Sitting on piles of data

In the next leap, Ayushman Bharat will not only scale up its data pool and spend but also the model to tackle fraudulent transactions and entities

NOT FOR PROFIT

NIVEDITA MOOKERJI

The definition of data is being interpreted and reinterpreted by analysts and businesses all over the world as India's Data Protection Bill got tabled in Parliament and soon after sent to a select panel for review. Data, referred to as distinct pieces of information usually formatted in a special way, has been an area of interest for this government, with Prime Minister Narendra Modi endorsing the idea of data being the new oil and new gold at Houston's "Howdy Modi" event.

Even as data has been a casualty because of the prolonged internet shutdown in Jammu and Kashmir and now in the northeast, many of the government schemes and initiatives have made good use of technology to keep data alive. While some ministries and departments have turned shy about sharing data that seemed rather mundane till recently, there are others aspiring to mine data and make a difference.

The government's flagship healthcare scheme — Ayushman Bharat or PM-JAY (Pradhan Mantri Jan Arogya Yojana) — is believed to be sitting on as much as 100 terabyte of data (one terabyte equals a trillion bytes) and soon the National Informatics Centre that hosts Ayushman may run out of space. Indu Bhushan, the man spearheading it all, is in demand as academics from engineering to medical institutes, business schools to policy think tanks would want a piece of the data pool available on a single platform. Big data being the backbone of all analytics, policy research on anything from healthcare to environment is possible with the data that Ayushman has accumulated in a little over one year after it was born. With more than 18,000 hospitals on board and over five million beneficiaries already, the scale is big and complicating matters.

Whether it's the Ayushman app, which tells you about your eligibility, gives you the hospital options and also lets you lodge complaints, or the call centres employing more than 600, it's data and more data. The app saw a million downloads within the first fortnight of its launch earlier this year. And, the dial 14,555 multi-lingual call centres across Delhi, Kolkata, Bengaluru and Hyderabad handle up to 50,000 calls a day.

The information technology spend on Ayushman so far has been estimated at less than ₹10 crore. As the data pool and the scale of the project go up, so will the spend. A pet project of the PM, Ayushman is readying for 2.0 where technology will be the centrepiece to carry the data story forward.

An internal slideshow demonstrates how the key technology blocks are being used, for the PM-JAY dashboard, for instance. It allows for an aggregated and drill-down view on various datasets integrated into the project's data warehouse, and is used for real-time reporting of transactions, evaluating performance and understanding utilisation trends. The tech blocks are also used for hospital empanelment system, beneficiary identification system, and hospital transaction management system. The beneficiary identification system, for example, allows for searching beneficiaries through SECC or additional datasets through Application Program Interface and supports Aadhaar eKYC and non-Aadhaar based KYC for authentication. Imagine the data pool. The tech blocks are also used for putting in perspective the information security and data privacy policies, besides allowing national portability, grievance management system and checking frauds.

In fact, the level of fraud has been significant in Ayushman and arresting it has been a challenge. So what's the gameplan now? As part of the IT landscape, a "Man-Machine" model has been planned to counter fraudulent transactions and entities. The model would generate triggers for suspicious transactions and entities, and will also allow for closure of investigations of such transactions. The road to future, or IT2.0 as Ayushman executives call it, will have a common digital health system, which will be a platform working as a common layer across all stakeholders. This will finally act as a backbone to the Universal Health ID in India. Before that, there are hurdles to cross as many states including Delhi, West Bengal and Odisha have stayed out of the Ayushman family.

India's credit crunch: Demand or supply?

Evidence of heightened risk aversion suggests a supply-shock has choked credit offtake

SAJJID Z CHINOY

India's slowdown has continued unabated for six quarters. There's clearly a demand element at play because core inflation has fallen sharply in tandem. If supply constraints had been responsible, output gaps wouldn't have opened up, and core inflation wouldn't have collapsed. But why has demand slowed so sharply? Is it that households have become risk averse as the slowdown has extended because the consumption that drove recent growth was driven by leverage? With consumption slowing, and global uncertainty elevated, it's understandable why firms would retrench.

A competing hypothesis, however, is the economy faces a "credit crunch" as financial intermediaries have become progressively risk averse. Risk premia have increased sharply, and financial conditions are much tighter than risk-free rates suggest. A "credit crunch" starts by hurting demand. Over time it morphs into a supply shock, by impeding working capital, investment and potential growth.

So what is currently squeezing demand? Risk-averse households and firms? Or a risk averse financial sector? Disentangling these hypotheses is crucial to identifying the right policy response.

Credit slowdown: Symptom or cause?

First, it's important to appreciate the quantum of the credit slowdown. The flow of credit across banks and non-banks has fallen a staggering 90 per cent compared to a year ago, according to the RBI. The NBFC retrenchment is understandable, given continuing asset quality concerns, the asymmetric information that grips that sector, and market access largely drying up. Instead, the real surprise is the banking sector, which was expected to fill the gap. Exactly the opposite has occurred. Bank credit growth has almost halved from a year ago.

