that we were in a "golden age for Indian aviation".

The truth, as usual, is somewhere in the middle. Oil prices have been low and the rupee stable but there are two other factors impacting yields. One, fares are running lower than those at the same time last year. I asked a couple of aviation industry seniors to do the math and their calculations show that the average Delhi-Mumbai fare needs to rise by around ₹500-600 on a net basis for any of the low fare airlines to break-even on a flight (assuming 90 per cent load factor). Fares are in fact running a bit lower than even break-even levels. Two, overall traffic has taken a beating with growth in single digits after several years of double-digit growth. Both these factors are reflected in the latest results reported with high quarterly losses.

But analysts and industry observers argue that while the industry may be suffering on account of pricing pressure as a whole, many of SpiceJet's problems are internal and of its own creation.

One of the biggest blows — entirely out of its control — to the airline's plans was the unexpected grounding of 13 of its B737 Max since March 2019. The carrier will be compensated for this by Boeing, a much needed relief for SpiceJet with cash on its books at a paltry ₹93 crore by end September.

In the mad frenzy to grab Jet's slots, SpiceJet – like rivals – jumped in too. The airline took on 31 of Jet's aircraft, all of which had a two-class configuration. However, the gambit proved costly for the carrier in more ways than one. The aircraft are ageing and appear to have been more trouble than they were worth. This led to a spike in maintenance costs in the July-September quarter. Yields played spoilsport and stayed stubbornly low, reflecting the failure to charge a premium on the business class seats on offer. The aircraft will now be reconfigured to an all-economy class, an admission of the gambit having failed. Rising costs and stubborn yields reflected in the cost per available seat kilometre for the airline that rose by 8 per cent year on year, taking it to a record high and much above many rivals. This is despite the salaries bill for the airline being amongst the lowest in the industry.

In the midst of the core business taking a beating, Singh has in October and November been busy with all kinds of new initiatives. He's announced plans to launch an international hub operation out of Ras-Al-Khaima, 40 minutes from Dubai, where he sees "great potential". By December, as per the original plans, four to five aircraft are to be based here to operate on six to seven-hour, medium-haul routes. The Gulf seems to be where he's honing in since November: The airline signed a codeshare agreement with Emirates Airlines and entered into a memorandum of understanding with Gulf Air to widen their partnership as well.

Industry observers argue that Singh, with his plate already full, has been dipping his fingers in several new pies. A business-to-business cargo delivery service was launched in 2016 and is running for select corporate clients. In 2017, he surprised everyone by opening SpiceStyle stores – including one in Gurugram's Galleria market, one of the more expensive rental spots — to sell designer and other lifestyle products. The Galleria store has since shut shop but two stores in Hyderabad and Delhi are still around. In 2018, the airline announced that it was setting up Spice Star, a training academy for youngsters interested in charting out a career in aviation. Launched in partnership with Amity University in Noida, it acts as a home grown hiring ground for the airline.

What is perhaps the most incredible aspect of the SpiceJet story is how Singh is attempting to pull off everything virtually on his own. When he took charge of the struggling airline in December 2014, the airline was down to around 32 aircraft with 5,400 total employees. Five years later, it has a fleet of 118 aircraft with over 230 on order and over 15,000 employees. He appears to have what many in the sector are terming an invisible "magic wand", one that is giving jitters to analysts and investors who don't see any second line of command in the airline whatsoever. Singh remains a single man army — a desi Superman — one everyone is unsure will sink or swim.

CHINESE WHISPERS

'Boris ko humein jitana hai'

The poll mood in the United Kingdom took a desi turn on Monday as a video emerged, featuring a Hindi song "*Boris ko humein jitana hai, is desh ko aaj bachana hai...* (we have to ensure Boris' victory to save this country)", projecting Prime Minister Boris Johnson as a panacea for all the problems. The song, in chaste Hindi, is believed to be the handiwork of some groups among the 1.5-million-strong Indian diaspora. The visuals, as one would expect, consist mostly of montages of Johnson, interspersed briefly by the picture of opposition Labour Party leader Jeremy Corbyn, whom it calls a "liar". Whether the video will help woo the Indian diaspora is an open question, but the desi audience on Twitter is hailing it purely for its entertainment value.

Another 'reunion'? Not yet!

Rumours of a patch-up between Samajwadi Party (SP) President Akhilesh Yadav (*pictured*) and his estranged uncle Shivpal Singh Yadav never seem to die. They surfaced again after the reconciliation between the Nationalist Congress Party's Sharad Pawar and his nephew Ajit Pawar. Talks of a possible coming together of the two factions of the Yadav family grew louder during the recent birthday celebrations of party founder and clan patriarch Mulayam Singh Yadav, with Shivpal, who went out and formed his own outfit, the Pragatisheel Samajwadi Party, giving signals of a rapprochement to some of his erstwhile colleagues. The rumours caused great nervousness among a section of SP leaders, given the kind of grip Shivpal had on the party once. But it seems Akhilesh has not warmed up to the "reunion" idea as yet and has supposedly told SP members that the party would fight all polls on its own.

