Needed: Seamless internet

In times of need, access to internet should be widened to scotch rumours and fake news and not the other way round

NOT FOR PROFIT

NIVEDITA MOOKERJI

As another year comes to a close, wish lists are being drawn up in plenty all over the place for 2020. If there could be any pecking order for wish lists, my top choice would be a ban on internet shutdown, whether it's Delhi or Kashmir, Uttar Pradesh or Kerala. Even though the government motivation to stop internet is mostly driven by its desire to check violence or maybe public unrest by restricting social media, the outcome of an internet shutdown is catastrophic to put it mildly.

As we saw in some parts of the country recently, including in NCR that houses a fairly large number of professionals working in India's capital city, no internet meant no cab booking on the mobile app, which has emerged as the most popular mode of travel for many however much you may hate Uber, Ola and the like. No internet also meant no food ordering on a click, even if Swiggy and Zomato are the only names one remembers while hungry, irrespective of the nature of meals they aggregate and deliver. Add to that the challenge of e-commerce and m-commerce. While home-grown traders must have rejoiced at the thought of Amazon and Walmart-owned Flipkart losing business due to no internet, it's the consumer who lost out big time. With no internet, banking too was at a standstill for those who got used to transacting online. Digital payment was a casualty as well and cash was again the only go-to option. So many other services, which are supposed to ensure safety and convenience for the people of the country, went for a toss.

It was then that it occurred in real sense what Kashmir might have been going through for months. Often cut off from the mainstream, Kashmir is like a different universe and its issues rather remote to most. The Internet shutdown, following the nationwide protests against the citizenship law, brought Kashmir and its problems closer home. Kashmir has been dealing with no internet and restricted phone connectivity for long, but it was a matter of intellectual debate only, till recently. Not anymore.

The government should think before shutting down internet as the country aspires to go up the rankings in World Bank's ease of doing business. India is still not in the top 50 club of countries. Blocking internet, for whatever reason, will not help the country in achieving its goals. With international press watching India-related developments closely, cutting off internet connection will only have an adverse impact on the future ease of doing business rankings.

Besides, some of the flagship government schemes like Digital India and Start Up India would have no relevance left if internet continues to be treated like a state-run commodity, if not a "walled garden". The same goes for the government effort to reduce the use of cash. If demonetisation forced us to adopt non-cash methods, any further clampdown on Internet will move us away from digital payments.

Since the ruling Bharatiya Janata Party (BJP) promised red carpet for investors before it was elected to power in 2014, any going back on that promise might not be a good idea. Also, breaking the silence of the previous UPA government, the Narendra Modi regime went on a social media high to reach out to the people of the country like never before. Prime Minister Narendra Modi has shown the way to exploit all possible digital platforms—Twitter to FaceBook, MyGov.in to the app named after him—to talk about the achievements of the government and to even crowd source for all major schemes and programmes. It's odd for such a big backer of all things digital to shut down Internet and block data that should be flowing free.

India wants to be a $5 trillion economy and as the PM himself said recently, it would mean a much higher degree of ease of living. Indeed, one thing should lead to the other. But the dream of $5 trillion economy may remain a dream if curbs are imposed on internet and data. Data is the new oil, as many have authoritatively pointed out. If that is so, why should there be any restriction on data or internet at any time? To be able to belong to a first world club, the state machineries should not mess around with internet. In times of national contingency or for security, access to internet should widen to scotch rumours and "fake news" if at all, and not the other way round.

CHINESE WHISPERS

Matchmaking for cows

Owners of cows in Madhya Pradesh can now find perfect matches for them, thanks to the animal husbandry department, which has complied a matchmaking database of some 200 bulls. The database, called 'sire directory', contains copious amount of information on the bulls. The information is divided into three parts. The first deals with the breed, parentage and age of the bulls. The second is about the milk production capacity of the mother and the fat percentage in the milk. The third details tests undertaken to ascertain diseases. The directory would be updated regularly and put online for better access.

New Year's gift

With a new government in place, Maharashtra has allowed hotels to remain open till 5 am during Christmas and the same rule would apply on New Year's Eve as well. Aditya Thackeray, son of chief minister, Uddhav Thackeray, had promised that hotels would remain open 24 hours and that would be the first step towards making Mumbai a global city.

