



Indian Institute of Management Kozhikode

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PRINT

The economy in the time of Narendra Modi

Three years since 2014, standard indicators show little sign of an economic transformation



PULAPRE BALAKRISHNAN

As the Bharatiya Janata Party reportedly prepares for "Modifests" to celebrate the completion of three years in power the citizen would be interested in knowing how their government has performed in respect of the economy. This because in his election campaign in 2014 Narendra Modi had chosen to highlight his ability to turn the economy for the better, notably to raise its growth rate. Once he became Prime Minister, he quickly presented his idea of how this could be done. Manufacturing was to be the key and "Make in India" the government's programme to actualise it. Pressing ahead to produce in India can hardly be faulted as an objective, for in a market economy income generation depends upon making something. As for the focus on manufacturing, its relevance cannot be exaggerated. Indian agriculture is overcrowded. With shrinking farm size, the returns to this activity is set to shrink and only manufacturing can absorb the labour that will have to be transferred out of agriculture. Also manufactures are often easier to export than the services that India specialises in. So, "Make in India" is eminently sensible of itself. But how successful has this initiative been?

A slow starter?

Turning to the evidence, we would find that far from taking Indian manufacturing to new heights, the performance since 2014 does not match what has been achieved in the last boom in India, which was obtained during 2003-08. During this period, for the first time in decades, manufacturing had led the



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growth acceleration in the economy. In most of these years, annual growth of manufacturing had exceeded 10%, which has not been matched since. Interestingly, the performance of this sector in the last three years is not superior even to that at the tail end of United Progressive Alliance (UPA) II. Clearly, "Make in India" is yet to fulfil its promise.

Now, could it be that the programme has actually had a favourable impact but the fruits are yet to appear? This is possible, and would be the case if the programme has led to a surge in investment. But there is no evidence of this either. If we take a wider measure of investment – that for the economy as a whole – we see that capital formation as a share of total output has declined even more sharply since 2014 than it had been since the decline began in 2011. Private investment, seen as the bellwether of an economy, has not been forthcoming despite this government's business-friendly orientation. As the decline in investment had commenced in 2011, the development itself cannot be laid at the present government's door but it is unambiguously the case that it has not been able to reverse it. Part of the reason has to do with

the fact that the focus of "Make in India", such as the ease of doing business, has mostly been on the supply side. But there is demand to reckon with. Firms invest in anticipation of demand, and when they perceive slow growth of demand, they are likely to hold back.

Explaining slow growth

It is clear that some part of the slow growth of demand in India is beyond the grasp of government due to the weather cycle. Two of the past three years have been years of very poor agricultural GDP growth, with the figure actually negative in 2014-15. But agriculture's performance cuts both ways, serving also as windfall when it turns out to be buoyant. Thus, for 2016-17 the Central Statistics Office's advance estimates indicate a more than three-fold increase in agricultural growth while industry and services register a reduction in theirs. Had agricultural growth not risen so dramatically, growth in 2016-17 would have slowed even more than it actually did. The government just got lucky.

Whatever may have been the demand-constraining impact of slow agricultural growth in the first two years of this government's tenure, the independent role of its macro-

economic policy is evident. At a time of declining private investment the prudent thing for a government to do is to raise public investment. This has not happened on anything like the scale necessary. Indeed, with regard to fiscal policy, the government had been guided by fiscal consolidation defined in terms of deficit reduction. Admittedly, in this the National Democratic Alliance-II has only taken forward a programme initiated by UPA-I. But the slowing of capital formation was not a feature then, and economic policy is meant to respond to a changing environment. In 2016-17, gross fixed capital formation in the economy turned negative. This worrying development requires addressing. But having tied itself down to a dogmatic policy stance, the government can do little. The centrepieces of this policy package are fiscal consolidation and inflation targeting. This combination leaves no room to address concerns of growth. The government's response to suggestions that it respond to the situation is that it will not sidetrack fiscal consolidation. Actually, no one is asking it to! It is possible to adhere to fiscal deficit targets while expanding public capital. You do this by switching expenditure from consumption to investment.

Impact of demonetisation

All this is from a macroeconomic point of view. To be fair to the government, we must acknowledge its other programmes. Admittedly, there are several but it is demonetisation that it thinks of as its showpiece. Claims made have been the ending of corruption and tax evasion. So far we can only be certain that there was an immediate slowing of growth in the formal sector of the economy after November as reflected in the Index of Industrial Production. It is too early to establish what the impact will be on tax revenues but it is dif-

ficult to imagine that demonetisation will achieve more for revenues than the Goods and Services Tax. Interestingly, in his book *The Curse of Cash*, the guru of the "less cash" movement, Kenneth Rogoff, presents data that show countries with a relatively high cash-to-GDP ratio, such as Japan and Switzerland, having smaller underground economies than some such as the Scandinavian ones recording "far far" less cash. It may be noted that in Japan the said ratio is 50% higher than in India. No one thinks of Japan as backward. So, with demonetisation, has the government caused output loss without clear gains elsewhere in the economy? And if the argument was that large denomination notes abet corruption, it is difficult to comprehend the replacement of the ₹1,000 currency note with a ₹2,000 note, with its inconvenience. It is clear from this that politicians and economists do not employ daily-wage earners.