Birthday gift

The escalating prices of onion have been making headlines everyday. On Monday, as the Congress celebrated the birthday of its longest-serving president, Sonia Gandhi, a party leader and Puducherry Chief Minister V Narayanasamy chose the occasion to protest the Central government's failure to control the price of the staple. He criticised the Centre's alleged inaction before a gathering of his colleagues while gifting packs of onion to women workers of the party. He got a helping hand from his party colleague A Namassivayam. Besides other colleagues, many people who passed that way also received half-kg packs of onions.

India rethinks its coal future

Overdependence on Australia for coking coal for its steel plants makes it vulnerable to supply chain disruptions and diminishes its capacity to negotiate on prices

KUNAL BOSE

A common preoccupation of producers of ferrous and non-ferrous metals in India, China and elsewhere is to ensure security of supply of raw materials over a long term. At least in two major minerals, namely iron ore and bauxite required by makers of steel and aluminium, respectively, India being adequately endowed has a distinct advantage over China, which is dependent on import for both. In the case of metallurgical coal, however, this is not the case for India. Its imports are set to rise year-on-year as more and more steel is to be made using the blast furnace and basic oxygen furnace (BF-BOF) route.

The country's growing import dependence is because not only is the domestic supply of coking coal way short of steel mill requirements, the poor quality of local fuel because of a high degree of ash demands its blending with high quality imported stuff to make it BF friendly.

New Delhi by way of the 2017 steel policy has set a task to reduce coking coal import dependence from the present 85 per cent to 65 per cent by 2030-31. This is sought to be achieved by stepping up production of the fuel and getting it washed to rid it of much of its ash. The steel policy says BF-BOF route will have a 60 to 65 per cent share of the 2030-31 steel capacity of 300 million tonnes (mt) and production of 255 mt. On the basis of BF-BOF route's requirement of 700 kg of coking coal for making one tonne of crude steel, the 2030-31 fuel requirements will be 161 mt.

There is nothing wrong with imports if a particular raw material, in India's case it is coking coal, is not available locally in terms of volume and quality. For example, Japan runs its steel industry at the highest levels of efficiency and optimum value addition to primary steel notwithstanding its total dependence on raw materials imports. New Delhi has evolved a three-pronged strategy to progressively cut our coking coal import dependence by overseas asset acquisition, creating a sufficient number of modern washeries and exclusive allocation of indigenous met coal reserves for the steel sector. Coal India is expected to be ready with nine new washeries for metallurgical coal by the end of the next financial year.

TAKE TWO

ANALYSIS BEHIND THE HEADLINES

While renewed attempts to step up domestic supplies both in terms of volume and quality will be of relief to steelmakers without captive mines, the country is reconciled to doing mostly with coal of foreign origin at all times. The concern is not about unavoidability of imports but, as additional steel secretary Rasika Chaube points out, about India's continuing overdependence on a single source for coking coal. In the past three years, India stepped up imports of such coal from Canada and the US, albeit at a slow pace. As this is happening, the share of Australia in this country's coking coal market fell to 71 per cent or 36.91 mt during 2018-19 from around 88 per cent three years ago. Irrespective of the rate at which India starts buying coal from countries other than Australia, imports will continue to rise in step with our growing steel production.

What is not to be wished away is the continuing overwhelming dependence on Australia for coal goes against commercial wisdom. First, production in the coal mining region of Australia is periodically disrupted by natural calamities as was witnessed earlier this year when deadly cyclone Trevor followed quickly by Veronica pummelled Queensland, which has as much as half the share of global seaborne supplies. Veronica, a category four storm, whipped up gusts of up to 263 km an hour uprooting rail lines connecting mines to ports in many places. This and earlier natural disasters such as cyclones Debbie and Yasie disrupting coal shipments upset production programmes of steelmakers here. The only recourse for our steel producers to avoid production disruption is to maintain coal stocks to last at least a month, says an industry official. But that kind of inventory leads to cost accretion.