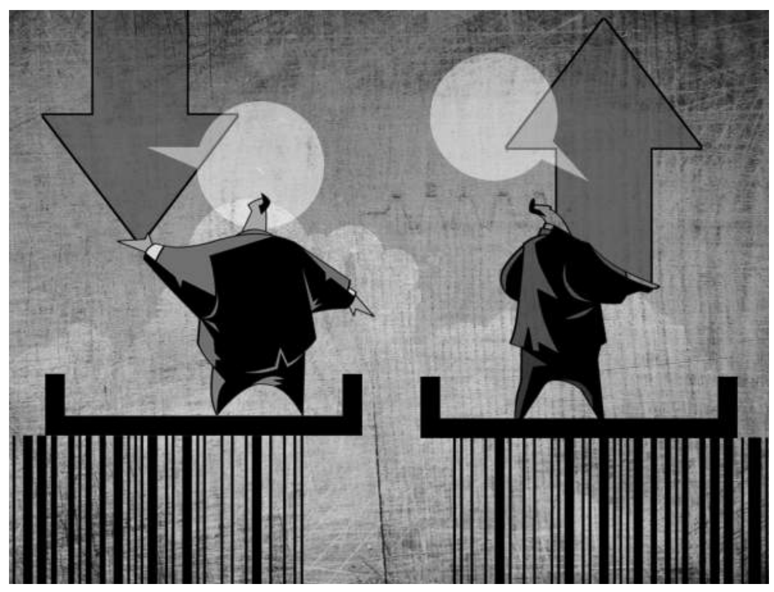
No wonder that such a sharp retrenchment of credit is correlated with a sharp slowdown. The question is, which is causing which? Is the credit slowdown a symptom of the slowdown? Or is it the cause?

To disentangle this, we use interest rates as an identification strategy. If demand for credit has fallen, offtake would fall, and interest rates should also fall to clear the market of loanable funds. Conversely, if banks have become more risk averse, lending standards have tightened and risk premia have gone up, this would be akin to the supply curve moving up. Credit offtake would slow but there should be upward pressure on interest rates. In both cases, credit offtake slows, but a demand shock should result in lower rates while a supply shock should push up rates.

How does this currently apply to India? India has witnessed a large policy easing cycle in 2019. If the transmission from policy to lending rates is much less than normal, banks' reluctance to cut lending rates would be a tell-tale sign of lending conditions tightening, risk premia rising, and the supply curve moving upwards. In contrast, if the transmission is typical, that would militate against such a hypothesis. Higher-than-normal transmission would suggest a potentially acute demand shock.

2019 versus 2015

To judge transmission, however, we need a benchmark. We use the 2015 easing cycle which saw 125 bps of cuts versus 135 bps in 2019. But transmission across the cycles is almost incomparable.



Eight months into the 2019 cycle, only 33 per cent of policy rate cuts have permeated into bank lending rates for fresh loans. At this time in 2015, a full 90 per cent of policy cuts had transmitted. The differences are equally stark when looking at the outstanding stock of all loans (since these get progressively repriced). In 2015, lending rates on the stock of loans had moved down 31bps (against policy rate cuts of 75bps at this point in the cycle). In 2019, the weighted average lending rate has actually increased by 2bps despite policy cuts of 135bps! Consequently, real bank lending rates have increased very sharply over the last year which has likely choked credit off-take and economic activity.

What else could explain this? Could these stark differences be explained by other proximate factors? Quite the contrary. First, liquidity has been in a massive surplus in 2019 but was in a deficit through most of the 2015 cycle. Second, bond market transmission has been greater in 2019 with yields moving down 70-80 bps versus just 15-20 bps in 2015. Third, incremental credit-deposit ratios have been lower in 2015 compared to 2019. Every one of these factors would argue for greater transmission in 2015. Taken together, they should have resulted in materially lower lending rates than in 2015. Exactly the opposite has happened, though.

Could deposit rate differences explain this? Ostensibly. In 2015, almost 80 per cent of the policy cuts had permeated into deposit rates by this time. In 2019, it has been a miserly 12 per cent! Why haven't deposit rates fallen more? Two hypotheses. First, the 2019 easing started with the largest gulf between small savings and deposit rates (110 bps) in more than a decade. In 2015, the gaps was negligible. Perhaps banks are wary of cutting deposit rates for fear of losing market share to small savings? Second, are deposit rates subject to "nominal illusion"? While real deposit rates remain healthy, nominal deposit rates are the lowest in 12 years. Perhaps banks worry that if nominal rates are cut, they would lose out to other asset classes?

But sticky deposit rates are only part of the story. If demand was so weak, banks could have reduced spreads to grow volumes and clear the market. The fact that they didn't is revealed evidence of growing risk aversion.

Policy implications

All told, a dramatic drop in credit offtake has accompanied the growth slowdown. The NBFC retrenchment is understandable, given asset quality issues still plaguing their balance sheets and consequent rationing out of credit markets. Bank diffidence is the surprise. The sheer lack of transmission suggests an increasingly risk-averse banking system sharply tightening lending standards. This has meant real lending rates have increased very sharply, hurting credit and activity. Unsurprisingly, firms that can access global markets are rushing to do so, with external commercial borrowing (ECB) doubling in 2019 versus 2018 — further evidence of a domestic supply constraint. External borrowing, of course, both puts upward pressure on the exchange rate and, if unhedged, creates financial stability concerns.