Prime Minister Modi is not a man for the understatement. He had come promising a transformation of the economy. Three years later the standard indicators show no sign of his government bucking the trend. It may be seen in the latest "Economic Survey" that growth had begun to rise and inflation fall before 2014. Since then the growth acceleration has tapered off, with the year just ended actually recording a slowdown. Finally, in what must come as an embarrassment of sorts considering the slogan of "minimum government", among the most prominent drivers of growth in the past three years has been a record growth of government consumption expenditure. The stock market, however, exults! Apparently the punter holds something close to his chest.

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ജി.എസ്.ടി.: ഉപഭോക്തൃ താൽപര്യം സംരക്ഷിക്കണം



ഡോ. നാഥനു ആർ. നായർ

ജി.എസ്.ടി. ഘടനപ്രകാരം പ്രതിക്ഷിപ്ത തരത്തിലുള്ള വിലക്കുറവ് സംഭവിക്കണമെങ്കിൽ വ്യാപാരികൾ കൃത്യമായ നികുതിയടയം ഇൻപുട്ട് ടാക്സ് ക്രെഡിറ്റിന്റെയും ആനുകൂല്യങ്ങൾ മുൻപന്തയം ഉപഭോക്താക്കൾക്ക് കൈമാറണം

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ഉപഭോക്താവിന്റെ കൈമാറ്റം

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കേരളത്തിന്റെ നിർഭരണങ്ങൾ

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എന്തു ചെയ്യാനാണ്

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GST: Take care of Consumer's interest
 By Sthanu R. Nair

As India readies for the implementation of Goods and Services Tax (GST), most likely from July 1, an issue which has gained the attention of policy makers is the impact of GST on prices of goods and services. According to analysts, implementation of GST is likely to result in a fall in the overall price level due to two major reasons. First, going by the present tax rate structure agreed by the GST council, most of the goods and services in the consumer price index (CPI) basket will either be exempted from GST levy or taxed at a lower rate as compared to the existing tax regime. Second, even in case of goods and services whose prices are expected to increase due to higher tax burden under GST, the inflationary effect can be controlled to the extent that the businesses pass on the benefit of input tax credit to the consumers. Under the GST system, the input tax credit facility allows businesses to deduct the tax paid on their raw materials/inputs from the tax payable on their final product or service.

However, in practice, the expectation of lower prices under the GST regime will materialise only if the businesses fully pass through the benefits of lower taxes and input tax credit to the consumers. In view of this, some states including Kerala, have argued before the GST council that suitable provisions need to be incorporated in the GST Law to see that businesses pass on the benefits of lower GST rates and input tax credit to the consumers in the form of lower

prices. Otherwise, they argued, big businesses will earn abnormal profit. Here it is important to note that, as per the estimates arrived by HSBC Global Research, full pass through of tax cuts and input tax credit into prices charged by the businesses would cool CPI inflation by 0.8 per cent. In the absence of full pass through CPI inflation would rise by 1.2 per cent.

The persuasion of the states like Kerala has ultimately resulted in the inclusion of an “anti-profiteering” clause in the GST Law. The clause, included under Section 171 of Central GST Act, states that “The Central Government may, on recommendations of the Council, by notification, constitute an Authority, or empower an existing Authority constituted under any law for the time being in force, to examine whether input tax credits availed by any registered person or the reduction in the tax rate have actually resulted in a commensurate reduction in the price of the goods or services or both supplied by him.” And, the authority “shall exercise such powers and discharge such functions as may be prescribed.”

Though the GST council is yet to decide on the Authority which could be entrusted with suitable powers and functions to ensure that consumers benefit from lower GST rates and input tax credit by way of reduced prices, the proposals put forward by Kerala in the GST council are noteworthy. In the GST council meetings, Kerala has suggested that the Central government should publish a list of commodities with details of existing and new GST rates applicable to them and their maximum retail prices (MRP) under the GST regime. In this regard, Kerala government has informed the GST council that it would public such a list in this month. Another suggestion of Kerala was that the centre should hold discussion with apex industry associations to ensure that businesses transfer the benefits of tax rate reduction under GST regime to consumers.

No doubt, these are desirable interventions a state could make to protect the interest of the consumers under GST regime. For instance, informing the consumers on expected post-GST price movements as suggested by Kerala would make consumers vigilant about any price exploitation practices by the businesses. Also, to ensure public acceptance of India’s biggest tax reform since Independence, the measures such as the ones suggested by Kerala are very much necessary. Now the question is: What more the centre and the states can do to pass on the benefits of input tax credit and reduction in tax rate to consumers, in addition to the ones proposed by Kerala in the GST council? The following measures are worth considering:

In consultation with industry associations a commitment can be obtained from large businesses assuring that they would reduce MRP in line with tax rate reduction and input tax credit received.