BJP's CAA outreach

Following widespread anti-Citizenship Amendment Act protests and the closing of ranks by the Opposition parties in the state, Uttar Pradesh's ruling Bharatiya Janata Party has taken many fire-fighting measures, including an extensive outreach programme especially among the minorities and the rural people. State Deputy Chief Minister Dinesh Sharma has met prominent Muslim clerics in Lucknow to assure them that there was nothing against the community in the new Act. Next, party leaders plan to hit the streets to reach out to 5 million households in 100,000 villages across the state to clear misgivings on the issue. During the month-long drive, senior party leaders would also address the local media at the various district headquarters.

Cross-border love for Indian start-ups

Not just from the likes of Alibaba and Didi Chuxing, Indian start-ups saw a surge in Chinese funding from financial investors this year

T E NARASIMHAN

The year may not have been a great one for Indian industry, but start-ups saw a surge in funding from one particular country:China.

The past year has seen large amounts of Chinese cash flow into Indian start-ups: Investments from China rose nearly 94 per cent to $3,916 million, from $2020 million last year, according to private equity database supplier Venture Intelligence. This is a sevenfold jump from $459 million in 2016.

Chinese investors are pouring money into the country at a time when PE/VC investments from the US and Europe are slowing. US investors infused around $9.18 billion in 2019 so far in 331 deals, as against a five-year high of $10.52 billion in 320 deals in the entire year in 2018.

TAKE TWO

This funding surge is vastly different from what the country has seen before. Up until now, Chinese investment was made into Indian unicorns primarily by technology majors: Tencent and Didi Chuxing in Ola, and e-commerce giant Alibaba, along with its affiliate Ant Financial, in Zomato.

The flood of money this time round is coming from financial investors looking to diversify their portfolio or pick up stake in promising start-ups for long-term investment. Shunwei Capital, which has been established by the founder of Xiaomi, China Lodging Group and China-Eurasia Economic Cooperation Fund and Baring Asia, among others, are among the new investors.

The most recent entrant is Ping An Global Voyager Fund, which has invested around $250 million across Europe, China and Israel. Along with other investors Ping An invested $70 million in Jaipur-based CarDekho, an autotech company, earlier this month. This is its first investment in India and the fund has lined up $20-$35 million more for the country.

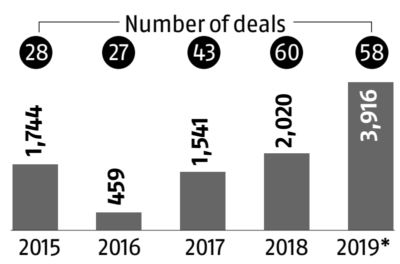
What's interesting is that these investors are willing to look past the current economic slowdown. "The country is just far too significant a player to ignore on the basis of macroeconomic concerns or cultural differences," says Donald Lacey, COO & MD, Ping An Global Voyager.

"The Chinese investors perceive a tremendous amount of long-term opportunity, rooted in demographics, technology know-how, and a strong roster of high-quality entrepreneurs and new companies," he adds.

One can hear an echo of his words at Beijing-headquartered Fosun RZ Capital, an affiliate of Fosun Group, an active VC firm in India.

Tej Kapoor, managing director and head of Fosun RZ Capital India, says investors see India as the next China. The group, which has invested in online travel and hotel booking firm Ixigo, logistics firm Delhivery and online parenting network Mylo, among others, has made three investments in India in 2019.

Ping An invested $70 million in Jaipur-based CarDekho earlier this month. This is its first investment in India



TOP CHINESE PE-VC INVESTMENT IN INDIAN COMPANIES IN 2019

Company	Investors	Amount ($Mn)
GMR Airports Holding	SSG Capital, GIC, Others	1,143
PayTM	Alibaba, SoftBank Corp, Others	1,000
CitiusTech	Baring Asia	880
NIIT Technologies	Baring Asia	872
Udaan	GGV Capital, Altimeter Capital, Tencent, Hillhouse Capital, DST Global, Lightspeed Ventures, Others	586

* YTD

Source: Venture Intelligence

The India opportunity also comes from the country being a land of big contrast. On the one side is its IT and pharmaceutical industry that have become global giants and, on the other, there are huge gaps in infrastructure, health and transportation.

"New enterprises are urgently needed to explore the Indian market and fill gaps. Due to the current lower valuations and greater potential of Indian Internet companies, the fund believes it is an excellent opportunity to enter the market right now," says Kapoor.

The adoption of tech and growth of tech companies in China have been massive. The Chinese investors see a way in replicating the same in India, given the gap. Many of these investors are from Chinese corporations as against pure financial ones.

"Massive amount of money is being invested by corporations, who get the expertise, technology, know-how and reach in foreign markets that give their portfolio companies a chance to grow and expand beyond their domestic borders," says Rajat Tandon, president, Indian Private Equity and Venture Capital Association (IVCA).