The clear policy implication is tackling the financial sector is a prerequisite to a recovery. This includes one, hastening resolution of stressed assets; two, urgently changing the incentives of PSU banks (P J Nayak Committee); three, ensuring small savings rates actually move with market benchmarks; four, resolving the asymmetric information failure in the NBFC space; and five, plugging the capital/equity gap in systemically important NBFCs.

This is not to say slowing demand plays no role. Risk-aversion amongst banks also reflects stress in key sectors of the economy (real estate, power, telecom) and the consequent bank diffidence creates a vicious interplay of demand and supply forces. De-risking key sectors is therefore imperative in breaking the logjam.

It's tempting to contemplate out-of-the-box solutions like "QE" or "Operation Twist" to bring down bond yields in the hope of better monetary transmission. But it's clear the constraint lies elsewhere. Before thinking out of the box therefore, we must attend to the plumbing within the box.

The author is chief India economist at J.P. Morgan. Views are personal

INSIGHT

The 'social' aspect of ESG

The debate on diversity is expanding to include ethnicity, disability and sexual orientation, not only on board but also in senior management

UK SINHA & SAUMYA SAHAI

In the first part of our article we discussed the 'E' or the environmental component of ESG. In this part we will discuss the 'S' or the social component of ESG, that is, the approach of a company towards it employees, customers, and the community at large.

The various aspects of social welfare draw their origin from international instruments which inter alia include the Universal Declaration of Human Rights, the Core Conventions of the ILO, UN Guiding Principles on Business and Human Rights, the Sustainable Development Goals and the UN Guidelines on Consumer Protection. The principles laid down in these international instruments are also reflected in the national laws of many countries, including India.

Though our national laws regulate employment conditions, industrial relations, health and safety conditions, wages, consumer rights and rights of some communities, yet social issues like diversity, compensation practices, CSR and stakeholder protection have attracted a lot of attention in the recent years.

Gender diversity on board became the initial focus for policy-makers and investors. Norway became the first country in the world to introduce a binding gender quota on board in early 2000s. India, Germany France and many other countries also introduced laws mandating gender quota. India also has a mandatory requirement of one woman independent director for top 500 companies (top 1000 from April 1, 2020). It is easy to predict that these requirements are going to be more stringent in future. In 2018, California became the first State in the USA to implement women quota on board. As part of good governance practice, companies like Google, Facebook, Microsoft, Twitter and some others publish voluntary diversity reports. In 2010 the "30 per cent Club" campaign was started in UK with the objective of achieving at least 30 per cent female representation on FTSE100 boards. The campaign became popular and expanded to 14 countries/regions. Currently, it targets to achieve 30 per cent female representation on boards as well as senior management by 2020.

The debate on diversity is expanding to include ethnicity, disability and sexual orientation, not only on board but also in senior management. Recently, the US SEC issued a guidance on these issues. Some companies have also started making voluntary disclosures around this subject. In its 2018 annual report Goldman Sachs stated that, it is undertaking initiatives to increase the representation of diverse communities at all levels across the firm. The new recruitments at analyst/entry level would have 50 per cent women, 11 per cent black professionals and 14 per cent Hispanic/Latino professionals in USA, and 9 per cent black professionals in UK. In 2018, Godrej India set an example by publishing "A Manifesto for Trans Inclusion in the Indian Workplace". Pay parity across diverse set of employees is also something being intensely highlighted by investors.

Another aspect that has attracted a lot of focus is — "providing social security to women". In India, the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act was enacted in 2013 to provide protection to women against sexual harassment at workplace. Similarly, the Maternity Benefit (Amendment) Act, 2017, provides for granting of 6 months of paid leave to women.

Some countries also have laws around paternity leave. For instance, in Japan fathers can take upto one year of paternity leave. India is yet to introduce such law. However, companies like TATA Steel, TVS, PepsiCo and others are setting examples by having paternity leave policies.

Apart from welfare initiatives for employees, companies are being evaluated on how they ensure the well-being of their customers and their impact on the local community.

The Companies Act, 2013, recognises community as a stakeholder. It prescribes mandatory CSR spend by a company. However, this is not enough. Considering the economic strength and the over- reaching presence of companies, they are now expected to play a larger role for the welfare of communities. The National Guidelines on Responsible Business Conduct (NGRBC) introduced by the MCA in 2019, provide that companies should respect and be responsive to all stakeholders especially those who are vulnerable and marginalised. The framework for Business Responsibility Report (BRR) introduced by SEBI inter alia, prescribes disclosure on actions taken by a company to engage with the vulnerable and marginalised stakeholders.

Companies also have responsibilities towards their customers. The NGRBC recognises that companies are responsible to ensure that the products/services provided by them are ethical, safe and provide value to customers. The BRR framework requires a company to make disclosures on consumer complaints, customer survey and related matters.