Businesses can be directed to adjust their prices as soon as tax rate changes including reductions take effect post-GST implementation.

A compliance guide can be issued to the businesses in identifying and passing on to the consumers the price benefits of GST.

The Authority constituted under the “anti-profiteering” clause can collect prices of goods and services from various sources including retail outlets and super markets both before and after the introduction of GST to study price changes and identify areas of incorrect pricing.

Businesses can be barred from making abnormal profits by way of increasing their net profit margin. Under GST, businesses may try to increase their profit margin by not reducing their prices wherever applicable or by increasing prices by more than the quantum of rise in taxes.

Based on tax burden under GST and input tax credit claimed, the government can suggest a price cap on the goods and services supplied by the businesses.

Businesses can be prohibited from influencing consumer demand by way of misleading advertisements such as claiming that the price would increase as a result of GST introduction though in reality it might come down.

A national/regional telephone hotline can be established to deal with consumer complaints and inquiries on prices charged by businesses post-GST rollout.

These measures are not new to the world of GST. Countries like Australia have successfully implemented these measures when introducing GST. And they were successful in passing on the benefits of reduction in tax rates and input tax credit to the consumers. There is no reason why India cannot implement them. Since Kerala has been in the forefront in the GST council demanding measures to protect the consumer interest, with the support of like-minded states, the state should persuade the centre and GST council to adopt the above measures. If that does not succeed, the state can set an example for others by undertaking measures suiting its tax administrative powers to transfer the price benefits of GST to consumers of Kerala.



OPINION

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The Centre has set up a complaint mechanism to ensure companies transfer the price benefits of GST. But it has its flaws

WILL THE BUYER TASTE GST BENEFITS?

With the launch of the long-awaited Goods and Services Tax (GST) on July 1, 2017, the focus is now on effective implementation of the tax. From a consumer point of view, a key issue is whether the benefits of GST namely reduction in rate of tax and input tax credit will be passed on to consumers in the form of reduction in prices. It is to be noted that the Finance Minister Arun Jaitley went on record by saying that the average of all the tax rates fixed by the GST council was significantly lower than the present tax incidence. Aware of this, in his meeting with industry bodies a day before the roll-out of GST, Jaitley urged them to pass on the price benefits to the consumers. Also, to ensure that the benefits of tax rate cuts and input tax credit are passed on to the consumers, the central government has formulated Anti-profiteering Rules, 2017 (APR). This is a welcome step considering the fact that when value added tax (VAT) was introduced from April 1, 2005 with a similar claim—that prices would come down due to input tax credit and lower tax rate—no credible mechanism was put in place to ensure that the claim was achieved.

Anti-Profiteering Rules: The APR prescribes an administrative structure to deal with consumer complaints about profiteering by businesses in the aftermath of GST implementation. The structure comprises of a standing committee (SC) constituted by the GST council, state-level screening committee (SSC) constituted by each state government, Director General of Safeguards (DGS), and National Anti-Profiteering Authority (NAPA).

The compliant redressal mechanism works as follows: In the first stage, the SC receives the written complaints of profiteering practices and verifies the adequacy of the evidence. After reviewing the prima-facie evidence to support the complaints, the SC forwards them to DGS for a detailed investigation. In case of local complaints, the SSC would examine them first and forward the same with its recommendations to the SC for further action. The second stage involves investigation of the complaints forwarded to the DGS, which can take up to three months. In the final stage, the DGS submits the investigation report to the NAPA, which will have three months to give its verdict. Apart from these complaints, the NAPA can also take suo motu actions. If a company is found to have



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The announcement of APR just ten days before the roll out of GST makes little sense. Sufficient time should have been provided to educate the consumers

not passed on the benefits of lower taxes and input tax credit to consumers, the NAPA could initiate any of the following actions: Cancel the registration of the company, impose a penalty on the company, order a reduction in prices; order the company to refund the customer an amount equal to what it has earned by not passing on the price benefits from the time the GST took effect. In case a customer fails to claim the refunded amount or cannot be traced, the amount would be credited to the consumer welfare fund, which is managed by the Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution.

But the critical question is whether APR would help the consumers benefit from lower GST rates and input tax credit? The answer is probably no due to following reasons. First, the announcement of APR just ten days before the roll out of GST makes little sense. Sufficient time should have been provided to educate the consumers. A case in point is Australia's experience in implementing a price monitoring mechanism to oversee the pricing responses to the introduction of GST. A key aspect of this mechanism was the GST transition period which be-

gan a year before GST introduction. During this period consumers in Australia were provided with the information on the expected price movements for goods and services. Nation-wide retail price surveys were conducted to study price changes and pricing behaviour both before and after the introduction of GST and inform the same to the consumers. No such critical initiatives have received attention in India.