In terms of sectors, information technology will remain on the top of the agenda for Chinese investors in India. There have been quite a few tech and e-commerce investments and the sector will continue to attract more funding.

The growing distrust between the US and China, as the two countries fight a prolonged trade war, is also helping India's case as the country is now seen as a de-risking strategy for both strategic and financial investors, says Tandon. Most of these investors are here for the long-term and not in the business of timing the market for quick wins, he adds.

Beyond funding expansion within India, Chinese investors are also helping domestic start-ups to expand in China by providing distribution reach or even becoming anchor customers for some types of solutions. The CarDekho-Ping An deal has been able to do just this. "We have been extremely impressed with the business CarDekho has built in India, particularly its success in developing different types of financial services offerings to address car buyers' needs," says Lacey.

Ping An insures roughly one out of every seven people in China and employs one out of every thousand Chinese. It also provides technology solutions through OneConnect business to over 600 banks, 84 insurers, and several thousand finance companies in China. So it can be a powerful route to scale in China, which, unlike India, is a market outsiders have often struggled to penetrate.

It also brings to the table technology and R&D support for tech start-ups via its eight research institutes around the world, and a portfolio of 20,000 patents related to AI, ML, fintech and health-tech. That's a lot of additional potential tech horsepower that smaller, resource-constrained companies can benefit from.

INSIGHT

Does IBC work for financial firms?

The economy might be better off with a dedicated legal regime for the resolution of financial service providers and financial market infrastructure

PRATIK DATTA & VARUN MARWAH

Dewan Housing Finance Company Ltd. (DHFL) has become the first financial service provider (FSP) to undergo resolution under the new framework for FSPs. Regulated FSPs, such as banks, insurance companies, non-banking financial companies (NBFCs) etc. were initially kept outside the Insolvency and Bankruptcy Code, 2016 (IBC). It is evident from recent developments that the government has reconsidered this position. The IBC has been extended to NBFCs and housing finance companies (HFCs) with assets more than ₹500 crore. Against this backdrop, it is worthwhile to understand why FSPs are unique and what could possibly go wrong if their resolution happens under the IBC in its current form.

Various FSPs constitute the financial system. This financial system helps channel capital from savers to entrepreneurs for productive use. The failure of certain FSPs could reduce the aggregate capital available for productive use by entrepreneurs in an economy, seriously impairing economic growth. A problem of such magnitude is unlikely to arise due to the failure of any real sector company. This is a fundamental difference between FSPs and other real sector companies.

FSPs are of three broad types. First, some FSPs such as banks use their balance sheet to engage in liquidity transformation, maturity transformation and credit transformation. Similarly, FSPs such as insurance companies use their balance sheet to engage in risk transformation. These unique features make the business model of such FSPs extremely fragile. Moreover, such FSPs are usually highly interconnected with other such FSPs through their assets and liabilities. Insolvency of one might trigger a contagion across the financial system, jeopardising efficient allocation of capital across the economy. Evidently, these FSPs raise unique issues in insolvency.

Second, certain FSPs are only service providers, such as the financial market infrastructure (FMIs). They may also face counter-party default risks. These risks are magnified if the pre-funded financial resources or liquidity arrangements to deal with default-related shortfalls prove insufficient. They also face operational risks. Materialisation of such risks could be devastating for systemically important FMIs. These may raise special concerns in insolvency.

Third, some FSPs are pass-through entities such as mutual funds, brokers, pension funds etc. These FSPs pass investment risk through to their end-investors. Moreover, their client accounts are usually segregated from their proprietary account. Usually, they are not exposed to the balance-sheet risks discussed above. Only operational risks could push them into insolvency. Therefore, these FSPs usually do not raise any unique issue during insolvency.

A corporate insolvency law like IBC is ill-suited for FSPs of the first two categories. IBC is designed for value maximisation, not to promote financial stability. A judicially supervised public marketing process for an insolvent business may facilitate price discovery, maximising its value. However, such an elaborate process may be counter-productive to financial stability in the case of these FSPs, especially for systemically important financial institutions (SIFIs). Instead, a swifter resolution through a less transparent mechanism may be desirable. For instance, bank resolutions are typically executed by a regulator over a weekend.

Moreover, a collective resolution process driven by a committee of creditors (CoC) is unsuitable for these FSPs. For instance, in the case of NBFCs, it is likely that the CoC would comprise of banks and other NBFCs that may often be competitors to the insolvent NBFC, creating perverse incentives at the time of voting. Also, coordination costs for retail depositors or insurance policyholders may be extremely high. Moreover, such creditors would be motivated by their immediate considerations and may not be concerned about financial stability. Therefore, the creditor-in-control regime under IBC is not designed to address financial stability concerns that arise during insolvency of these FSPs.

