Judgement + character + humility = Board wisdom

Not just decisions but their implementation should also be wise

THE WISE LEADER

R GOPALAKRISHNAN

The year 2019 was full of boardroom debacles. Usually, we all tend to live in the uplands of activity obsession. The lull during the holiday season offered me a quiet period when I retreated with my books into the valley of humility. I realised that what company directors owe to their board is wisdom, soaked in a sauce of judgement, character and humility. Wisdom means that not only should a decision be wise but its implementation should also be wise.

This is soft stuff, surely not a conference subject. After all, how much can law mandate? It is a good time for India Inc to contemplate how to get more wisdom into the boardroom. Several powerful individuals are good beings and not inherently immoral or degraded. In the quagmire of conflicting demands, such an individual could act in an aberrant and seemingly immoral way. It is at that moment when there is a temporary loss of judgement that one needs the crutch of wisdom to be around. Wise directors are a huge help.

Wisdom is born in the crucibles of experience and humility. You cannot be trained to be wise, you must learn to be wise. Wisdom comes from failure, more than from success. A wise person possesses character and judgement that bring about better outcomes.

Character: David Brooks' book, *The Road to Character*, is a fabulous read. We live in an "I" world rather than a "We" world. There is research evidence on how social and corporate culture has shifted — from people regarding themselves with humility in the 1950s to thinking of themselves being at the centre of the universe nowadays. He suggests that there is a You (Image) and a You (Real).

You (Image) is competitive; you clamour long to promote yourself — being better than others, highly regarded, acquiring accolades, and advancing.

You (Real) witnesses your vulnerabilities. It builds your character by winning against yourself, by focusing on your weaknesses and demanding improvement.

Non-executive directors should be at a life stage when their thinking is dominated more by You (Real) rather than You (Image). They should be dependable, both ethically and professionally. After all, who can be sure when a board colleague could lose balance!

Judgement: *Harvard Business Review* of January/February 2020 carries two relevant articles, one by Andrew Likierman and the other by Mariam Kouchaki & Isaac Smith. We must recognise that we all have the potential to transgress our own standard of morality. Good judgement comes out of (i) managerial experience, (ii) active listening, and (iii) welcoming diverse viewpoints.

Managerial experience may be function-rich, relationship-rich or domain-rich. Active listening means you argue as though you are right but listen as though you are wrong. Welcoming diverse views is as tough as active listening because leaders have touchy egos — they get accustomed to perfunctory discussions and quick convergence to a decision.

Wisdom: This is born out of both explicit knowledge as well as intuition. Intuition comes out of experience and people-connectedness. Suspicious, aloof and untrusting leaders have difficulty in acquiring and demonstrating their intuition.

Bundle these characteristics together: Real (You) + managerial experience + active listening + welcoming diverse viewpoints, and you get the job description for a wise director. It is demanding, but worthy as an aspiration. Remember that a competent director is not necessarily wise.

i. A board has legal rights, for instance, to approve an acquisition or dismiss an existing CEO, but the implementation must meet the test of morality. A director is not supposed to vote on a resolution that she does not subscribe to. Comprehension, competence, compliance and conscience must all be tightly interwoven. The corporation should have a clear delineation of roles among owners, board and management. A shareholder can and should act only through the board. Board directors should place the interest of the company ahead of themselves or the dominant shareholder.

ii. When a leader moves from being CEO to non-executive chairman, one must modify the style from being directorial to observing and advising; this demands a conscious effort on how to change and making the change. Marico's Harsh Mariwala has approached this transition quite well. Directors should not leave taking the "final" decision on a family person.

iii. A brouhaha is brewing about an impending requirement to separate the roles of chairman and CEO. Wisdom suggests that it should not be controversial. Of course, where *niyat* and *niti* are not in place, there will be resistance.

Temporary loss of judgement can produce unexpectedly harsh consequences. The valiant Alexander was gracious to those whom he overcame. However, when the local chief of Gaza, Batis, refused to give up the fight or bend his knee, an infuriated Alexander slaughtered Batis ruthlessly and dragged his body around the city. In the *Mahabharata*, when the valiant Abhimanyu entered the Kaurava formation of *Chakravyuha*, he was isolated from Pandavas by Jayadratha; thereafter, several Kauravas mercilessly killed Abhimanyu.

May the new year nurture wise directors.

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Quantifying the social burden on railway finances

The operating ratio of Indian Railways should be bifurcated into commercial and social parameters

INFRA TALK

VINAYAK CHATTERJEE

Is the Railways a "for-profit" enterprise, or a "non-profit" one?

The correct answer is: "Both."