Second, the global evidence shows that GST has an impact on the prices in the initial stage of its implementation. Non-tax factors start influencing price changes subsequently. Hence, it is important to ensure that consumer complaints about incorrect pricing are not missed out in the initial months of GST implementation. This is possible only if consumers are made aware of post-GST prices of goods and services beforehand, the administrative framework to deal with consumer complaints is put in place before GST roll out, and a toll-free telephone line or a suitable digital platform is established to receive consumers complaints. Ironically, as per reports, the NAPA is expected to be set up only two months after the GST roll out! Also, as per APR, com-

plaints of profiteering by industry can be registered only in the written form, which no doubt will be cumbersome for an ordinary consumer. Third, as per the APR, the NAPA can impose a penalty on a company that fails to pass on the benefits of lower taxes and input tax credit to consumers. However, the Central GST Act 2017 has no provision for imposition of penalties in this case. Hence, it is not clear how the penalty clause would work in practice.

Fourth, the industry has expressed concern over the absence of detailed guidelines about what constitutes profiteering by the businesses. According to them this opens up the possibility of harassment by tax officials. Appropriate price and profit margin rules should have been framed as part of APR to allay such fears and help the industry in correctly identifying and passing on the price benefits of GST.

Finally, the government is yet to take the industry into confidence on the APR. Instead, the government has been issuing warnings to refrain from hoodwinking the consumers. Working closely with industry associations in the transition stage might be more effective in transferring the benefits of GST.

Rajayoga can help crisis mgmt

Pooja Singh

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Rajyoga is a powerful tool for enhancing crises management skills, so says a new study by the Indian Institute of Management (IIM) Kozhikode. Led by R. Radhakrishna Pillai, professor of information technology and systems area, IIM Kozhikode, the study explores the role of self-managing leadership in crisis management. In an interview, Prof. Pillai explains the significance of Rajayoga at workplace. Edited excerpts:

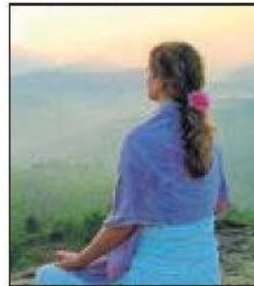
What is Rajayoga in the context of the workplace?

Rajayoga is an ancient spiritual practice for self development and for reviving the value system. It involves being aware that you are an eternal spiritual being (soul consciousness) and that the body is only an instrument to carry out actions (karma). If you are content and happy with yourself, it brings positive energy at the workplace. This leads to better efficiency, creativity, ethical and holistic decision-making capabilities.

How does Rajayoga enhance crisis management skills?

The advantages of practising Rajayoga includes deep relaxation, behavioural transformation, gaining control over mind and economy of thoughts, living in harmony with the nature and with oneself, as well as improved relationship with others.

The essential inner powers required for self management include the power of tolerance, of



■ Meditation helps in crisis management

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judgment, the power to make right decisions, the power to face, to accommodate, to change and to cooperate. Through regular practice of Rajayoga, these inner powers get developed which help to manage the crisis effectively. For example, when an individual lacks the power to face situations, he/she loses self confidence and even insignificant issues can become a challenge before him/her. Regular practice also helps one to have better control on the self during crisis and enable him/her to control the emotions and take decisions in a dispassionate manner with better clarity.

Are there some specific set of crisis that can be managed by Rajayoga?

The psychological aspects of the crisis can be better managed by Rajayoga. Examples include accidents, interpersonal issues/disharmony, ego clashes, misunderstandings and unethical activities.

● ONLINE RETAILERS

How can they retain customers

KEYOOR PURANI

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WITH PRO-DIGITAL GOVERNMENT policies, demountation triggered e-wallet usage and reduced data costs, online commerce is making rapid strides. The Meeker 2017 report on internet trends in East Asia concurs this by highlighting Amazon India's 300% year-on-year growth both in number of SKUs and sellers. But it underlines the beginning of aggressive competition among e-commerce players.

For online retailers, increased returns of merchandise by dissatisfied customers has become a concern. According to media reports, the return rate has gone up by 50% in one year. Sellers such as Amazon, Flipkart and Snapdeal have come together to create a forum such as eSuraksha and have even protested against some e-retailers by a putting large amount of SKUs out-of-stock.

A recent research provides interesting explanation of how a buyer's trust, satisfaction and intention to repurchase in an online retailing context are influenced by psychological contract violations (PCV). Businesses have guaranteed themselves legally with fine prints, but PCV could be critical for e-retailers, suggests my study published along with two other professors from the UK in the *Journal of Business Research* (June 2017). It provides evidence that a mechanism called Structural Assurance (SA) can mitigate the negative influence of PCV on trust and satisfaction, in cases where such violations can't be avoided.