All over the world, regulators, investors and shareholders are concerned about sustainable performance of companies. Huge consensus is emerging that financial capital is not the only capital of companies, and that their ESG performance should be tracked for evaluating their long term worth.

Globally, ESG factors are emerging as the main determinants of flow of funds into companies. Larry Fink, the CEO of BlackRock, in his 2019 letter to the CEOs of organisations emphasised on the Purpose of an Organisation, that is, companies are not only expected to generate profits but also, contribute to the well-being of the society. Further, several index providers have devised indices that specifically incorporate ESG issues. This trend has also started picking up in India.

For longterm value creation and sustainable growth, companies are well advised to incorporate integrated thinking in their culture and start focusing on ESG issues.

Sinha is senior advisor & Sahai is associate, Cyril Amarchand Mangaldas

CHINESE WHISPERS

Promise & win

With just two weeks left for the local body election in Tamil Nadu, a handful of seats are being "auctioned". Under the "auction" terms, aspiring candidates must promise to spend a certain amount of money on repairing village temples and other such institutions. If and when they are satisfied, villagers resolve that the candidate would be elected unopposed. Villagers under two panchayats in Cuddalore district have agreed not to contest against two aspirants who had promised to repair the temple and carry out other developmental work. After three years' delay in holding elections for the local bodies in Tamil Nadu, the state Election Commission announced the polls would be held in two phases, on December 27 and 30.

UP offensive against offenders

With crime against women witnessing a sudden spurt in Uttar Pradesh, the Adityanath government has reenergised its anti-Romeo squad, which was instituted soon after the Bharatiya Janata Party (BJP) government came to power in March 2017. The police wing, which was criticised by some for allegedly targeting couples hanging out in public places, gradually lost its sting. With the issue of women's safety coming to focus in recent weeks, the UP Police is procuring about 25,000 body-worn cameras for the anti-Romeo squad members and the traffic police. The district police teams have been sensitised for proactively deal with incidents related to women's safety. The action taken by cops against offenders are being uploaded on Twitter handles by the ruling BJP functionaries to blunt the opposition onslaught.

Change of guard

The Congress-led United Democratic Front (UDF) might see a change of guard in Kerala before the assembly polls scheduled in 2021. Former chief minister Oommen Chandy who took a back seat after the party's defeat in 2016 elections, is likely to be the party's face in the upcoming polls. Allies in the Congress-led coalition are dissatisfied with Ramesh Chennithala, the current leader of the opposition in Kerala assembly and likely frontrunner for the CM's post. They are miffed at Chennithala's inability to keep the ruling LDF on its toes despite having more than enough issues to rattle the ruling dispensation. Chandy continues to be the most popular Congress politician from the state despite being in the wilderness in recent years. Sources say that Chandy might resign as the Congress general secretary during the party plenum next year.

LETTERS

Voice of reason

Apropos the article "The legitimisation of vengeance" by Shyam Saran (December 11), it is heartening to hear a voice of reason amidst the cacophony of adulation heaped on the Telangana police. The Chief Justice of India (CJI) is also right in expressing his voice of disapproval. He should lead the pack in fixing the criminal justice delivery system that is broken and results in such unconstitutional methods of delivering justice.

Ganga Narayan Rath Hyderabad

An eye for an eye?

This refers to "The legitimisation of vengeance" by Shyam Saran (December 11), wherein the writer calls the public jubilation over the encounter killings as "vulgar outpouring of accolades for the Hyderabad police". It would be prudent to examine why the public is reacting this way. Legal delays in India are well known. Criminals sentenced to death are always given a long rope, to file review and mercy petitions, with their sentences frequently getting commuted to life imprisonment, following the dictum "better 10 guilty persons escape than that one innocent suffer".

The Nirbhaya case is a classic example of the same where one of the convicts filed a review petition on December 10. The public reaction is to be viewed in this context, barbaric though it may seem to be.

V Jayaraman Chennai

Mindset change is key

This refers to "The legitimisation of vengeance" by Shyam Saran (December 11). The police seem to have ended the sordid saga without allowing it to be mired in the judicial tangle. Abhorrent crimes against women is rampant. The number of cases pending in courts needs to be looked into and efforts taken for speedy resolution. We also see how instant justice gets meted out against people with no influence or political backing.

Atrocities against women by men will only cease when the mindset of men undergoes a change. It has to begin from childhood.

K V Premraj Mumbai

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Data protection concerns

India's first privacy legislation has too many holes

The government has taken extraordinary measures to reduce public scrutiny, and even Parliamentary examination of the Personal Data Protection Bill. The draft was not circulated well in advance of its presentation in Parliament and comments and submissions made during the drafting process were not made public. Communications, Electronics & Information Technology Minister Ravi Shankar Prasad requested that the Bill should be examined by a select committee chosen for the purpose and not by the Standing Parliamentary Committee on IT (which is chaired by an Opposition member). This lack of scrutiny makes it more likely that multiple areas of concern will not be addressed.