Second, the overdependence on a single supplying nation compromises the buyer's capacity to negotiate favourable terms and conditions of purchases. India is finally awakened to that reality. This is leading New Delhi to promote among steelmakers the idea of "risk diversification in metallurgical coal imports" by exploring countries other than Australia wherefrom coal can be procured at competitive costs on a sustainable basis. At a recent brainstorming session with the industry, Steel Minister Dharmendra Pradhan said the time was now "opportune for us to engage with Russia and Mongolia for the import of coking coal... An Indian technological team is to make survey of the quality of metallurgical coal in Russia and logistics supportive of transfer of the mineral to India using road, rail and sea. Then there is Mongolia, very rich in coal resources, where we are to build a railway line that will facilitate movement of the fuel. There is a lot of goodwill for us in Mongolia, which incidentally is the first country to recommend India's permanent membership of the UN Security Council."

To create excitement among Indian steelmakers, Pradhan told them that "almost all of Mongolia's met coal is now exported to China. But that country is keen to reduce its dependence on a single buyer that is China and explore other markets. India figures prominently in that search." Of China's import of 64.2 mt of coking coal in 2018, Mongolia alone had a share of 43 per cent. Industry officials here familiar with Mongolian coal say the country will be able to realise better prices in the world market provided it gets its coal washed and blended before selling.

According to Bhaskar Chatterjee, director general of Indian Steel Association, in India's search for long-term suppliers of coking coal in significant quantities, Russia cannot but figure prominently. If leading Russian coking coal producers such as Mechel and Kolmar want a share of the Indian market, some leading steelmakers here are giving indications that once they have satisfied themselves with "coal quality and supply logistics", they will start using fuel from Russia in significant quantities. The point is not to be missed that with the market in the West shrinking where more and more steel is made by scrap recycling, Russia sees in India a potential major outlet for its coal.

ON THE JOB

Graduates face 17% unemployment rate

MAHESH VYAS

Education is positively associated with labour market participation. If a person gets education there is a greater chance that such a person will seek employment. And, the probability of a person seeking a job increases as the level of her education increases. This is logical and is generally expected. Education has an apparent end goal — to get a job. An undergraduate degree makes a big difference.

We see this in the data. Over 62 per cent of the population that has an undergraduate degree or more, is in the labour force seeking a job. This proportion is way above the rest.

The gap between graduates-plus and the rest in terms of labour force participation is very large. Those who completed their 10th grade or more but not their undergraduate degree pencilled a labour participation rate of only 43 per cent. The participation rate then drops to less than 40 per cent for those who had some education but had not completed their 10th grade. Those with no education had an LPR of only 31 per cent.

The LPR at the lower end of the education spectrum is also very volatile. This phenomenon of low and volatile labour force participation of the uneducated is worth a detailed study. The expectation was that people with no education would be the more vulnerable and would be loath to remain out of the labour force. But apparently, they keep getting in and out of labour markets month after month.

The volatility of monthly labour participation rates declines as education increases.

Graduates-plus have the least volatility in this respect. They are also not only way ahead of the rest in terms of labour participation they are also recording a steady increase in their participation rate.

While the overall LPR for India was at an all-time low at 42.4 per cent in November 2019, the labour participation rate for graduates-plus was at an all-time high of 62.9 per cent in October 2019. At 62.2 per cent in November, it was close to this peak.

India's labour force participation rate has fallen from nearly 47 per cent in 2016 to 43 per cent in 2019. This translates into a fall of over 7 million in the labour force over three years — from 443 million to 436 million. However, during the same period, 2.5 million graduates-plus joined the labour force. Evidently, it is people with less education who have quit the labour markets. In fact, it is those with no education that have exited the labour markets over the past three years.

As basic education is becoming increasingly universal, the labour market in India has seen a sharp fall in those who have no education. Correspondingly, the share of those that have some education has increased. The quality of human resources in the labour markets is improving. Yet, the share of graduates-plus in Indian labour markets is very low.

Graduates-plus accounted for only 13.5 per cent of the total employed in 2019. This is an improvement over the 12.7 per cent share it had in 2016. But, it is still very low.

Graduates-plus account for only about 13 per cent of the population above the age of 25 years in India. In comparison, this ratio is over 40 per cent for developed countries. It is 45 per cent in South Korea and 17 per cent in China.

Evidently, India still has a lot of catching up to do on providing tertiary education to a vast majority of its population. Add to this, the woes of industry that has often complained about the low quality of labour in India.

While 62 per cent of graduates seek employment, only 51 per cent are employed. The remaining 11 per cent are unable to find a job although they are looking for one.

Are they unemployable or are the opportunities inadequate in number and poor in quality? Possibly, both are true. If this is indeed true then we have a vortex of problems in education and employment in India.

First, the proportion of graduate+ in the population is low at only 13 per cent. Second, these graduates face the highest unemployment rate. The unemployment rate among graduates is 17 per cent. Third, industry complains that the quality of graduates is not good enough for employment. Fourth, the rate in investments and therefore jobs creation is insufficient to absorb additions to the labour market.