Finally, under the IBC regime, resolution can be triggered only after a default. This arrangement may be fine for real sector companies. But for these FSPs, it may be useful to take corrective measures before they default. A default or even its mere possibility could cause a run on the FSPs with extremely short-term liabilities, which may put financial stability at risk.

The special treatment needed for FSPs has been acknowledged by Indian policy-makers in the past. The Financial Resolution and Deposit Insurance (FRDI) Bill was introduced in Parliament in 2017 but was withdrawn. The FRDI Bill had proposed the creation of a separate resolution authority, which steps in at advanced stages of stress. The resolution authority was designed to swiftly and efficiently resolve the distressed FSP, and protect the interests of unsophisticated consumers. Policy-makers should consider reviving the FRDI Bill. In the long run, the Indian economy may be better off with a dedicated legal regime for the resolution of balance sheet-based FSPs and FMIs.

(The authors are grateful to Sudarshan Sen & Prashant Saran)

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LETTERS

Playing with numbers

This refers to "Addressing the great slowdown" (December 24). While the don'ts prescription looks laudable, in the dos list, the authors seem to be extra cautious and relied only on conventional first-aid remedies like putting bad loans in isolation wards (two 'bad' banks are suggested) and providing incentives to participants. The reluctance of economists and media analysts to even consider options like levying agriculture income tax, exploiting the possibility of mainstreaming the idle unaccounted for domestic gold stock (estimated at 24,000 tonnes or upwards) and forcing the rich who have lakhs of crores stashed in foreign banks to come clean by paying taxes and legitimising their assets abroad is intriguing.

M G Warrier Mumbai

Hidden purpose

This refers to the "Peacenick Mayawati" (December 24). Given the track record of her political career, otherwise overambitious Mayawati is apparently ambivalent about the Citizenship Amendment Act not because of her respect for constitutional values but because of her undisclosed long-term political interests. Her double-track politics only reflects her opportunism.

It is an open secret that in the last Assembly elections in UP, Mayawati's refusal to have the Congress party on board in her alliance with the Samajwadi Party had benefitted the BJP electorally. As a result, it is now widely believed that her contrarian agenda in the opposition parties' moves against the BJP-led NDA government is meant to bail it out of a difficult situation. In return, this government will respond to her underhand gesture by holding its investigating and agencies back from harassing her.

Tarsem Singh Hoshiarpur

Insensitive action

It is a matter of shame that a 24-year old German student pursuing his post-graduation at IIT Madras was summarily asked to leave the country by the Immigration Bureau officials for having committed the sin of participating in protests against the Citizenship (Amendment) Act. It is ironical that a German student should have been subjected to such a harsh treatment. After all, the IIT-M owes its existence to technical and financial assistance from the former government of West Germany the largest educational project sponsored by West Germany outside their country. The student’s act, in no way, had the potential of even remotely causing any prejudice to our national interest. Yet, if indeed there was a violation of visa conditions, his apology should have been gracefully accepted and he should have been let-off with a warning.

S K Choudhury Bengaluru

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Depoliticise power

Power sector's structural problems are revealed again

When the Ujwal DISCOM Assurance Yojana (UDAY) was rolled out by the government in 2015 to revive the power sector, many observers pointed out that it was merely pushing the problems down the road, rather than providing an effective solution. This had been done twice before when power distribution companies (discoms) had been bailed out and then found themselves back in trouble. As predicted, UDAY's benefits have ceased to operate, and the power sector is once again in trouble. Although the UDAY scheme had moved discom debts to the states' balance sheets, it had not done enough to address the fundamental imbalance between the cost (average cost of supply, or ACS) and the sale price (average realisable revenue) of power in many states. Thus, discoms are once again weighed down by losses (in FY19, the figure has nearly doubled from the previous year) and are struggling to buy power in the open market or meet their obligations. Discoms were also given the goal of reducing their transmission and distribution losses to 15 per cent by 2018-19, but failed to meet the target.

The problem with the UDAY scheme was that it relied on compliance by discoms and state governments even though it had become amply clear over the years that such compliance was not in their interest. The incentives built into the scheme for the utilities to address their funding gap were simply not structured well enough — and, as a consequence, discoms were more willing to miss payments to generation companies than to address their own structural problems. The problems then ripple upstream to generation companies that find themselves short of their planned revenue, and then miss interest payments. This has led most recently to a crisis in India's renewable energy sector — solar and wind power companies are owed around ₹70,000 crore by discoms. Attempts are being made to address this problem directly. Mandates to pay in advance have not worked, so suggestions are being made regarding escrow mechanisms. But, again, this does not necessarily fix the structural problems in the sector, which will undoubtedly recur.