There are operations of the railways which are clearly run on a for-profit basis, and there are activities which do not have a profit objective. Successive railway ministers, with Piyush Goyal being the latest, have argued that this creates a special problem when trying to assess the railways' financial performance. The argument has merit.

Earlier this month, the Comptroller and Auditor General of India in its annual report on the Railways' financial performance, pointed out that the Operating Ratio (OR) of the railways, a key metric of efficiency, was 98.44 per cent as of 2017-18. Put simply, the Railways spent ₹98.44 for every ₹100 it earned. This was the highest level in 10 years. The CAG also argued that had it not been for cash advances from two public sector units, the Railways would have been effectively in the red — it would have spent ₹102.6 to earn ₹100.

In his response to Parliament on the report, the railway minister made two points. First, he pointed out the effect of an additional ₹22,000 crore hit on railway finances due to the implementation of the Seventh Central Pay Commission recommendations. Secondly, he said, the railways had undertaken to invest substantial funds in areas such as the north-east, border and hill areas and other parts of the country for connectivity and social cohesion. In such decisions, cost recovery was not the governing criteria.

Untangling the two elements (for-profit operations vs non-profit operations and services) is hardly easy.

Subsidies are offered across the railway system and are deeply embedded in its operations. These include pricing of passenger fares below cost, operation of uneconomic lines, losses on suburban services, concessions in passenger fares for special classes, essential commodities carried below cost etc. The total net impact of these social service obligations borne by Indian Railways in 2017-18 have been estimated to be around ₹32,000 crore.

Moreover, the Seventh Central Pay

Commission (CPC) recommendations with regard to pay and pension which were implemented during 2016-17 abruptly increased staff cost by 17.2 per cent, and pension expenditure by 31.8 per cent. Specifically, the alarming burgeoning of pensions requires attention. There are 1.3 million pensioners (as against 1.2 million employees!) and pension expenses have risen from 14 per cent of operating revenues (OR) in 2008-2009 to 28 per cent in 2017-2018. Beyond Pay Commission mandates, there is also increased longevity. The worry is that the pension burden may cross 40 per cent of OR in another 10 years. The Railway Board has often requested the finance ministry to contribute towards this pension burden in an effort to ease the OR.

It is politically sensitive to raise passenger fares beyond a certain point. Ultimately, the burden of profitability falls on freight which ends up subsidising passenger operations. For 2016-17, losses incurred by passenger services was almost ₹38000 crore, just about offset by profits on freight operations of about ₹40000 crore. But even in its freight operations, the railways charges lower freight rates than what would be warranted by a purely commercial perspective on certain essential commodities.

A NITI Aayog paper by Bibek Debroy and Kishore Desai attempted to dig further, to estimate the impact of the social service obligation on railway revenues. As of FY14-15, Debroy and Desai, estimate that the total loss incurred by the railways (around ₹33,000 crore) amount to 67 per cent of total passenger revenues for the year. Around 77-80 per cent of these losses arise from various classes of passenger fares in non-suburban services. Losses on suburban train services (e.g. local train services in Mumbai), account for another 12-13 per cent of losses. Even AC1, whose fares are sometimes comparable to plane fares, runs at a loss.

There are flaws in this approach toward profitability estimation, as the report's authors themselves point out. This approach assumes that all the difference between cost and revenue in a line of business is attributable to social service obligations rather than other reasons such as operational inefficiencies. Further, the logical conclusion from such an approach would be for the railways to raise fares to match unit costs for each passenger class till the loss was wiped out. In practice, this is hardly feasible, even without the political sensitivities involved.

What then is the bottomline?

It is certainly a discussion worth having, as to the extent to which the railways should be judged on pure profitability criteria, given that it does have social service obligations. However, it is also true that there is a substantial component of costs attributable to inefficiencies. A focus on the former should not obscure attempts by the railways to focus on the latter and do what it can to manage losses under its control.

However, the time has come to segregate the OR into two segments, Commercial Operating Ratio (COR) and Social Obligation Ratio (SOR). A deep-dive on railways' finances is necessary to objectively assess this.

And it is also important for the people of India to be made aware of the cost of the social obligations that Indian Railways discharges on its behalf.

The author is the chairman of Feedback Infra

CHINESE WHISPERS

Rahul back as Congress chief?

The Congress is likely to see an organisational overhaul in the coming days. Sources say the overhaul could pave the way for Rahul Gandhi's return as the party chief, and a rapprochement has been reached between him and party veterans. These changes are likely to reflect a mix of the younger leaders and the veterans. Sonia Gandhi, the party's interim president, and General Secretary Priyanka Gandhi Vadra have played key roles in bringing the two factions together. That the veterans helped revive the party in Haryana, kept the Bharatiya Janata Party out of power in Maharashtra with the help of Nationalist Congress Party chief Sharad Pawar, and led the party to an electoral win in Jharkhand have nudged Rahul Gandhi to turn to them for counsel.