On the positive side, there is good protection against data misuse by companies. There is also a provision for a Right to Erasure (the so-called right to forget) and Right to Correction, which allows individuals to request deletion or correction of data, once it is no longer necessary for the specific purpose for which it was collected. However, this has been nullified by massive exemptions for government surveillance, data-handling and other disturbing provisions. Social media platforms will be asked to provide a process for voluntary verification of users. The government claims the right to demand "non-personal" data. There were some exemptions for government handling of data in the original 2018 draft by the Justice Srikrishna Committee but these have been expanded. The Srikrishna Committee's suggestion that government data-processing be "necessary and proportionate" has been erased. An additional provision has been inserted to grant discretion to exempt any government entity, or department, to collect data without consent. This means zero checks and balances against state surveillance.

The independence of the proposed Data Protection Authority (DPA) has been weakened as all members must be from the executive arm of government. This contrasts with the Srikrishna Committee's suggestion that the DPA induct individuals with executive, judicial, and external expertise. The draft also avoids setting any timeline for setting up the DPA. If social media platforms are forced to provide processes for "voluntary" user-verification, this would chill freedom of expression, and impinge on the privacy of those who chose to be verified. Any user who does not submit "voluntary" verification and remains anonymous could also be specifically targeted by government agencies. Moreover, it would increase the risk of profiling, and data breaches as more data would flow to social media platforms.

The mandate for enforced transfer of "non-personal" data to government could also lead to abuse and misuse. The definition of "non-personal" data is very broad. Even anonymised information about e-commerce sales patterns can, for example, be used to infer personal details like caste, religion, medical conditions, sexuality, reading habits and so on. Tying non-personal data to personal data, such as electoral rolls, income tax records, mobile call and internet-usage patterns and social media usage is possible since government has access to such data and a free hand with surveillance. Using that data for malign purposes, such as influencing voters, or threatening them, is possible. It is a pity that India's first privacy legislation has so many holes. It is also ironical that an attempt is being made to pass this Bill with minimum transparency. It may lead to flawed legislation that fails to protect individuals unless the Opposition insists on vigorous debate and amendments to strengthen the protection of privacy.

Transferring fertiliser subsidy

Farmers do not favour direct cash transfer

The government's decision to devise a plan to transfer fertiliser subsidy directly into the bank accounts of farmers has both merits and demerits that need to be weighed meticulously before taking a final call. Prima facie, the intention behind the move seems commendable as it seeks to plug the leakages in subsidy disbursement. But its implementation is unlikely to be hassle-free. This is because all farmers do not use fertiliser and in the case of the users, too, the assessment of their subsidy entitlement will be complicated. The quantity of fertiliser used by each farmer, as also the amount of subsidy on different types of fertiliser, varies widely and keeps changing from time to time. The subsidy amount, therefore, cannot be worked out till fertiliser is actually bought by the cultivators.

At present, the subsidy is routed through fertiliser companies, though the payment is released only after recording the sale of the products at the subsidised rates through the specially designed point-of-sale devices installed at every retail outlet. Though the government calls it "direct benefit transfer" (DBT) — perhaps because it bypasses the state and district administrations — it, clearly, is a misnomer as the amount goes to fertiliser companies and not to the farmers. The payment is generally released after a lag, resulting in accumulation of arrears. Going by the industry estimates, the unpaid dues stood at over ₹33,600 crore in the beginning of November. These may swell further to ₹60,000 crore by the end of the current fiscal year.

What the fertiliser ministry intends to do now is to replace it with a direct cash transfer (DCT) mechanism where the subsidy goes straight to the cultivators. However, the farmers seem wary of this system. A study sponsored by the NITI Aayog bears this out. It has found that over 63 per cent farmers do not favour direct cash payment. Although the government has dismissed this study, maintaining that it did not cover adequate number of potential beneficiaries, the apprehensions of farmers appear well-founded. The fear is that they would have to pay market prices upfront, which would be too high for them to afford without borrowing additional money from informal sources (read moneylenders) at high interest. This issue should be suitably addressed.

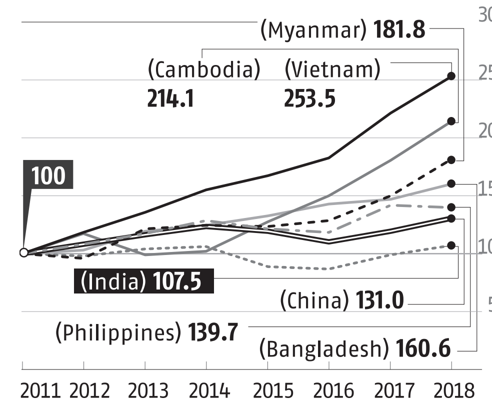
This aside, some of the potential gains normally expected from DBT have already been realised in the case of fertilisers through other ways. The mandatory neem-coating of the entire urea output, for instance, has more or less eliminated the scope for its diversion for industrial use. The objective of cutting down the consumption of urea to tone down the imbalance in the application of nitrogen, phosphorus and potash has partly been achieved by reducing the size of urea bag from 50 kg to 45 kg. Farmers generally measure the fertiliser doses by the number of bags per acre. Among the other fertiliser sector reforms that are still pending, the most critical is to decontrol urea and bring it under the ambit of the nutrient-based subsidy system applicable to most other fertiliser. That will not only ensure balanced use of fertiliser, but also help slash subsidy outgo on this most-consumed fertiliser product.