There were certain basic principles that underlay the planning of the Electricity Act, 2003, and these principles should be revisited and operationalised. First, constraints on open access should be revisited. Currently, discoms are unhappy that some large consumers switch from their tariffs to the open power market depending upon relative prices. This issue can be easily addressed by enforcing time limits on open access choices. But all state utilities should then ensure that wheeling and other charges are within reasonable limits. Second, the issue of stranded assets in power, including high-cost legacy thermal power purchase agreements, should be addressed centrally. If recent technological changes have rendered past power purchase agreements unprofitable, then rather than states being burdened or unilaterally reneging on contracts, a consistent and transparent mechanism for renegotiation or buyouts should be adopted. And, finally, the promise of depoliticising tariffs should be actually operationalised. State electricity regulators have effectively been captured by politicians, and tariff choices are too often determined by political requirements rather than technical and economic constraints. The method of selection of such regulators, currently dominated by government nominees, will have to be changed.

Half-baked idea

Distributing livestock products through PDS is impractical

The proposal to subsidise protein-rich foods such as meat, fish, chicken and eggs for supply through the public distribution system (PDS) being considered by the National Institution for Transforming India (NITI) Aayog, seems outright utopian. No doubt, the need to promote the intake of protein-rich food cannot be disputed as four out of every 10 children in India are undernourished. But disbursal of highly perishable stuff through the vast PDS network for this purpose seems imprudent. These food items require constant refrigeration, which cannot be ensured in over 500,000 ration shops, spread across the country, including the areas where power supply is erratic. Equipping all these fair price shops with the special paraphernalia and infrastructure needed to dispense non-vegetarian items is logistically unmanageable and financially burdensome. Any compromise on food quality is bound to cause health hazards, defeating the very purpose of this move. The food subsidy, which already exceeds ₹1.84 trillion (Budget 2019-20), would have to be scaled up massively to bring these high-priced foods within the economic reach of the poor. What is worse, even if the government manages to muster the needed resources, the desired objective of eradicating malnourishment may still not be fully served because a sizable section of the population is compulsively vegan who may not eat livestock products even if given free.

However, there is no dearth of nutritious, yet cost-effective and easy-to-handle, alternatives to the livestock products for distribution through the PDS. Pulses and millets stand out among these. Leguminous grains, grown widely in the country, can potentially wipe out protein deficiency if these can be brought within the economic reach of the poor. Their production needs to be stepped up to generate surplus for supplying through the PDS. The extent of subsidy required for pulses would be only a fraction of what is needed for the livestock products. Millets, now rechristened as nutri-cereals, are the other strong contenders for a place in the PDS on the merit of their nutritional value. These small-seeded cereals, including pearl millet (*bajra*), sorghum (*jowar*), finger millet (*ragi*) and others, are the storehouses of nutrients, especially the micro-nutrients, which fine grains such as rice and wheat lack. These have, in fact, been a regular part of people's diet prior to the availability of subsidised fine grains. Their health benefits have recently been revalidated through a millet-feeding study on school children in Karnataka. Conducted by the Hyderabad-based International Crops Research Institute for Semi-arid Tropics and a non-governmental organisation, Akshaya Patra, this study has indicated that replacement of rice with millets in the mid-day meals improved children's growth by 50 per cent.

The popularity of millets as health foods is growing rapidly the world over. The Indian government, too, is not unaware of their nutritional worth. In fact, it had declared 2018 as the year of the millets. The minimum support prices of millet crops, too, were increased substantially to incentivise production. But the next logical step of lending the needed marketing support through procurement and dispensing them through the PDS is still awaited. It would be far better for the NITI Aayog to concentrate on promoting nutrient-dense products like pulses and millets to alleviate rampant malnutrition rather than brooding over ways and means of distributing livestock products through the PDS.

ILLUSTRATION: BINAY SINHA

Is IBC in ICU?

Senior judges need briefings on economy-wide consequences of their decisions

JAIMANI BHAGWATI

The overall Indian economic picture has been gloomy for the past several quarters. Discussions on whether the downturn in growth is cyclical or structural distracts attention from specific issues. Abstracting from wider concerns this article focusses on the need to raise long-term lending from current levels to get economic growth back on track. Public sector banks (PSBs) continue to be hesitant about providing project funding or even extending short-term credit to non-banking financial companies (NBFCs).