Every buyer-seller interaction in the B2C online marketplace can be characterised by a psychological contract as online buyers are generally governed by their implicit understanding of the seller's transactional obligations rather than by explicit rules in legal contracts. Psychological contracts, unlike expectations, are based on perceived promises, and arise when one party believes that another is obligated to perform certain behaviours. They are much broader than economic and legal contracts, and comprise perceptual aspects that cannot be formally incorporated into legal contracts. There are four seller obligations—deliver the product in a timely manner by the promised method; deliver an item that is identical to the one described and shown in the ad; follow the payment policy promised and accept payment; and follow the conditions of sale and honour a return or refund promise. With concerns over logistics and payment, fulfilling these obligations becomes dicy.

PCV is common in online marketplace because buyers and sellers do not engage at a personal level, have non-congruent goals, and may have different understanding of their respective contractual obligations. While a few e-retailers are mindful of this, PCV is central to buyer-seller relationships in e-retailing as online buyers' behaviours are mainly guided by their perceptions of psychological contracts. So, behaviours such as fraud, product misrepresentation, product delivery delay, failure to acknowledge guarantees, and refusal to follow payment policy could be common underlying sources of PCV in India.

Our research found evidences for negative influence of PCV on customers' intention to reuse a retailer's website, and that trust and satisfaction are the mediating mechanisms through which PCV negatively influences the intention to repurchase.

Having known the negative influence of PCV in retaining customers, e-retailers may try to bring down the incidence of such violations that need not be breaking legal contracts but breaching customer trust. However, despite all attempts, it may not be possible to completely prevent PCV.

SA refers to the degree to which consumers believe structures exist to promote the success of online transactions. Credit card guarantees, escrow services (Pay2Bill), seals of approval, secure e-transactions, return/exchange policies and cash-on-delivery are examples of SA. In fact, Mynt's try & buy (T&B) is an interesting SA mechanism that is being adopted by e-retailers.

Therefore, it is vital for online retailers to recognise the role of PCV and safeguard customer trust. Also, investments in SA are paramount for preserving buyer trust in the online retailer when PCV occurs. This is important for Indian e-retailers and other emerging economies for two reasons—e-retailers are competing intensely for too few customers, and they are grappling with problems related to logistics and payment gateways that invariably lead to instances of PCV. Hence, e-retailers should conceive strategies for improving SA as perceived by customers.

Finally, investments in SA should not be considered a panacea, as our findings also indicate that its role in preserving buyer satisfaction is effective only when PCV is perceived as low to moderate. Therefore, e-retailers should proactively limit the incidence and magnitude of PCV to a minimum.

Online retailers need to be mindful of adverse effects of psychological contract violation (PCV) & find ways to mitigate them



OPINION

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Family-run businesses might have a few lessons for our political dynasts

POLITICS AND THE FAMILY PLOT



an political parties in India and abroad find their own Jorgen Vig Knudstorp (Lego), Sergio Marchionne (Fiat Chrysler Automobiles) or Oh-Hyun Kwon (Samsung Electronics)? These people are all successful non-dynast professional CEOs of family-run businesses. Do political parties pick candidates keeping in mind what is best for the party, its growth and purpose?

Typically, communist parties in countries such as China, Vietnam, North Korea and Cuba are run as family affairs. Party leaders pass the baton from one family member to the other and one generation to the next. The descendants of the communist party elites, or 'princelings' as they are called, are usually chosen to lead the party and are given important portfolios in the government and the country when the earlier generation retires or passes away.

It is almost impossible for anybody to rise to the top of the party (and hence the government machinery) unless they have strong family influence in the communist

party. In China, four of the seven members in the all-powerful Politburo Standing Committee of Communist Party of China (CPC) are princelings. Similarly, in the Communist Party of Vietnam (CPV), of the 19 members in the Politburo, 11 are princelings. In North Korea, the 'Kim' family is in power for the third generation. And in Cuba, after Fidel Castro, his brother Raul Castro came to power.

The above scenario is similar to many family-run businesses all over the world. Closer home, in India, most of the businesses are owned and managed by founders and their family members. The reasons for this phenomenon of family-based succession are culture and the 'correct fit'.

Asian countries are known for their collectivist family-oriented culture, unlike Western individualist culture. The elders want to pass on what they have earned to the next generation family members. This is reflected in the literature on succession in family-run businesses. The business is



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passed on from one generation to the next for the family to retain control, even if there are better candidates outside the family for continued shareholder wealth creation.

The founders of the party earned power when they set up the party and they want to pass on that power to the next generation family members. The thought process is that 'the founders of the party set up the political establishment in the country and even though the government is for the people, the founders and their family members are best suited to enjoy the outcomes and take the mission of the party forward'.

This thought process is more or less explicit in the succession planning in Vietnam. The Communist party's informal rule set by Ho Chi Minh, the founding father of the CPV, states that priority should be given to the children of the senior comrades, i.e. party elites.

Even if the incumbent leadership of the family business genuinely wants to consider outsiders for suc-

cession planning, it does not work in many situations. The outgoing leadership typically has a vision for the company and wants to choose someone who understands and shares that vision.