TABLE: INDIA'S EXPORTS STAGNATE

	'08-09	'10-11	'11-12	'12-13	'13-14	'14-15	'15-16	'16-17	'17-18	'18-19
Merchandise exports as % of GDP	13.3	15.0	17.0	16.8	17.1	15.5	12.7	12.3	11.9	12.4
Non-oil exports as % of GDP	11.0	12.3	13.7	13.1	13.5	12.4	11.0	10.7	10.2	10.5
Share of world exports	1.21	1.48	1.65	1.60	1.66	1.70	1.62	1.65	1.69	1.67
REER Index	99.7	115.0	113.2	108.7	105.5	111.3	114.5	116.5	121.9	116.3

Notes: 1) Share of World Exports data are for calendar years; thus 2008/09 refers to 2008.
2) REER Index = Index of Real Effective Exchange Rate, 36-country export weights (Base 2004/05=100)
Sources: RBI Handbook of Statistics on The Indian Economy and WTO Statistical Review 2019

CHART: INDEX (2011=100) OF MERCHANDISE EXPORTS OF SELECTED ASIAN COUNTRIES



Source : World Trade Statistical Review 2019, World Trade Organization

Why neglect exports?

India's exports are held back more by our inadequate policies than by any stagnation in world trade

The Indian economy is in the midst of a steep and pervasive slowdown, with the growth rate having declined in six successive quarters down to 4.5 per cent in FY 2019/20 Q2 and with little prospect of early recovery. There is a great deal of debate in the media and other fora on how to revive the main components of aggregate demand such as consumption and investment, and whether the parlous fiscal situation permits further pumping up of government spending. Astonishingly, there is little discussion on the missing component, exports.

Yet, as recently as 2013-14, exports of goods and services accounted for 25 per cent of gross domestic product (GDP), which is more than the share of government expenditure and just a little less than that of fixed investment. Unfortunately, the stagnation of India's goods exports at around $300 billion since 2011-12 has brought the share of total exports down to below 20 per cent in 2018-19, and that of goods exports to 12.4 per cent (*see table*). Global development experience shows that no sizable economy has sustained rapid economic growth (7 per cent plus) without sustained strong growth of exports. That is also our own experience: The two best periods of Indian economic growth (1992-1997 and 2003-2011) closely mirrored strong spurts of export expansion. Exports also tend to be employment-intensive and, in India, good for the micro, small and medium enterprises (MSME) sector, which has traditionally provided 35-40 per cent of goods exports. Export growth is also necessary to strengthen our somewhat vulnerable external finances. So why not reverse the policy neglect of exports?

A PIECE OF MY MIND

SHANKAR ACHARYA

Before we turn to policies, we have to deal with one misleading narrative, which argues: There is nothing much wrong with India's trade policies; our export stagnation is all due to the stagnation in world trade after 2011. World export growth has indeed been sluggish since then. But we have sustained export growth higher than the world in both the periods noted above. Furthermore, unlike us, some other Asian countries have done rather well in recent years. The chart shows that between 2011 and 2018, India's goods exports increased by only 8 per cent. In sharp contrast, Vietnam's exports grew by 154 per cent, Cambodia's by 114 per cent, Myanmar's by 82 per cent, Bangladesh's by 61 per cent, the Philippines' by 40 per cent, and China's by 31 per cent. Rapid export growth is all about increasing market share. Between 2011 and 2018, our share of world exports stagnated at 1.7 per cent, while Vietnam's share more than doubled, Myanmar's increased by 80 per cent, Bangladesh's by more than 50 per cent, the Philippines' by 27 per cent, and even giant China's by over 20 per cent despite trade wars. China's share of world exports increased by 2.4 percentage points over the seven years, which is 60 per cent more than India's total share in 2018!

So let us not blame world trade trends. With the right policies we can increase our share of world exports, to the benefit of growth in GDP, employment, MSME output and stronger external finances. Conversely, with the current inadequate policies, exports may continue to stagnate, with negative implications for overall economic growth, employment and external financial viability.

So what are some of the policy priorities for resurrecting our weak export performance? These include: Long-gestating policies such as better education and skilling of our abundant, low-paid labour force; building more and better infrastructure, which enhances connectivity and logistics performance and improves the availability of cheap and reliable energy; reform of land and labour laws, and revival of our embattled financial system. These will benefit overall economic productivity and performance and thus help build a competitive and productive economy.