The Reserve Bank of India's (RBI's) "Report on Trend & Progress of Banking in India 2018-19" dated December 24, 2019 mentions that "although the time limit for resolution under the Insolvency and Bankruptcy Code (IBC) has been recently extended to 330 days, some cases are delayed beyond the limit partly reflecting repeated litigations". According to the same RBI report "faster resolution of stressed assets remains key to the revival of the banking system" and credit growth for PSBs has been "well below that for private banks in the last few years". Further, according to this RBI report, the gross stock of non-performing assets for PSBs, as of end September 2019, was about 12 per cent of total advances. This number needs to be well below 10 per cent for PSBs to raise long-term lending levels. For better oversight India should have just two well capitalised PSBs. However, that discussion can be left for another day.

The central government has made reassuring noises that the IBC is working well. However, the current cautious posture of PSBs indicates that there are continuing concerns about credit risk and ex-post indictment of bank managers by government's investigative agencies. In most cases of financial sector fraud it is difficult to prove guilt. Consequently, as investigations about criminality continue, the practical course of action is for assets to be retained as going concerns to not only keep employees on the rolls but also to attract alternative investors.

Several promoters after overstating their borrowing needs, complicate resolution processes through never-ending legal challenges. They object to appointments of resolution professionals (RPs) on grounds of insufficient qualifications or bias and seek to create differences among members of the committees of creditors (CoCs). If these stratagems fail, sponsor-borrowers file for relief with the National Company Law Appellate Tribunal (NCLAT) and finally the Supreme Court.

The Essar Steel debt default case should be taught at Indian law and business schools. In this instance creditors accepted the Arcelor-Mittal bid of about ₹42,000 crore for Essar Steel and the National Company Law Tribunal (NCLT) approved this change in ownership in March 2019. Essar appealed against the NCLT decision that 90 per cent out of Arcelor's offer would go to financial creditors with the NCLAT. The NCLAT ruled that secured financial creditors should be treated on a par with operational creditors thus restricting what was to be repaid to financial creditors to 65 per cent of the ₹42,000 crore. In a significant November 14 judgment, the Supreme Court reversed the NCLAT ruling and stipulated that lenders can decide on the distribution of assets in insolvency cases. This Supreme Court decision has finally cleared the way for Arcelor-Mittal to acquire Essar Steel and rescued the IBC from "Intensive Care".

Each case of default is different in terms of the complexities involved. Erstwhile promoters try to complicate matters to prevent sale of their assets to anyone other than themselves at discounted prices and free of debt. The NCLAT judgment in the Essar Steel case indicates that former owners have the stamina and the resources to keep fighting to retain their assets. India's justice system seems to favour promoter-borrowers on the grounds that businesses should remain functional to protect workers. In principle there can be no quarrel with this objective. However, such an understanding should not be applied inflexibly as there are more sustainable and less costly ways to help shop-floor workers.

The IBC is no longer in intensive care but it is still in hospital and needs close attention to return to robust health. This involves reducing interminable delays in CoCs coming up with an agreed framework for accepting write-downs on loans and the squabbling about the credentials of RPs. An examination of other cases, for example, Bhushan Power & Steel indicates that delays also arise because of perceived conflicts between IBC and earlier legislation, e.g. sequestering of assets pending investigations into wrongdoing under the Prevention of Money Laundering Act of 2002. As of December 2019, a total of about 1,500 IBC related cases are pending with CoCs, RPs and courts.

Government's response to judicial differences in interpretation of the IBC and perceived inconsistencies with other legislation has been to amend the IBC repeatedly. There is no way that all ambiguities in valuations and who gets what proportion of final sale prices can be resolved by continuously amending the IBC. The Supreme Court, NCLT and NCLAT judges would benefit from in-depth briefings from subject specialists about the nature and consequences of specific insolvencies. Experienced Justices may bristle at the thought that they need to take time to better understand the economy wide fallout of large insolvencies and the ways in which promoters and other interested parties try to game the system. Given the objective, which is the larger public good, the Supreme Court should consider mandating such briefings prior to judgments being passed.

To summarise, it is more than abundantly clear from recurrent cases of bankruptcies due to misjudgements and outright fraud that financial intermediation in India needs to be regulated better and instances of insolvencies resolved faster. The RBI should prod banks and NBFCs to act with greater probity and urgency. The Supreme Court on its part should reinstate the February 12, 2018, RBI circular which decreed shorter deadlines for creditors to take instances of default to NCLTs. As is the case for liberty, the price for prudent banking is eternal vigilance combined with a better understanding of the financial and economic issues involved.