This seems to be a vicious cycle in which vast numbers of educated are not considered employable and lack of investments leads to low job opportunities. This could discourage the young population from seeking higher education and also discourage educational institutions from producing employable labour. There can be a hope that in the long run, markets will sort out this problem. But, as has been well said, in the long run we are all dead.

The author is MD & CEO, CMIE

LETTERS

Beneficial move

The recent move by the Reserve Bank of India (RBI) to ease NEFT transaction transfer schedule to be made available for 24 hours is welcome. It is also overwhelming to know that RBI has already waived off charges levied for the transactions carried through NEFT/RTGS payments in order to promote a cashless ecosystem.

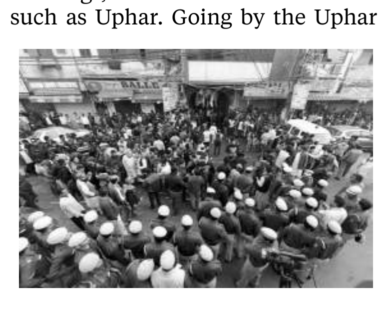
The facility to transfer money through NEFT transaction on a round-the-clock basis will benefit many customers who are otherwise depended on physical ATMs for the purpose of immediate cash requirement. The robust penetration of digital transactions through app-based banking facility and UPI-based payment systems have further eased the common man's burden of fetching cash from a physical location such as a bank branch or an ATM. The change in the NEFT schedule will further benefit the customers especially during travel exigencies and medical emergencies — as both the situations require immediate cash payment to the beneficiaries. The latest move will make RBI and other banking institutions inch closer to achieving their goal of complete financial inclusion.

Varun Dambal Bengaluru

Blatant violation

This refers to "Building owner, manager arrested" (December 9). The fire in New Delhi in which killed 43 persons in a building is a stunning example of flouting of laws with gay abandon — a five-floor structure housing factories and a host of other violations.

That such a cavalier set up kept functioning uninterrupted by the owner's conscience or law enforcing authorities tells how lethargic or corrupt or both are the officials in civic administration, labour department, state government and the central government. This is also the reason for frequent deaths in the national capital in public buildings, hotels and cinema theatres such as Uphar. Going by the Uphar



case, it is anybody's guess how much time it will take to decide the present one in a court and whether the punishment will be exemplary.

It also raises the question whether the government's move to end "inspector raj" in factories is a case of misplaced trust in the self-inspection honesty of factory owners.

Y G Chouksey Pune

CJI spot on

This refers to "CJI: Justice loses its character when it becomes revenge" (December 8) which quotes the Chief Justice of India S A Bobde as saying that there cannot be instant justice. Justice Bobde made that comment in the backdrop of the rape case in Telengana and subsequent killing of the alleged rapists. He is absolutely right. The CJI also appropriately mentioned long delays in dispensing justice. What he did not mention is how bails are granted in even cases of violent rape and gang rape. The example of the case in Unnao in UP is a case in view right now. I am of the view that the Supreme Court can give direction, may be administratively but surely judicially that where there is violence mixed with rape and in cases of gang rape, bail should not be given. And the general impression of people is that once the criminal case goes to courts, the case will drag on and rich people with a lot of cash can appoint top lawyers to delay justice and can even derail justice. Quick disposal of such cases must be achieved.

Generalising the issue of inordinate delay in courts, it is high time the higher judiciary admits that the main cause is not simply the vacancies of judges. I feel that increasing the number of judges is only half the solution. What is needed is a thorough procedural overhaul and attitudinal change in the judicial system. The conclusion is that the massive backlog in courts can be reduced not by a quantitative approach but a qualitative change in the approach on the part of all stakeholders.

Sukumar Mukhopadhyay 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
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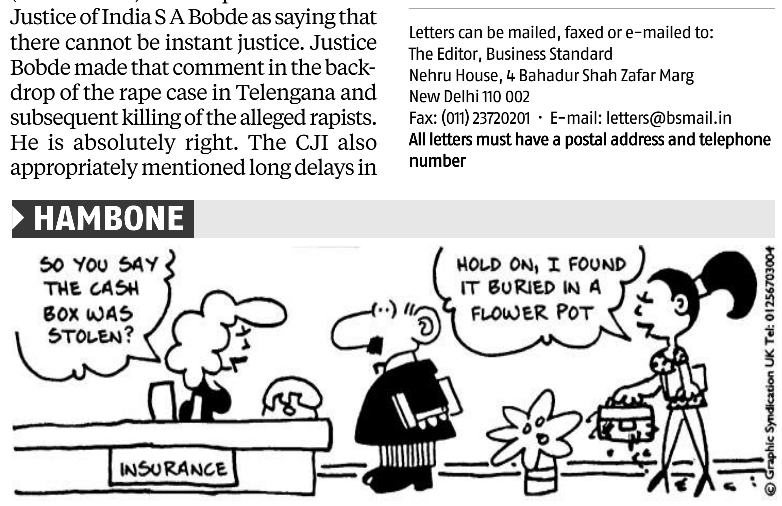
HAMBONE