Party spoiler Yogi

Uttar Pradesh Chief Minister Adityanath (*pictured*) is reckoned not only for his unapologetic stance on various public issues but also for getting up early and working late into the night. However, his long working hours on this New Year's Eve proved to be a party spoiler for the state's top police and civil brass. On December 31, he convened a video conference meeting with all senior district-level officials, including divisional commissioners and district magistrates, apart from divisional and district police officials, to review a gamut of issues, including the protests against the Citizenship Amendment Act (CAA). The meeting went on well past 10 in the night, which meant that the officials had to abandon New Year celebrations.

God help Air India!

Is the government looking skywards to save Air India from being grounded? At least that is what one would make of a succinct response from a senior bureaucrat on the sidelines of an off-record press briefing. A journalist asked what would happen if the embattled national carrier failed to get a bidder by July. Would it mean Air India going the Jet Airways way and suspending operations? There have been reports that the finance ministry is unwilling to fund Air India and that it will be shut down if not sold by July. The bureaucrat was quick to say, "*Sab bhagwan bharose hai* (It all depends on the almighty)." All further efforts to draw him out met with a formidable wall of silence.

INSIGHT

Citizenship protests can change politics

It has both footprint and depth among youth but remains a movement in search of a name

YOGENDRA YADAV

Events of the last week and the past few months suggest that we may be looking at a new phenomenon in youth politics that has the potential to change our national politics. This incipient youth movement has the required footprint and some depth. It is still in search of the icons and the ideas that can capture the imagination of this generation.

Just look at the geography of reaction to police action in the Jamia Millia Islamia protests. The spontaneous reaction was not limited to minority-dominated institutions like Jamia, Aligarh Muslim University (AMU), Maulana Azad National Urdu University (MANUU) or Nadwa College. It was not just the usual centres of political action like Jawaharlal Nehru University (JNU) or Jadavpur University or The Tata Institute of Social Sciences. This time, students from the IITs, IIMs, AIIMS, Indian Institute of Science and even the private universities joined their counterparts in premier public universities in Delhi, Kolkata, Chennai, Pune, Chandigarh, Lucknow and Bhopal, besides institutions in small-town India, to express solidarity with the students in Jamia.

Higher education

Ever since my own student days, I cannot recall many instances of such widespread support for students of any university and that too on an issue like the Citizenship Amendment Act (CAA) that did not hurt the student community as a group. As I spoke to the protesting students in AMU, Jamia, JNU and those present at the extraordinary gathering at the India Gate, I was struck by the massive participation of youth who were not mobilised by any political group. A majority of the youth gathered at the India Gate protest did not belong to either of the two communities directly affected by the CAA: The Muslims and those from the northeast.

And what is more, women students have participated in these protests in a big way. Any major movement needs precisely such a nucleus of self-mobilised persons ready to go beyond their self-interest.

This is what allowed the Jamia students to win the war of perception against all odds. The media-backed official narrative of arson, stone-throwing and rioting by the students was soon overshadowed by stories of police brutality against students. Of course, the omnipresence of mobile cameras, the reach of social media and the disproportionate presence of Jamia alumni in mainstream media helped. So did the support from many artists and actors. The videos of the students being chased into the university library, hostels and residential areas were too powerful to be overlooked. Still, all this would have come to nought if this version were not to be backed by the common sense of ordinary students.

Going deeper, these protests also reflect something that has been brewing in India's campuses for quite some time. Universities are gradually turning into arms of the central or the state governments, irrespective of who the ruling party is. More often than not, the heads of higher educational institutions act like bureaucrats, petty and vindictive, willing to bend to powers-that-be and thus expecting every subordinate person to do the same. Far from inspiring trust and confidence, these institution leaders invite ridicule from the students, the faculty and the staff. Campus life is becoming suffocating.

Students find themselves surrounded by all kinds of restrictions. Student union activities are discouraged if not outlawed. You need permission to hold any talk or seminar. Social media communication is monitored and students penalised for offensive Facebook posts. Women are made to adhere to ridiculous hostel timings and restrictions. And there is always the fear of vigilante groups that monitor relationships. The protest against police atrocities in Jamia is also a protest against suffocating authority figures who seek to infantilise university students. These students, often first-generation learners from rural areas and disadvantaged communities, have tasted freedom and they don't want to let go of it. No wonder "azadi" is the favourite clarion call of the youth today.

Higher principles

Let us note that this round of protest has gone beyond a mere expression of solidarity with the students of Jamia and AMU on the issue of police repression. The youth are also voicing their opposition to the CAB. This has political significance. The students, including a significant proportion of non-Muslim students, are rejecting the CAB on principle — specifically, its non-secular and discriminatory nature.