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The rise of sub-nationalism

SWOT

KANIKA DATTA

The fracas over the Citizenship Amendment Act (CAA) and the National Register of Citizens (NRC) offers more compelling evidence of this regime's tin ear for the infinite variety that is Indian multiculturalism. That the Modi-Shah grand plan for a Muslim-*mukt* nation has boomeranged is, however, only part of the story. A closer look at the anti-CAA/NRC protest suggests they were far from monolithic and have given impetus to dormant sub-nationalisms with risky consequences for India.

In mainland India, the protests converged on the anti-Muslim element embedded in the law and the registration exercise. In Jharkhand, with its 27 per cent tribal population, voters have signalled their dissatisfaction with the NRC process with the impossibly high bar for proof of citizenship it has set. In the north-east, the principle grievance is the prospect of distinctive ethnicity being swamped by Bengali Hindus via the CAA/NRC process (assuming the NRC process ejects Bengali Muslims). The last is particularly ironic since the Bill that was defeated in January was tweaked to accommodate the concerns of these states in the latest version. Accordingly, tribal areas in the north-east were largely roped off from the provisions of the new law.

The fact that different groups have different problems with the CAA/NRC also contain the possibilities of Indians turning against Indians in the not-so-distant future. In the north-east, Bengalis, whether Hindu or Muslim, who have been rooted in the north-east for aeons, face the very real danger of becoming targets of ethnic aggression all over again — in Assam, the threats have restarted. The warning shot across the Bharatiya Janata Party's (BJP's) bow, in fact, came from Sikkimese footballer-turned-politician Bhaichung Bhutia who feared a cultural swamping of his state — which was muscled into the Indian Union by Indira Gandhi in 1975. Everybody is tactfully pointing to Bangladeshi infiltration as the Fear Factor, but when linguistic cultures supersede borders, the stage is set for ethnic violence. The BJP has long made it clear that all pro-Muslims can go to Pakistan. Now, the demand that all Bengalis should go to Bangladesh is no less possible.

This worrying thing about this nascent sub-nationalism is that it is likely to intensify if economic growth does not pick up and job opportunities narrow. Mr Modi does not need to delve into the mists of history for evidence — only as far as the year of the global financial crisis.

Thus in 2008, the country was witness to the unedifying spectacle of panicked Indian citizens from UP and Bihar fleeing India's financial capital after being set upon by Maharashtra Navnirman Sena (MNS) goons who demanded that the state only employ Maharashtrians.

In 2012, when the Indian economy started stalling, we beheld thousands of Indian citizens from the north-east fleeing the city that the media so erroneously describes as India's Silicon Valley after threats of annihilation circulated on social media.

In May this year, viral videos showed local political thugs attack vendors because they were from Kashmir and were, by some twisted logic, terrorists. Now we have that state shorn of its special status so that mainland Indians can buy land there and, according to some crudely sexist politicians, marry Kashmiri women. This grand integration strategy has resulted in the region, now two Union Territories, being under lock-down since August 5, its leaders under house arrest and internet access lifted only intermittently. A high-profile investor summit scheduled in Srinagar in October was postponed and then finally held in New Delhi.

The endgame to such sub-nationalism is depressingly evident in Andhra Pradesh, where Chief Minister Y S Jagan Mohan Reddy has made it mandatory for existing and upcoming industries — whether in the public, joint of private sector — in the state to reserve 75 per cent of the jobs for locals. The state, controversially bifurcated in 2014, is the first to make such a stipulation. It is a matter of time before politicians in other states latch on to the populist value of this policy.

The state, which is moving aggressively and hopefully towards a bright new future with a spanking new capital, is likely to rue this reservation policy. In Maharashtra in 2008, as thousands of small and medium factories were emptied of their workers from UP and Bihar, component suppliers to industry majors such as Mahindra & Mahindra dwindled and the construction business stalled. In Bengaluru, the spread of hate-filled social media posts caused such a precipitate departure of north-easterners that the stations were clogged and thousands of small businesses, especially in the booming services sector, found themselves bereft of staff. The situation was serious enough for the state home minister to visit the railway stations to allay fears.

Had Mr Reddy chose to consult any of the investors who he is hopeful of attracting to this state, they could have set him to rights about the folly of his identity politics. Businesses, at least those that want to compete globally, need to prioritise talent over social and regional provenance. It would be hard to argue that Andhraites are intrinsically more talented than other Indians as to be worthy of such exclusivity of opportunities. As the MNS learned to its cost in Maharashtra, the private sector casts its net wide to attract the most cost-effective labour.