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Managing urban co-op banks

Changing the regulatory structure alone won't be enough

Big changes are afoot in how urban co-operative banks (UCBs) are regulated. According to a report in this newspaper, large UCBs are expected to come solely under the provisions of the Banking Regulation (BR) Act. The move will affect over 1,500 Indian UCBs, with deposits in excess of ₹4.5 trillion. This is a fairly important sector of the financial system — about 11 per cent of the deposits in scheduled commercial banks, or SCBs, in 2017 — but it has for decades suffered under a problem of divided regulation. The Registrar of Co-operative Societies (RoCS) is currently the nodal regulator, and has control of management elections and external audits. But some provisions of the BR Act also apply — under which they are inspected by the banking regulator, the Reserve Bank of India (RBI), and conform to its capital adequacy requirements. As with all such arrangements, there is scope for regulatory confusion and arbitrage. In particular, the RBI had fewer instruments with which to enforce its regulatory diktat, since it could not supersede UCB boards the way it could with other private-sector SCBs.

The context of this action is, of course, the massive fraud unearthed at PMC Bank, with major consequences for depositors. While it could be argued that there is no direct linkage between the PMC Bank issue and the problem of dual regulation — and PMC Bank, with a size of ₹12,000 crore, was in fact under the ₹20,000-crore threshold being considered for transfer to RBI sole supervision — it was certainly an opportune moment to consider the future of UCBs in general. One important change must be, given the PMC Bank depositors' distress, that UCBs should have the same protection as regular banks. Many PMC Bank depositors did not know that they were putting money into a differently regulated and protected entity in comparison with a regular commercial bank. If the difference cannot be clearly and transparently communicated to depositors, then the difference itself is unsustainable.

There is no clear reason for the continued presence of UCBs in their current form in a banking landscape that has changed so drastically. It has become extremely difficult for UCBs to compete because of a lack of trained manpower and their inability to raise sufficient capital. A recent high-level committee led by a former deputy governor of the RBI, R Gandhi, suggested that mergers and re-orientation of existing UCBs be continued in such a manner that many important ones eventually become small finance banks. Such small finance banks will find it easier to grow their capital, although their capital adequacy requirements might also be more stringent. The crucial aspect must be to mainstream the board's control of management and bring it in line with a proper incentive structure. The regulatory reframing will be successful only if it can transform the nature of governance for the large UCBs that will be directly affected by the change. The RBI must also recognise that, as its responsibilities grow, so must its capacity. In particular, its auditing capacity and supervision of boards must have greater depth and reach. The build-up of non-performing assets in the banking system and the trouble in non-banking financial companies suggest that the regulator has a long way to go. Simply changing the regulatory structure will not automatically result in stability in the UCB segment.

Fighting fit

Delhi needs more adaptive fire-fighting facilities

The fire at Anaj Mandi, which left 43 people dead — all of them labourers in an illegal factory — revealed yet again the venal face of the officialdom and small business owners. Multiple rules were broken — from running factories in residential areas to the lack of a no-objection certificate from the fire department, workers living on the factory premises — pointing strongly to a nexus. The factory owner has been duly arrested but it remains to be seen whether any punitive action will be taken against complicit local municipal officials. The tragedy is the latest in a long list of fatality-causing fires in the capital. All of them — without exception — were the result of lax vigilance and rule-breaking by local authorities. The wearying, repetitive cause of these tragedies follows a predictable trajectory: State and central governments, which divide the city's administration between them, blame each other; to assuage a temporary outbreak of popular indignation some arrests are made and new rules are issued before the situation relapses into its default state of corruption and collusion.

Clearly, as media comment points out ad nauseam, these are issues that demand a systemic overhaul by courageous political leadership. Since this might be a while coming, it would help in the meanwhile if a more practical approach were taken to the state's firefighting capabilities. Right now, most urban firefighting equipment is tailored for the broad avenues of Lutyens' Delhi and the affluent colonies of south Delhi. But the truth is, slums and crowded residential areas take up the bulk of the city's space, and these spaces are all fire hazards waiting to happen. In and of themselves the narrow streets, close proximity of buildings, and overhead tangle of electricity wires make these areas vulnerable to fire; rampant illegal activity only heightens the risk. An exploding cooking cylinder could do as much damage as the spark in a poorly maintained (or stolen) electricity cable. These are areas in which large cars struggle to manoeuvre, let alone mammoth trucks. All of these present serious challenges to the city's fire-fighting services and urgently demand that they adjust their mode of operations accordingly. The tragedy of Anaj Mandi is best exemplified by the fact that some 30 fire trucks were dispatched, but only one could get through the clogged alleyways. As a result, it took the fire services five hours to contain the fire. Many victims were put into autorickshaws and taxis for the trip to hospital and several died on the way for lack of adequate medical facilities. Had it not been for the bravery of two firefighters, who saved 27 people, the death toll would have been much higher.