The youth protest has thus added to the third strand of anti-CAB protests, beyond the opposition in the northeast and from the Muslim community. Here again, the problem is not just the CAB or the NRC. The youth is impatient with the business of settling past scores. They are tired of the projects of righting the wrongs of Partition or the wrongs perpetrated by the Muslim rulers. They want to get on with their lives. They wish to live in the present and look forward to the future.

Higher aspirations

Finally, there is the issue of unequal educational and employment opportunities. The ongoing JNU agitation against the hostel fee hike was really about this fundamental issue. Higher education is unaffordable and unrewarding, especially given the state of the economy. Successive governments have done little except hold back fee hike, which is a small component of the expense of higher education, and that too under duress. Our student aid programmes continue to be a national scandal. And if the quality of higher education has not become a public scandal, it is only because no one cares to gather systematic information on this issue.

The new generation of students who have entered higher education is not satisfied with just getting an entry. They bring new aspiration. And they can see that university education is unlikely to land them half-decent jobs. Our unemployment rate continues to be unacceptably high, even higher among the college graduates, and the highest among college graduates in the age group 19-24. This rate drops after 24, not because they get the jobs they were looking for, but because they begin to settle down in whatever job they can land. The sudden and spontaneous eruption of the student community this week expressed this deeper frustration of aspirations as well.

So, we are at the point of departure of something significant. But we have not arrived there yet. The movement is spontaneous and can get dispersed sooner than we think. It does not yet have an organisational instrument that can widen and deepen its impact. There are many emerging youth icons, but no one who can bind the movement together. It is also looking for a new set of ideas. It would be a mistake to read their desire to break free of shackles as liberalism, or their aspiration for a dignified livelihood as the harbinger of a socialist revolution. It is still a movement in search of a name.

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The author is the national president of Swaraj India. Views are personal

LETTERS

Implementation key

This refers to the editorial "Push for infrastructure"(January 2). The National Infrastructure Pipeline (NIP) is a big step towards the ambitious dream of $5 trillion economy in next five years. This massive ₹102 trillion worth of projects are spread across 18 states and Union Territories and from energy to road and from urban development to railways, each will get its share of the pie from this huge cake. Needless to say various sectors of economy would be benefited from this move. As we have seen in the past, announcing big-ticket projects is fairly common but it's the implementation where we falter big time. Hence, it is a welcome step that the government aims to be pragmatic enough to drop laggard projects out of this pipeline as it progresses. Now action on task force's recommendation would be keenly watched as government cannot afford to be lax and need to learn fast from the failures of past big infrastructure projects.

Two things defining the fate of NIP will be close monitoring and financing of these big-ticket projects and for later bond market would be the key, as traditional lenders may not be too eager to jump into this huge opportunity. Last but not the least, the Bharatiya Janata Party has lost a few critical states in the recent past and coordination between states and the Centre can directly impact the progress of these projects. Thus it's better if political differences are kept aside.

Bal Govind, Noida

Boosting confidence

This refers to "Prudent commercial decision taken by bankers will be protected" (December 29). A good credit supply by banks is necessary to keep the wheels of economy rolling and it is essentially related to two factors: One, the ability of the banks to lend more and two, their willingness to lend. While the banks should be sufficiently capitalised to meet the future expansion plans including broadening the asset base, the willingness to lend essentially results from the confidence. The confidence in the public sector banking system has suffered a bit owing to some undesirable factors. The credit decisions are taken based on the conditions prevailing at a particular time. They might turn wrong in some cases at a later date due to some external factors and policy changes which are beyond the control of bankers. There was a needless fear of arrest. The investigating agencies should not take the benefit of hindsight and any kind of harassment caused will not augur well for the system. The honest bankers who have exercised their authority and powers well with due diligence carried out should never be punished.

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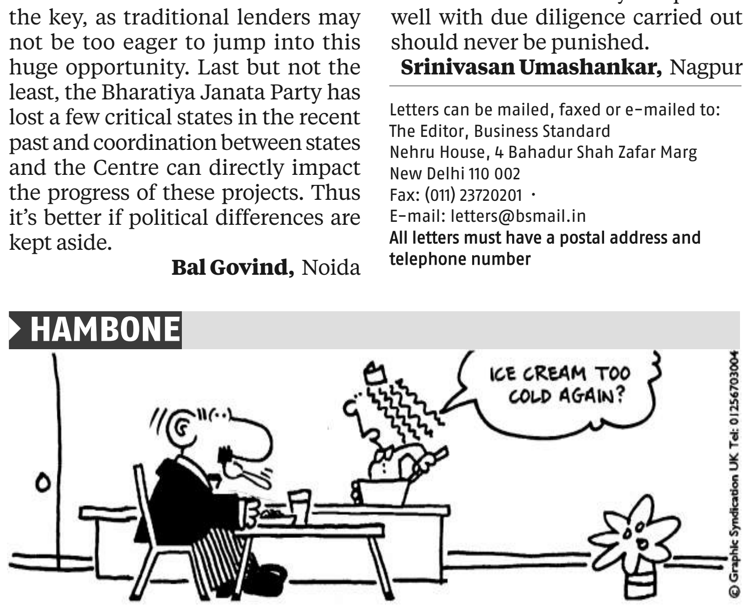
HAMBONE