Within the narrower domain of foreign trade policies with a short- and medium-term pay-off, our focus should be on those policies which have contributed significantly to export stagnation over the last seven years. Four are particularly important. First, the current over-valuation of our currency has to be corrected, since it is equivalent to taxing exports and subsidising imports. As the table shows, the real effective exchange rate of the rupee has been significantly higher in this decade, as measured by the Reserve Bank's 36-country index. The reduction of this over-valuation will not only spur exports but could also help reverse the three-year-old lurch towards widespread, import tariff protection. We have to recognise that higher import duties not only encourage inefficient and high-cost domestic production but also discourage exports by making their inputs more costly whether from foreign or domestic sources. No country can sustain high export growth while resorting extensively to substantial import tariff protection. If we are serious about resuming robust export growth, we have to roll back the import duty hikes of recent years. And that will be easier against a background of declining currency over-valuation.

Third, we must understand that much of the world trade growth in the last two decades has been propelled by global (and regional) value chains (GVCs). It is no coincidence that most of the exemplars of rapid export growth depicted in the chart are also far better embedded in GVCs than India (for a good comparative analysis of GVCs in Asia, see Amita Batra's, "India's Exports and Factory Asia", *Business Standard*, September 3, 2019). Furthermore, despite the finance minister's commendation of GVCs in her July Budget speech, resort to pervasive and unpredictable import duties undermines successful participation in GVCs, which require nil or low import duties and easy, cross-border flows of goods. Our recent refusal to be a founding member of the Regional Comprehensive Economic Partnership (RCEP) will, over time, seriously hurt our trade and export prospects in the largest trading community in the most dynamic region of the world. If it is at all possible to still sign up, we should do so. Otherwise, time may prove our reluctance to be a historic error in trade policy.

Fourth, ever since the goods and services tax (GST) was implemented, there have been widespread and persistent complaints from exporters about incomplete and much-delayed receipt of input tax credits. These problems must be tackled on a war-footing through procedural reforms. The textbook rule of zero-rating exports in the GST system must be made to work in practice.

Higher export growth will help reverse the economic slowdown, create more jobs and strengthen our external finances.

The writer is honorary professor at ICRIER and former chief economic adviser to the Government of India. Views are personal

Rape as a *tamasha*

Vigilante policemen are feted for shooting rape accused in Hyderabad "while escaping" — the oldest trick in the book. In Delhi, the government is planning to extract some political mileage by planning to hang the four remaining rape accused in the high profile December 16, 2012 rape on the seventh anniversary of the crime. In Unnao, a victim dies after being burnt alive by her attackers. In the same district, another victim's father is killed in custody and she and her relatives are attacked. In Parliament, various MPs make grand statements about the "safety of India's daughters".

In India, rape as an issue remains hostage to social and political contestations that ricochet between high-profile righteous indignation and spurious Bollywood-style anguish. Most Indians are agreed that rape is a monstrous atrocity against women and rapists should be brought to book. Beyond the cathartic demands for "justice", how deep does this societal concern go?

SWOT

KANIKA DATTA

Consider the December 12 tragedy. After the news hit the headlines, a visible gathering of outraged protests near Raisina Hill galvanised the police into action. The rapists were apprehended in record time. There are none of the usual doubts about the victim's story that assail women reporting rape. Under the uncomfortable glare of the global media, the victim, her chances of survival minimal, was flown to a Singapore hospital for treatment — a privilege never extended before or after to other victims. She dies, and the court case is fast-tracked — again, a privilege that is extended to few rape victims.

A woman MP conspicuously breaks down in Parliament. A leading newspaper assigns the victim a nauseating nickname, which unfortunately, has become shorthand for the tragedy. Sonia Gandhi and her son entertain a visit from some protestors late at night. To what purpose? Nobody knows to date.

What happens next? One good thing: Rape legislation is strengthened, though minors inexplicably remain outside its purview. And one weird thing: The 2013 Union Budget announces a ₹1000 crore "fund" to promote women's safety. Its chief function is to propose and implement plans for women's safety.

But here's the obvious practical thing that the Delhi state administration could have done in the immediate aftermath and that is to ensure that public transport systems function efficiently. The tragedy occurred because auto-rickshaw drivers refused the victim and her friend a ride — an age-old problem that involves a perverse incentive system that governs this form of private transportation (much of it owned by local politicians and police officers). So the two were forced to fall back on the services of an illegal private bus service manned by six miscreants.

This essential problem of an efficient public transport market is still to be addressed. Only the Delhi Metro, under a separate administration, addressed the issue of women's safety from the start of operations and deserves credit for following through efficiently on this founding operating procedure. Chief Minister Arvind Kejriwal's solution is to make all bus travel free and appoint marshals on buses. The efficacy of the first idea is open to dispute but the second is certainly a practical one. As in all things Indian, however, it suffers from poor implementation. As one of the newly appointed marshals point out, they lack even rudimentary equipment (not even a *lathi*) or training and can do little if groups of men decide to harass women passengers.

In 2014, India voted in a new prime minister with a stunning majority. On August 15 of that year, he spoke eloquently about India's rape culture: "Those who commit rape are also someone's sons. It's the responsibility of the parents to stop them before they take the wrong path." Yet the Delhi Police, which comes under the central government, is yet to undergo the kind of gender sensitisation programmes that will not only enhance women's safety but also encourage them to report such crimes. In the UK, for instance, the starting point for a rape investigation by the police is to believe the victim's story. In India: It's still a case of inflicting maximum humiliation on the woman. And the PM has nothing to say when "someone's sons" from his own party committed horrific rapes in Kathua and Unnao.