Given the frequency of these fires in such areas, it may be time for the firefighting services to focus on acquiring equipment and expertise to tackle fires in congested conditions. Longer bowsers from the water-carrying trucks would be one obvious answer, as would be smaller vehicles that can manoeuvre severely restricted gullies to enable firefighters with basic equipment and ambulances to reach ground zero quickly. These are easy changes to introduce and, if implemented side by side with honest and vigilant imposition of rules, could save many more lives in Dehi's fire-prone zones.

ILLUSTRATION: AJAY MOHANTY

Is India's economy crashing?

Or do we need to retool our country?

Open any newspaper or news website and the bad news is unrelenting. It looks like a whole slew of industries is crashing: The passenger car manufacturers, telecom service providers, airlines, banks that lend money to small businesses, real estate developers, civil construction companies, TV broadcasters and — hold your breath —even information technology (IT) services export behemoths.

AJIT BALAKRISHNAN

And the headline news makes it looks as if every indicator that economists follow — gross domestic product (GDP), employment rate, the rupee to dollar rate — is also heading downwards.

And depending on his political posture, the writer/columnist picks who or what to blame for the downslide: Corrupt businessmen, the Narendra Modi government's reckless modernisation moves such as demonetisation, the goods and services tax (GST) and the focus on electric cars, a desperate finance ministry slapping unimaginably unfair taxes on Indian businesses, China and its world-dominating ambition or Donald Trump and America's new-found protectionist stance.

And the antidotes being proposed for this desperate situation —decrease bank interest rates, reduce inflation and sell-off loss-making state-owned companies — all have the familiar re-assuring sound and tone of a 1960's Lata Mangeshkar/ Mohammed Rafi song, calming us into a sleepy stupor.

Let's pause here and let's check whether there are any "inter-connectedness" to these mystifying downward trends. Is it that a lack of car parking space and excessively crowded roads in cities are leading to people in the active working group not buy cars? Is that what's leading to the fall in car sales, which in turn is leading to car manufacturers and their ancillary supplier's cutting production and jobs, and as a result income contraction for car dealers, petrol pumps, repair shops and car-financing companies (NBFCs)? And are each of these players, in turn, sending ripples through their own eco-systems — NBFCs, for instance, which are the main source of finance in Bharat are on their knees— and is that what has brought Bharat's own businesses down?

If this is even partially true, should we be using the tools of Network Economics (Daran Acemoglu's piece, *The Network Origins of Economic Fluctuations*, in *Econometrica* (*https://economics.mit.edu/files/8135*) to find out the degree centrality and other network values to clearly figure out the root causes quantitatively?

Or is it possible that the next boom in demand and jobs will be in services? Could new technology bring down prices for things like medical diagnosis, legal fees, insurance and so on to perhaps a tenth of the current cost, which will make, for example, a visit to a general practitioner for a basic medical check-up cost a mere ₹10 (not ₹600 as it does today) and a comprehensive medical insurance cost ₹100 a year (with no subsidy from the government) for a rickshaw puller's whole family.

Technology has the potential to drive demand for these services many fold. As James Bessen's National Bureau of Economic Research working papers No. 24,235 from January 2018 points out: "In an earlier era, cotton textile consumption soared following the introduction of the power loom at US textile units in 1814; steel consumption grew following the US adoption of the Bessemer steelmaking process in 1856, and Henry Ford's assembly line in 1913 initiated rapid growth in motor vehicles."

And to make this happen, we may need to relook at India's current approach to innovation. The path that innovation takes even in "capitalist" countries like the US is of state-drive initiatives. This is a "well-kept secret" and the US media portrays the individual entrepreneur as the pioneer and hero. Mariana Mazzucato's book, *The Entrepreneurial State*, debunks the myth of a lumbering, bureaucratic state versus a dynamic, innovative private sector. In a series of case studies, in IT to biotechnology, she shows that the private sector finds the courage to invest only after the state, often the defence sector part of it, has made the high-risk investments. She devotes a whole chapter to demonstrating that every technology that makes the iPhone so "smart" was US defence department funded and private company executed: The Internet, global positioning system, its touch-screen display and the voice-activated Siri. This is one area where India spectacularly fails. Defence funding is channelled to state-owned research organisations where scientists are merely bureaucrats holding meetings and sending out minutes of meetings and press releases, but have long ago stopped any innovative work. Unless this tragedy is fixed, India's chances to create world-conquering and job-creating new industries are slim.