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Reforming Railways

Passenger fare hike does not go far enough

Indian Railways announced on Tuesday an increase in the base price of passenger travel across its network, except on the suburban segment. The fare hike is not enormous — one paise per kilometre for ordinary, non-air conditioned classes in non-express trains, reaching up to four paise per kilometre in the air-conditioned classes. For tickets, therefore, even in top of the line trains, such as the Rajdhani, the additional payment will usually be less than ₹100. Season ticket holders will also see no increase in fares. While there may well be some grumbling about this increase, the fact is that it only scrapes the surface of what is needed. Indian Railways is going through one of the worst periods in its recent history.

The crucial financial figure as far as the Railways is concerned is its operating ratio — the ratio of operating expenses to operating revenue. This ratio has already crossed 100 per cent in the course of the ongoing financial year. In other words, the Railways is in the red. In both 2017-18 and 2018-19, the operating ratio was over 97 per cent. Even last financial year, the Railways was only bailed out, thanks to an advance payment received from National Thermal Power Corporation and the former Indian Railways Construction Company, according to a report presented to Parliament last month by the Comptroller and Auditor General (CAG) of India. The CAG pointed out there had been a steady decline in the revenue surplus of the Railways as well as of the share of internal resources in its capital expenditure. The costs of this inability to raise revenue were borne by the network through extended depreciation and by the general taxpayer in the Railways' increasing dependence on support from the Union Budget. While so far in the financial year there have been no casualties in the Railways, postponing the renewal of superannuated assets is playing fast and loose with passenger safety. There is no question, therefore, that restoring the Railways to financial health must be an immediate priority. The fact is that the passenger will have to pay. Already almost all the revenue from freight is going to cross-subsidise passenger fare. In that sector, long-haul, air-conditioned chair car services pay for themselves but many other categories make losses. Nor can suburban rail be excluded from the net forever.

In essence, the restructuring of the Railways in order to prioritise its operational independence has become essential. The government has taken a first step towards increasing its internal efficiency by restructuring the Railways cadre in the teeth of opposition from employees. But it will need to go further. It is important to work out a mechanism to separate the Railways' commercial interests from the government's social obligations. If the government wants to impose social obligations on the Railways — whether in the Railways' role as employer, operator, or investor — it will need to compensate the Railways fully for that and allow it to act otherwise as a profit-maximising corporation. This will help the Railways increase investment and improve overall efficiency in the economy with faster freight movement. The Ministry of Railways requires proper independence — and it should ideally be replaced by a holding company. In the absence of deep reform, rail finances and investment will continue to suffer.

Dialogue for growth

Govt should welcome diverse opinions in policymaking

Prime Minister Narendra Modi is reportedly meeting industrialists and entrepreneurs to discuss economic policy measures. This is a welcome move because it will not only help make necessary policy changes but will also allay fears that the government is unwilling to listen. That was evident at a recent media function when industrialist Rahul Bajaj said — with the government's power elite, including Home Minister Amit Shah, on stage — that there was no confidence that the government would appreciate criticism. Mr Shah was sporting enough and assured Mr Bajaj that nobody needed to be afraid. Such meetings have great value because they open up space for discussion and debate. After all, objective criticism and timely course correction are important elements of a vibrant democracy.

Maruti Suzuki India Chairman R C Bhargava recently noted that India needed a political consensus on how to grow the economy. Mr Bhargava was spot on. India lacks a political consensus on the way the economy, including the role of the private sector, should be managed. This makes decision-making more difficult for the government of the day. Even in the present context, a fair and free-flowing discussion among all stakeholders will help generate ideas to revive the flagging economy. Growth in the Indian economy slipped to a six-year low of 4.5 per cent in the second quarter of the current fiscal year. A perception of fear and a lack of clarity on economic policy will certainly affect India's potential. Even though individual observations can be debated, the fact that industry leaders are voicing their concerns and the government is willing to listen are welcome signs.