As the fierce controversies that followed those two rapes exemplified, the issues degenerate into political point-scoring *tamashas* that serve no purpose. Societal murmurs about "adventurous" women who may drink, smoke, have boyfriends, visit bars or wear "provocative clothes" obscure the issue even more. The truth that few Indians will care to acknowledge is that the Indian girl child is vulnerable from the day she is born (if she is born) to a predatory, patriarchal social power structure. Her body is fair game for fathers, brothers, uncles, neighbours, employers, upper caste men and more (the lower the caste, the higher the risk). This rape and harassment culture rampant in Indian households remains an unacknowledged truth that permeates societal attitudes and feeds into a stultifying indifference towards crimes against women. In a society in which women's power equations are still derived from men, *beti bachao, beti padhao* is the obvious way to go. But when an economic slowdown forces women's participation in the workforce to new lows, such forces of social progress are likely to stagnate too.

'Asian Century:' A reality check

BOOK REVIEW

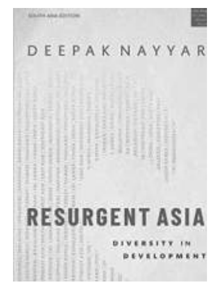
ANITA INDER SINGH

In his 1968 *magnum opus* Asian Drama, the Swedish economist Gunnar Myrdal was wrongly pessimistic about Asia's development prospects. That is the starting point of Deepak Nayyar's *Resurgent Asia*, which offers a panoramic vision of Asia's economic transformation. In 1968, Asia was the world's poorest continent. Half a century later, its share of the world economy has risen from one-tenth of the world's industrial production to one-third. Its gross domestic product (GDP) and GDP per capita are higher than those of industrialised countries, Africa and Latin America. Asia is the source of one-third of world trade. Literacy rates and life expectancy have risen in all Asian countries.

Imperial domination, serving the interests of Western imperial powers, resulted in the deindustrialisation and decline of Asian countries in the world economy. In the mid-18th century, Asia produced three-fifths of the world's income. Under colonial rule, that share fell to 15 per cent. China and India generated nearly half of the world's income and accounted for 57 per cent of its manufacturing production. By the early 1960s that had fallen to 5 per cent.

Political independence in the 20th century restored the economic autonomy of Asian states and enabled them to pursue their own development policies. Over the last 50 years, each Asian country's economic and social transformation has been shaped by its unique history, culture and politics.

Post-independence, most Asian countries have been helped by their long history of statehood and cultures — which survived colonial rule. Asia's political systems include authoritarian states, oligarchies and democracies. They have been influenced by different ideologies including communism, state capitalism and democracy.



RESURGENT ASIA: Diversity In Development
Author: Deepak Nayyar
Publisher: Oxford University Press
Pages: 295
Price: ₹895

Education, investment, savings and exports have been the main drivers of Asia's progress. High investment has led to increased exports and GDP growth. Technology will be a driver of progress in the years to come, so the technological education of Asians is of great importance.

Administratively effective states have made more progress than inefficient ones. Together with openness, they have contributed to growth. Sound industrial policy combined with effective governance has led to quicker development. States and markets have played complementary roles. Countries where governments and markets have found a balance in their respective roles advanced relatively quickly. (Could India learn from the experience of other Asian countries?)

Mr Nayyar's view that, generally, democracies have made more progress than authoritarian states is corroborated by UNDP's Human Development Index, in which the top 30 states are democracies. On the whole, even flawed Asian democracies have fared better than dictatorships because their politically institutionalised checks and balances have been conducive to development. The competent bureaucracy of democratic Japan (which he does not discuss in detail) has ensured accountable governance, based on a strong rule of law. Carrots and sticks have been used by Asian governments, but sticks have not ensured compliance with official policies.

East Asia has turned out to be the economic leader, South Asia the straggler. Especially in China and Singapore exports stimulated demand. Singapore, Taiwan and South Korea are now industrialised countries. More than half of Asia's trade is within the continent.

Progress has not done away with inequality and poverty in Asia. As growth slows down the persistence of inequality and poverty within countries is exploited by populist parties. They press governments to introduce protectionist measures and limits on immigration. Exclusionary nationalisms are rising in some countries. India and China have relied more on domestic markets and resources for development. Taiwan and South Korea have paid greater attention to external markets and domestic resources. For many ASEAN countries, external markets and resources were of greater import than domestic ones.

China has relied more than South Korea and Taiwan on foreign direct investment (FDI), but it has also used its efficient supply networks, large domestic market and skilled workers to impose conditions on export commitments and technology transfers. Vietnam is trying to follow suit. FDI and connectivity with global value chains have increased manufacturing for global markets. Greater progress has been made where governments led their countries into integration with the world economy.

Mr Nayyar rightly dismisses the "hyperbole" about the 'Asian Century'. By 2050 Asia will account for about half the world's population. But in terms of income per capita it will not match the US or Europe.

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