The real issue is, is it time for India to create a new industrial policy that takes an intelligent middle path between being completely state-driven on the one hand and being worshippers of unbridled liberalisation on the other? Fred Block's 2008 paper, *Swimming Against the Current: The Rise of the Hidden Development State in the United States*, spells this out and points out that we need to fashion an agenda for economic policies that take an intelligent intermediate stand. Such a renewed call for an industrial policy should not be mistaken for a call to return to a bygone era where state actions dominated the economy. What it says is that in this era where rapid technological change is a reality, government has an increasingly important role in encouraging the advance of new technologies in the business economy. As Block explains, this means an industrial policy in which government officials consult with technologists in both business and academia to identify technological challenges, the solution to which will open up entirely new industries, recognising all the while that the real constraints to innovation tend to be on the demand side.

No amount of fiddling with interest-rates and inflation-targets or subsidies is going to help.

The writer is an entrepreneur in the Internet industry.
ajitb@rediffmail.com

IRMA: Relevance @ 40

Verghese Kurien, India's milkman nonpareil, made me an offer in May 1979 that I could not refuse. He was the chairman of the National Dairy Development Board (NDDB) at Anand then. He wanted me to help him set up the new Institute of Rural Management, Anand (IRMA), the first of its kind anywhere in the world. When I went to Anand a month later, I discovered that there were no documents or reports regarding the yet-to-be registered institute, save the routine draft Memorandum and Articles of Association. It existed in the thoughts, often disjointed, of Dr Kurien and Kamla Chowdhry, my old senior colleague at Indian Institute of Management, Ahmedabad (IIMA) and then a Ford Foundation advisor to Dr Kurien on the new project.

ET CETERA

SHREEKANT SAMBRANI

Dr Kurien told me right off that he would handle funding and aesthetics of the new campus; everything else — recruitment and induction of faculty and staff, curriculum design, student intake — was entirely my responsibility with a promise of non-interference, which he scrupulously kept. He assured me that money would never be a problem and NDDB would provide all the back-stopping. He asked me how soon would the institute start functioning. Heady with excitement, I said in one year (which was patently foolhardy in retrospect). Somehow, 363 days thereafter, we managed to get Tribhuvandas Patel, the grand old founder chairman of Anand Milk Producers' Union (AMUL) to welcome the first group of 52 students to a makeshift IRMA campus. The IRMA Society was registered with the state charities' commissioner on December 14, 1979. That was IRMA's formal foundation-day.

But this column is not a nostalgia trip down the memory lane. It is about a question that became vexing for all of us then: What is this beast "rural management" and why does it need a new institution? Partly because of the physical proximity, but mainly because many of us early pioneers of IRMA had IIMA umbilical cords either as teachers or students there, an impression existed that IRMA was a sort of a poor 'country' cousin to the already formidable IIMA. That riled us no end. This institutional existential question as to who or what we were led to long, passionate but inconclusive debates. Even as late as five years ago, the renowned water management expert Tushaar Shah, who was part of the doctoral programme at IIMA and an early member of IRMA faculty (later to be its director), and I engaged in this discussion.

Since then, much of our collective attention has been focussed on rural distress. Producers of grains, pulses, oilseeds and even vegetables have had legitimate complaints about unremunerative prices. Inadequate market support coupled with ineffective minimum support prices have aggravated their grievances. For the most part, however, dairy farmers (barring cowherds in parts of Maharashtra) have not shown signs of economic strain. The milk economy in value terms is now as large as the other two commodity systems, grains and horticulture. So, dairy production being a minor or secondary occupation cannot explain the relatively sanguine situation of its practitioners.

Unlike crop cultivation, most farmers now see dairying as an *enterprise*, and not a subsistence or default occupation. Milk, no matter how small a quantity, is produced for markets. The market power asymmetry is effectively countered by producers' organisations, which are large enough to enjoy economies of scale through the use of technology. And like all mature enterprises, their concern has moved from remunerative prices to their stability, value-addition and surplus generation for all stakeholders. Administrative interventions such as support prices or monopoly procurement are not required, since farmers' organisations can powerfully lobby to protect their collective interests. A case in point is the Gujarat Co-operative Milk Marketing Federation's staunch opposition to India's participation in the Regional Comprehensive Economic Partnership that would have enabled New Zealand to dump its surplus dairy products in India.