When they search for a successor, they find it difficult to find an outsider who fits their expectations. On the other hand, they find that their own family member, who has been brought up under their supervision, is entrenched in the same values and shares the same vision. Hence they prefer to pass on the baton to someone inside the family rather than an outsider.

The communist party elites feel the same. It is up to the non-communist parties in democracies like India to decide if they would like to follow this method of selecting successors.

It must be emphasised that if the next generation of the founding family is well qualified, as passionate as the founder or incumbent and as suitable to lead the company as an outsider, the family member may be given a pref-

erence over the professional as the family member would be well entrenched in the values of the company. But, if the next generation is not well suited for the top job, the shirt sleeve to shirt sleeve in three generations saying may prove to be right!

A look into the various Birla Groups proves an important point. The Aditya Vikram Birla group which appointed professional CEOs with strategic freedom at the business level for most of its companies continued its success story in the liberalised environment, whereas the other Birla Groups which continued with family leadership did not perform as well.

The political parties would do well to realise that the adage will apply to them as well if they don't learn from the experiences of family-run businesses and make course corrections. Parties that subscribe to dynastic politics can learn from family businesses that choose 'outsiders'. Family-run businesses are realising the need for change. So should the political parties!

In China, four of the seven members in the all-powerful Politburo Standing Committee of Communist Party of China (CPC) are princelings

Be professional, less merciful, IIM-K tells KSEB

DC CORRESPONDENT
THIRUVANANTHAPURAM,
SEPT. 24

The additional report submitted by IIM Kozhikode on ways to enhance service quality and organisational efficiency in KSEB Limited has called for the review of the 'Compassionate Employment Scheme', which allows employment in the position such as workman, lineman, office attendant, confidential assistants, and fair copy assistant for dependents of

former employees. The scrapping of the 'Compassionate Employment Scheme' is recommended as a long-term measure.

In the meantime, it suggests certain measures that KSEB Limited could take to take the organisation toward the eventual abolishing of the scheme. One, recruitment on compassionate ground for the positions of office attendant, confidential assistant and fair copy assistant should be stopped as these positions



KSEB

are largely duplicates. "Thus they can be amalgamated or possibly phased out post the introduction of information technology," the additional report

stated. Two, promotion of employees recruited under the compassionate scheme to higher position without requisite skill not only

compromises with the overall skill requirement, but also creates a danger of exposing the employees life to risk while handling the job. Three, KSEBL must ensure the minimum skill requirement before or within a specified period (may be through provisional appointment) of absorbing any employee under this scheme.

The additional report has also recommended three options to deal with the scheme, right from training such employees to the scrapping the

scheme. Option one: Fund and train the dependents before considering them for employment and after successful performance in the skill test. Option 2: Give a provisional employment to the hired employees on compassionate ground, who need to ensure acquiring of competency before confirmation.

However, the report is more keen on Option 3, which says that 'Compassionate Employment Scheme' must be stopped in long

run. Instead, the report states that KSEBL should explore in embracing a "group term insurance policy" to pay a huge compensation. "This would not just reduce the cost of KSEBL significantly, but would also reduce the liability of the company. This would also help KSEBL to get competent employees sans any compromises, guided solely by the competency requirements, while providing adequate benefits to the dependents of the deceased employees," the report stated.

IIM-K wants KSEB to shed flab

DC CORRESPONDENT
THIRUVANANTHAPURAM,
OCT 1

The additional report submitted by IIM-K on 'Enhancing Service Quality and Organisational Effectiveness' has called for a massive slimming of the offices of KSEB chief engineers. It has also urged the public utility to embrace technology and to shed flab by cutting down on its "bloated" staff strength.

The study found the office of the chief engineer (human resource management) to be over-nourished. "The office seems to be overstaffed presently. With the use of computer, ERP and other software, the manpower requirement will reduce further," the study noted. The report recommends the use of technology in a big way. "With the use of software like ERP, the works and processes which take days to address can be resolved in matters of couple of hours," the study added.

The study also pointed out overlap of functions. The functions of Billing and Cash sections, for instance, are wrongly placed in CE (HRM) office. The type of work done by these offices makes it mandatory that they function under the



utility's finance director. Again, the establishment bill section in Deputy CE (HRM-II) office does many works of corporate office employees. The study has recommended that the staff strength of the office of the CE (HRM) to be cut by more than half, from 309 to 146. The study has not recommended any major change in the office of the chief engineer (com-

mercial and tariff). However, it has recommended that frequent transfers should be avoided. As for the office of the chief engineer (supply chain management), a thorough rejig has been recommended. The report wants the office of the assistant finance office under the CE (SCM) to be shifted to finance. The AFO has also been found to be

over-staffed. It also wants the post of deputy chief engineer under the CE (SCM) to be scrapped.