At a broader level, call it the long shadow of the licence-quota raj, governments in India are generally sensitive to being seen doing things for the private sector. It is puzzling that, despite benefiting significantly from economic reforms over the decades, both the government and public, in general, are not prepared to give the private sector a bigger role. This distrust is reflected in the maze of prevalent rule and regulations, which stifles entrepreneurship and gives the state enormous power that is often used to create fear. The Economic Survey (2016-17) fittingly captured India's ambivalence about the private sector and highlighted: "... India has distinctly anti-market beliefs relative to others, even compared to peers with similarly low initial GDP [gross domestic product] per capita levels." This needs to change if India has to grow at higher rates and create gainful employment for its rising workforce.

While the Central government has taken several steps to improve the ease of doing business, which is also reflected in India's World Bank's rankings, it should now open up the debate and build a larger consensus on deeper reforms. Firms should be able to operate freely and the administration, including state governments, must intervene only in the case of a market failure. On the other hand, the private sector needs to improve governance standards. On balance, however, the private sector has done well over the years, and its role needs to be expanded with an enabling regulatory environment which allows entrepreneurs to take risks. For better policy formation, stakeholders should be able to express their views freely and the government must take decisions after considering different viewpoints. Benefits of such a process are not limited to economic policy alone.

ILLUSTRATION: BINAY SINHA

Let's stop making cash the villain

A New Year resolution for our policy-makers

As we step into 2020 and battle for new ideas on how to grow our economy and create jobs, it is probably time to find inspiration in this piece of advice given nearly a hundred years ago by French writer/philosopher Marcel Proust: "The real voyage of discovery consists not in seeking new landscapes, but in having new eyes."

This line of thinking may be useful in redefining the role of cash in India's economy. Indian policymakers and politicians seem to agree that the main villain that stands between India and a super-high growth economy with abundant tax revenue and jobs is the extensive role of cash in the economy. If only cash could be banished and all transactions in every sphere of life be done through digital/electronic means, they believe we would reach utopia. This belief is as widespread today as "socialism" used to be in the 1960s.

AJIT BALAKRISHNAN

Let's follow Proust's advice and take a relook at these assumptions. To start with, let's do an analysis that is the staple of data mining — the co-occurrence of words in the Indian public discourse with the word "cash". You will find words such as "money-laundering", "black money", "bribery", "tax evasion" and not "convenience", "cheap" or "ease-of-use" associated with cash. This shows how deeply embedded our vilification of cash is in the English-language media discourse in India.

How did such a simple tool as a currency note come to acquire a Ravana-like reputation for capturing our innocent Sita-like businessmen and forcing them into such morally corrupt things as tax evasion, money laundering and bribery?

Anecdotes about the bad things cash enables one to do are aplenty, with the implied note that if cash did not exist, such corrupt practices as donations to political parties, paying for real estate or selling real estate partly in cash, paying or receiving bribes would not be possible.

But dig a little deeper and the crimes possible with cash are really bizarre: Setting up entities in special economic zones, creating fake invoices to foreign parties and receiving remittances from them, thereby creating tax-free incomes or creating fake start-ups and booking and receiving revenue into them from non-existent customers who are given cash but pay the money back by cheque. A 2017 book, *The Curious Case of Black Money and White Money,* by Varun Chandna lists and describes such bizarre practices in detail.

What is the world-view that drives the pursuit of such business models? To dive deep into this, through the good offices of a journalist friend who comes from a traditional Indian business, I spent a few days listening to the perspectives of such businesspeople. Here are some of their strongly held beliefs that I unearthed.

Belief 1: Never pay taxes because the only purpose of taxes is to provide and maintain jobs for bureaucrats who serve no useful function in society. The taxes I evade I will use in my business, which creates jobs for ordinary people and provides useful products and services for society.

Belief 2: Never try and use technology to win against competition and grow your business. The most reliable way to succeed in business is to cultivate personal relationships and use that goodwill to get orders, and this is best done by approaching potential customers who have some family or have community connection with you.

Belief 3: Always be ready to reward people who send orders your way, or help you in collecting money faster, even more so if they are government officials— they are poorly paid and need to be compensated by you for the help they give you. If some people call this corruption, disregard this; they don't know how business is done in real life.

If this is the ingrained belief among traditional Indian businesses who, incidentally, account for 60 per cent of the country's gross domestic product and employment, then who are the main voices in the anti-cash chorus?

First come the banks. They hope that the banishment, or at least a reduction in cash use, would reduce the demands on them to open more ATMs. ATMs, which started out as a cute and customer-friendly innovation, have turned out to be expensive and complex to manage, what with the need to keep ATMs filled with currency notes at all times. Thus, commercial banks are the first voice in the anti-cash chorus. They are joined by the foreign private equity and venture capital providers who operate in India: These folks fund fintech start-ups whose future depends on the size and scale of non-cash transactions in India.