I had asked Dr Kurien, who had previously started an institute of technology and another one of co-operative management and served on the board of governors of IIMA, what he meant by rural management. His response was a rambling monologue on the early days of Amul and its many experiments. Forty years on, I can now interpret this as *the essence of rural management being the transformation of commodity production to enterprise*. Farmers as practitioners of enterprise can use market actions and mechanisms to secure their legitimate ends and benefit without seeking external interventions.

We have seen much advice on how to deal with rural distress, which in effect has meant further tying down the producers to government apronstrings, rather than freeing them. Rural management interpreted thus has the potential of being a truly liberating influence on the one unreformed sector of the Indian economy. It may not be possible all at once or to cover all activities, but transforming farmers into enterprise owners could well be the order of the day.

The Vice President, M Venkaiah Naidu, will lead the observance of four decades of IRMA later this week. Rural management would be close to his heart, as he had been a thinking minister for rural development in the Atal Bihari Vajpayee governments. Here is hoping he advocates it with all the formidable persuasion at his command.

The writer is the founder-director of IRMA

Long-playing novelists

KITABKHANA

T C A SRINIVASA-RAGHAVAN

Recently I was on two very long flights, around 15 hours in the air all told with four-hour breaks in-between. So I took along the two latest books by my favourite authors — Jeffery Archer and John le Carre.

Both write the good versus evil sort of fiction. But while Mr Archer writes simple stories — upper-end Mills and Boon, if you like — Mr Le Carre's stories are very complex. It's only because they both write so well that they stand out from the crowd.

So I was hugely looking forward to reading their new books. I started with Mr le Carre because it was a morning flight and you need all your wits about to read him. Reading him is like listening to good blues.

Mr Archer, on the other hand, is like what they call easy listenin'. So I kept his book for the return leg most of which was through the night. You can read him with several whiskeys inside you, with headphones on.

Well, folks, both disappointed, Mr Archer more than Mr le Carre. Mr Archer has a weird story about the same person in two different bodies. One is located in London and the other in New York.

The story hops along in the usual Archer way and by the time you are halfway through you are wondering how he is going to end it. I am sure he was also wondering about the same thing because when the book finally becomes untenable, he kills one of them off. Very Hindi movie-like.

There has been only exception to this urge to write and write and write: J D Salinger. He wrote just one highly successful novel, *The Catcher in the Rye*

The le Carre denouement has been building up ever since the Union of Soviet Socialist Republics crashed out. It's not that the spies business has died out; it's just that Mr le Carre, always deeply suspicious of the system, has turned even more deeply so.

But this one is completely atypical, just as another one — The Naïve and Sentimental Lover — was. It's not quite a rant as Rudrangshu Mukherjee suggested in these columns a few weeks ago but it's, well, not quite what one expects of Mr le Carre.

The languid upper class British style is there as also the intricate writing. But Brexit isn't worth the great man, even given its sordid provenance and progress.

By the time I had landed back, I was thinking about other major story tellers who have or had lost the skills and after how many books they begin losing them. It also occurred to me that this happens only to those who write in one genre, whatever it might be.

For example, Anthony Burgess, one of the great but unsung English writers was best known for his worst novel, *The Clockwork Orange* because Stanley Kubrick made a film out of it with a lot of full frontal female nudity.

He almost never wrote in the same genre twice. The exceptions were the two trilogies or six novels out of 40-odd. But then he was also a critic, music composer and playwright.

I suppose one can say the same thing about Graham Greene as well. He too wrote about very different things.

Of more recent vintage are John Grisham and Daniel Silva. Grisham started to dip around 2002 and Mr Silva, who writes about an Israeli James Bond in the le Carre style, around 2013. On balance, Mr Grisham became worse as he went along.

There are many others who have suffered this fate. Dick Francis who wrote those wonderful racing crime thrillers and Sidney Sheldon are good examples.

Francis towards the end of his life was writing along with his son Felix who now writes his own. Sheldon has been "covered" by Tilly Bagshawe who has resurrected the Sheldon genre of rich and ruthless women.

Then there was Earle Stanley Gardner of the Perry Mason fame who wrote 103 novels. It was rumoured that he employed writers to churn these out.

But there's no need to go that far. There was Edgar Wallace, the man who created King Kong. Legend has it that he would lock himself in a room over the weekend and emerge with a novel. Good stuff to start with but going downhill after the first 40 or so. He wrote around 175 novels plus over 900 short stories and 20 or so plays.

Closer home — dare I say it — there was R K Narayan. Same story. Excellent stuff to start with but that contrived simplicity began to grate later on.

There has been only exception to this urge to write and write and write: J D Salinger. He wrote just one highly successful novel, *The Catcher in the Rye*.

A close second was Joseph Heller who wrote two. One of them was *Catch 22*.