The public utility is also seen as a technological backwater. "The employees were seen to mostly rely on pen and paper calculations in CE (SCM) department. The shift to use of supply chain management software needs to be expedited," the report said.

OBSERVATIONS MADE

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- It has recommended that frequent transfers should be avoided.
- A thorough rejig has been recommended for the office of the chief engineer (supply chain management).
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'EMBRACE TECHNOLOGY'

The employees were seen to mostly rely on pen and paper calculations in CE (SCM) department. The shift to use of supply chain management software needs to be expedited

— IIM-K REPORT

മാന്യം മറികടക്കാൻ



ഡോ. സമാന്യ ആർ.നായർ

സാമ്പത്തികമേഖലയിൽ ഉണർവുണ്ടാക്കാൻ മുന്നിലുള്ളത് രണ്ടുവഴികളാണ്. ഒന്ന്, അടിയന്തരമായി പൊതുനികേഷനങ്ങൾ വർദ്ധിപ്പിക്കുക, രണ്ട്, സ്വകാര്യ നിക്ഷേപമേഖലയെ ഉദ്ദീപിപ്പിക്കുക

തൃശ്ശൂരിലുള്ള അഞ്ചുപാദങ്ങളിലായി ഇന്ത്യയുടെ ജി.ഡി.പി. (മൊത്ത ആഭ്യന്തര ഉൽപ്പാദനം) വളർച്ചനിരക്കിൽ ഇടിവ് നേരിടുകയാണ്. 2015-16 സാമ്പത്തികവർഷം നാലുപാദത്തിൽ 9.1 ശതമാനമായിരുന്ന ജി.ഡി.പി. 2017-18 സാമ്പത്തികവർഷത്തെ ഒന്നാം പാദത്തിൽ 5.7 ശതമാനത്തിലേക്ക് കുറയ്ക്കുകയും ചെയ്തു. 2015-16 സാമ്പത്തികവർഷത്തെ ആദ്യപാദ കണക്കുകളിൽ 12.65 ശതമാനം വളർച്ച രേഖപ്പെടുത്തിയ ഉൽപ്പാദനമേഖലയ്ക്ക് 2017-18 ആദ്യപാദം കൈവരിക്കാനായത് 1.17 ശതമാനം വളർച്ചയോടുകൂടി ആഗ്രഹിക്കാവുന്ന വളർച്ചയുണ്ടായിരുന്നത് 2.01 ശതമാനത്തിലേക്ക് താഴ്ന്നു. 2015-16 ന് പത്തുശതമാനം വളർച്ചയുണ്ടായ സേവനമേഖലയിൽ 2016-17 മൂന്നാംപാദത്തിലെ കണക്കുപ്രകാരം കൈവരിക്കാനായത് 6.9 ശതമാനത്തിന്റെ വളർച്ചയുമാണ്.

മാന്യത്തിന്റെ കാരണങ്ങൾ

2015-16 സാമ്പത്തികവർഷത്തിലെ മൂന്നാം പാദത്തിനുശേഷം രാജ്യത്തിന്റെ സാമ്പത്തിക വളർച്ചയിലുണ്ടായ തിരിച്ചടികൾ പ്രധാന കാരണമായി ചൂണ്ടിക്കാണിക്കുന്നത് സ്വകാര്യ നിക്ഷേപങ്ങളിലുണ്ടായ ഇടിവാണ്. 2015-16 അവസാനപാദത്തിൽ 8.3 ശതമാനം വളർച്ചയുണ്ടായിരുന്ന സ്വകാര്യ നിക്ഷേപംഗതത്തിൽ 2017-18 ആദ്യപാദത്തിൽ 1.6 ശതമാനം വളർച്ചയായാണ് നേടാനായത്. ഇതിനുപിന്നിൽ മെയി പൊതുനികേഷനുകളിൽ വലിയ വളർച്ചയായാണ് ഇക്കാരണമുണ്ടായത്. ഇത് സൂചിപ്പിക്കുന്നത് ഈ അടുത്തകാലത്ത് സമ്പദ്വ്യവസ്ഥയിൽ എന്തെങ്കിലും വളർച്ച നോക്കുമ്പോഴുണ്ടാകാൻ സാധിക്കാത്തതിന്റെ പൊതുനികേഷനങ്ങളിലുണ്ടായ വലിയ നഷ്ടമാണെന്നാണ്.

കഴിഞ്ഞ അഞ്ചുപാദങ്ങളിലായി തുടർച്ചയായി നെഗറ്റീവ് വളർച്ച നേരിടുന്ന കയറ്റുമതിമേഖലയിൽ 2016-17 ആദ്യപാദത്തിലെ കണക്കുപ്രകാരം വലിയ തിരിച്ചുവരവ് നടത്തിയിട്ടുണ്ട്. എന്നാൽ, കയറ്റുമതിയിലുണ്ടായ ക്ഷീണം അടുത്ത കുലഞ്ഞ സാമ്പത്തികവർഷത്തിൽ കാരണമായി ചൂണ്ടിക്കാട്ടാനാവില്ല.