Then come the e-commerce retailers. Indian e-commerce customers seem adamant about paying for goods they order on e-commerce sites by cash once the goods are delivered to their homes — the so-called cash-on-delivery model. Except that Indian e-commerce customers, who use the cash-on-delivery model, also tend to return goods if the delay in delivery is more than a couple of days, and this happens with 70 per cent of the orders. This leaves the e-commerce company with the labour and cost of carting the goods back to their warehouses. The return rate among customers who use credit or debit cards or bank transfers, though, not surprisingly, is just 3 per cent.

While the anti-cash and pro-digital slogans and placards private equity and venture firms hold, on the face of it, seem to be driven by a desire to modernise the Indian economy, the hidden reality is that they want to "flip" their start-ups (fintechs) to foreign companies, mainly American and Chinese— who gain a back-door entry into the Indian economy.

This is why we need a balanced view about the role of cash in the economy and not one of these two extremes.

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Back to the public sector?

Implementing a recent announcement, the Ministry of Finance released the National Infrastructure Pipeline Report (NIP). The exercise is similar to that undertaken in the now discarded Five-year and Annual Plans: List projects under implementation/development/conceptualisation, specify which of these are to be implemented by the central and state governments and by the private sector, and specify financing targets. But unlike in a Plan, the NIP exercise is a standalone one, since there is no macroeconomic and fiscal framework within which it is nested. It also has no relationship with the medium-term "strategies" produced by the NITI Aayog from time to time, possibly because these are too general to be of operational use.

RATHIN ROY

Of the ₹102 trillion to be deployed through to FY25, 78 per cent is to be mobilised by the public sector and 22 per cent by the private sector. This is a Nehruvian aspiration and a quiet admission that the private sector is unlikely, given past experiences, to be a dominant player in the infrastructure space. Other than renewable energy and, to some extent, roads and airports, the private sector is a minor player. In agriculture, health, education, rural and urban infrastructure, and irrigation, the private sector has no role at all. In substantial measure, India's infrastructure aspirations are to be delivered by the governments of India. This is a major policy reversal from the heydays of public-private partnerships, and possibly a realistic one.

Currently, 42 per cent of the NIP consists of projects already under implementation, but there is high variance by sector— 100 per cent for atomic energy, 60 per cent for railways, 34 per cent for irrigation, 8 per cent for agriculture, 3 per cent for renewable energy. This is worrying given that investments are front-loaded with 53 per cent of the investment to happen by FY 2022. Thus, India's infrastructure aspirations are dependent on the ability of the government to immediately execute investments at a far higher level of timeliness and efficiency than is presently the case.

I was hoping this would be addressed in the section on reforms, but many of the action points listed are simply homilies with sentences beginning with "it is critical to have..." and "we need to establish..." without specifying when and how these critical things will be part of the strategic framework. There are welcome concrete proposals on optimal risk-sharing, contract enforcement and dispute resolution, revitalising the credit and bond markets, and asset monetisation, but implementation challenges are not addressed. The project monitoring framework is very general with a vague promise of a forthcoming "governance framework for monitoring".

This is disappointing, given the poor track record of government implementation (which was the reason, in the first place, for the emphasis on the private sector over the past 20 years). How these rapid efficiency and punctuality improvements are going to be secured by the public sector, should be immediately made explicit in a companion white paper, if the NIP is to be taken seriously. In this context, it is reassuring that it is intended, as I understand, to make a list of project proposals available shortly. If these issues are addressed, at least at the project level, then that would be an improvement over the present, and it would help the cause if this project level documentation is quickly placed in the public domain for wider analytical scrutiny.

The weakest sections of our Five-year Plans were on financing, because resource envelopes were designed to fit plan aspirations and not the other way round. This seems true of the NIP as well. There is no fiscal picture of how the states and the private sector will finance their part of the NIP. There is one slide on financing for the Centre and this has many problems, which commentators have already begun highlighting, such as the rationale behind the assumed gross domestic product (GDP) growth rates, and the reasoning behind the forecasted fivefold increase over FY 20 in incremental budgetary support through to FY 25. These underlying assumptions can be interpreted to be fairly reasonable depending on the medium-term macroeconomic outlook and the Centre's fiscal stance. The trouble is precisely that no entity in the central government delivers a medium-term macroeconomic outlook or a medium-term fiscal framework that explicates these things. Therefore, the assumptions in the NIP are opaque and thrown open to questions as the basic medium-term analytical machinery that every functional finance ministry should possess is not available to the Government of India. Thus, even though these numbers could be plausible when nested in a medium-term framework, the GDP estimates and the budgetary support numbers appear to be plucked from thin air. It is my fervent hope that this will not be compounded in the forthcoming Budget, which should explicitly and plausibly link this NIP with the fiscal numbers presented.