It is unclear from the prime minister's Sunday speech where the citizenship debate is headed. But if he really wants the upheavals to dissipate, he only needs to heed the timeless advice from Bill Clinton's 1992 presidential campaign: "The economy,…".

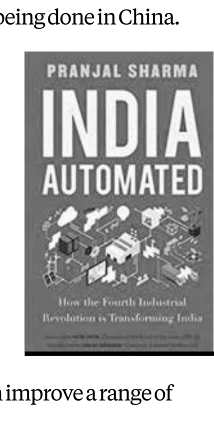
Decoding Digital India

BOOK REVIEW

SAI MANISH

At a time when India's demographic dividend dream seems to be in tatters; with high unemployment, falling economic growth and social unrest becoming the hallmark of the India story; a book on how an algorithm and not a human is making a robot that will make a robot make another robot might look like the end of the road for India's young, restless and unemployed population. Pranjal Sharma's book *India Automated – How the Fourth Industrial Revolution is Transforming India* chronicles how technology is reshaping not just landscapes but also the country's mindscape. It delves into technological transformation unfolding in India before everyone's eyes; the intricacies of which everyone sees but does not understand.

The book uncritically and patronisingly captures how technology, mechatronics, robotics, artificial intelligence and everything that comprises what World Economic Forum founder Klaus Schwab described as the "fourth industrial revolution." Mr Sharma succinctly describes how over the last few years, new technology has penetrated every facet of life in India — from government functioning, industry, service sector and defence. There are anecdotes about the positive impact of invasive technologies on governance and social well-being. For instance, Mr Sharma illustrates how facial recognition, which is still in its infancy in terms of sophistication and accuracy in India, has helped the Delhi police track down 3,000 missing children. He sounds a warning about the adverse consequences without delving into how a database of faces could be potentially misused as a tool for surveillance as it is being done in China. Mr Sharma notes, "Facial recognition is yet another technology that could have terrible consequences if it goes rogue, but a boon if used responsibly. In the end, the government will have to take a responsible approach to a technology that can improve a range of citizen services."



INDIA AUTOMATED: How The Fourth Industrial Revolution Is Transforming India

Author: Pranjal Sharma

Publisher: Macmillan

Price: ₹650

Pages:: 235

The book offers useful insights into the companies that are shaping these technological changes in India, be it in the field of manufacturing, services, healthcare or human resources. In particular, there is a rich description of companies in the manufacturing sector that are using and deploying technologies that are revolutionising their manufacturing processes, improving product quality, saving costs and creating a 'smarter' factory. An interesting example is how Altizon, the world's first industrial internet platform company, helped a legacy Indian multinational integrate its production lines across several countries without investing more money in replacing old machinery or buying new ones. In effect, Altizon's solution helped the Indian multinational centralise the operation of its machines at 35 factories spread across the globe through a system that not just gave a single point of control but also helped engineers predict when a machine needed downtime or was headed for maintenance. Earlier, it would need an engineer with a spanner and other tools in hand to individually inspect a machine and take a decision based on his own expertise and understanding of the situation.

Mr Sharma has interesting, although potentially scary insights, for job seekers and how Artificial Intelligence (AI) could be judging their employability in the times to come. It is estimated that 62 per cent of enterprises used some form of AI in their human resource departments. It provides a fascinating insight into how Tata Consultancy Services (TCS), India's biggest IT company employs AI for recruitment. Mr Sharma writes that any potential candidate has to go through two levels of AI screening before she finally faces the human interviewer. It is AI which sifts through hundreds of resumes before zeroing on the ones which will pass through to the next stage. Those selected are again put through an AI-driven video interview process. The book notes, "Experts now offer several tips for candidates who have to face an AI-based interview. For instance, they must ensure a good internet connection, settle in a noiseless area and make sure they are as well dressed for the interview as they would have been if there was a meeting with a human recruiter. Remember though, it will no longer be easy to smooth talk your way into a job, for the AI-bot will see through you faster than a human can. "

And just in case the reader thought that the book was all about companies and businesses, Mr Sharma also provides insights into how digital content companies minutely analyse a person's behaviour to serve them tailor-made content. Mr Sharma offers Netflix as a case in point. The online content streaming giant stores every action taken by a user on a computer while browsing through its website . The AI analyses this behaviour and makes a personalised home-page for every viewer. In effect, an invisible force has created a psychological profile of the viewer – and is showing her what it believes she is most likely to see. Bigger brother cometh?