The NIP is a laudable initiative. But as presented, it is far from being either a strategy or a demonstrable attempt to address poor performance in the infrastructure space. In this sense, it is in continuity with the tradition of indicative planning whose time, I thought, was over. And as in that methodology, the weakest link is the specification of the public financing challenges. A lot of groundwork and hard analytics are needed to establish the credibility of the NIP with stakeholders in the Indian economy.

The writer is director, National Institute of Public Finance and Policy. Views are personal

India from the archives

BOOK REVIEW

T C A SRINIVASA RAGHAVAN

Like other social sciences, history has also become victim of two post-1945 trends. One is the transformation of the expert into a popular writer. The other is the transformation of the popular writer into a expert.

This, in turn, has had two other consequences. One is the emergence of the generalised history where details are ignored as a nuisance. The other is the submergence of the real scholar in a murky pond of charlatans. That, regrettably, includes people like me and my friends.

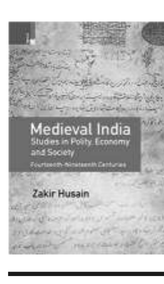
Without overtly seeking to do so, this book somewhat corrects that imbalance. Until he retired, the author was an assistant director at the National Archives. In this book, he brings to bear his expertise on some of the micro details of how India was in the five centuries till 1800.

It's entirely based on a painstaking study of archival material. The author's commentary is minimal and designed to guide rather than influence. And that's why it's a pleasure to dip into it from time to time.

Of course, all of it happened long, long ago. And the nano details can be very forbidding. This is a book for the experts amongst experts.

The book has 28 chapters in nine sections: the Tughluqs, Mughal diplomacy, Mughal documents, politics in the Empire, contemporary powers, administering the Deccan, society and culture, decline of empire, and 1857. Each chapter deals with some micro detail.

There is no central theme aimed at proving a point. It's simply what it was. You are not asked to approve or disapprove. It's enough if you just know.



MEDIEVAL INDIA: Studies In Polity, Economy And Society
Author: Zakir Husain
Publisher: Primus Books
Price: ₹1,600
Pages: 540

Did you know?

Thus, it turns out — thanks to a new *farman* of 1541 discovered by the author in the National Museum in Delhi — that Babur's other son, Mirza Kamran, had declared himself a sovereign after his brother Humayun lost a major battle at Chausa. He had also issued coins.

So what, you might ask. Nothing really, except that it's good to know how fragile sovereignty was till so recently. We have forgotten that in 1947 India had nearly 600 "sovereigns", plus British India which was the paramount power controlling these fellows.

Harassment of businessmen by petty officials was also common. Indeed, at one point Shah Jahan even had to issue a *farman* saying the transportation of elephants would henceforth be totally tax free and harassment free.

One also discovers that land grants were then what government jobs are now, a way to ensure regular incomes to the poor and needy, including women in some cases. Doubtless it was this that led Aurangzeb to exclaim towards the end of his reign "*Ek anaar, sad* [100] "*bimaar*". Like governments now, he too had run out of patronage.

Mr Husain also informs us that Gorakhpur was renamed Muazammabad by Aurangzeb. Prince Mu'azzam was one of his sons. But the old name stayed on except in official documents for a few decades.

Then there is the chapter on Dost Mohammad Khan who founded the state of Bhopal. He was an Afghan adventurer who came here from near Peshawar after murdering the boss's son. The story of his ascent with all the killing, treachery and deceit is fascinating. The house he founded lasted for nearly 200 years. One of India's best cricketers was his descendant.

And the Taj Mahal. How was this magnificent mausoleum built? There's an utterly fascinating chapter on it, despite the author's warning that very few of the official documents pertaining to its construction have survived. The details of procurement of land and materials are all there. The author also refers to correspondence between Aurangzeb and his father about maintenance issues.

To sum up, this is not a book that you read on a flight. It's something every educated Indian should keep on his desk or near his bed to read during a lull in the day. It reveals how the Mughal empire was run as a well-oiled machine.

It was only towards the end of Aurangzeb's reign that things started to fray. The author has devoted an entire chapter to the last decade of his rule in the Deccan, which, the received wisdom says, was the undoing of the Mughal empire.

He has gone through the archives, especially Aurangzeb's personal orders. It becomes clear that the cost soon became unsustainable. The annual financial statement for 1701 shows an excess of expenditure over revenue of ₹10,32,054.

The deficit had to be made up by fiscal transfers from north India to the south, an exact reversal of the current situation. A substantial portion of the cost of electorally dominating the north is today being borne by the south.