നോട്ട് അസാധുവാക്കൽ തീരുമാനം സമ്പദ്വ്യവസ്ഥയിലുണ്ടാക്കിയ പ്രതിഫലങ്ങളെക്കുറിച്ച് നിരന്തരം ചർച്ച നടക്കുന്നുണ്ട്. ഇവിടെ ശ്രദ്ധിക്കേണ്ടതെന്തെങ്കിലും കാര്യം നോട്ട് അസാ

ധുവാക്കൽ തീരുമാനം പ്രഖ്യാപിക്കുന്നത് 2016 നവംബർ എട്ടിന് വളരെ മുമ്പുതന്നെ രാജ്യം മാന്യത്തിന്റെ പിടിയെങ്കെട്ടിയിരുന്നു എന്നതാണ്. (അതായത് 2016-17 മൂന്നാംപാദത്തിൽ വളർച്ച ഏഴുശതമാനമായി കുറഞ്ഞിരുന്നു). നിലവിൽ നേട്ടം പിന്നോട്ടുപോയതിനു സമ്പദ്വ്യവസ്ഥയിൽ നോട്ട് അസാധുവാക്കൽ കുടിയെടുത്തുപോയതിന് അടുത്തകാലത്ത് പരിശോധിച്ചാൽ ഇത് വ്യക്തമാകും.

- 1. സ്വകാര്യനിക്ഷേപ വളർച്ചനിരക്ക് 2016-17 രണ്ടാം പാദത്തിൽ മൂന്നുശതമാനമായിരുന്ന മൂന്നാംപാദത്തിൽ 1.7 ശതമാനമായും നാലാംപാദത്തിൽ 2.07 ശതമാനമായും കുറഞ്ഞു.
- 2. നിർമ്മാണമേഖല 2016-17 രണ്ടാംപാദം 4.3 ശതമാനമായിരുന്ന വളർച്ചനിരക്ക് മൂന്നാംപാദത്തിൽ 3.4 ശതമാനമായും അവസാനപാദത്തിൽ 3.7 ശതമാനമായും കുറഞ്ഞു.
- 3. സേവനമേഖലയ്ക്ക് കഴിഞ്ഞ സാമ്പത്തിക വർഷം ഏപ്രിൽ, പ്രൊഫഷണൽ സേവനങ്ങൾ 2016-17 രണ്ടാംപാദം വളർച്ചനിരക്ക് ഏഴുശതമാനം. മൂന്നാം പാദത്തിൽ 3.3 ശതമാനവും അവസാനപാദത്തിൽ 2.2 ശതമാനവും.

എന്തായിരുന്നാലും 2017-18 സാമ്പത്തികവർഷത്തെ ആദ്യപാദ കണക്കുകൾ പരിശോധിക്കുമ്പോൾ സ്വകാര്യനിക്ഷേപം, നിർമ്മാണം, സേവനം എന്നീ മേഖലകളിൽ യഥാക്രമം (ശതമാനത്തിൽ) 1.6, 2, 6.4 എന്നിങ്ങനെ വളർച്ച രേഖപ്പെടുത്തിയതായി കാണാം. ഈ തിരിച്ചുവരവിന് കാരണം ചിലപ്പോൾ പുതിയ നോട്ടുകൾ ഇറക്കിയതോ അല്ലെങ്കിൽ നേരത്തേ പ്രവചിച്ചിരുന്നതുപോലെ നോട്ട് അസാധുവാക്കലിന്റെ പ്രതിഫലനം താൽക്കാലികമായതോ ആകാം.

തിരിച്ചുവരണമേഖലകൾ

സാമ്പത്തികമേഖലയിൽ ഉണർവുണ്ടാക്കാൻ സർക്കാരിന്റെ മുന്നിലുള്ളത് രണ്ടുവഴികളാണ്. ഇതിൽ നേട്ടമാണെന്ന് അടിയന്തരമായി പൊതുനികേഷനങ്ങൾ വർദ്ധിപ്പിക്കണമെന്നാണ്. സ്വകാര്യനിക്ഷേപം വർദ്ധിപ്പിക്കണമെന്നാണ്. സൂചകങ്ങളെ അടിസ്ഥാനമാക്കി നോട്ടുകൾ തിരിച്ചുവരവ് പ്രതിഷ്ഠിക്കാൻ കഴിയാത്ത സാഹചര്യത്തിൽ പ്രസ്തുതമേഖലയിൽ പൊതുവായ കഴിവു നഷ്ടപ്പെട്ടുപോകാതെ നേട്ടം നോട്ട് അസാ

ധുവാക്കൽ തീരുമാനം പ്രഖ്യാപിക്കുന്നത് 2016 നവംബർ എട്ടിന് വളരെ മുമ്പുതന്നെ രാജ്യം മാന്യത്തിന്റെ പിടിയെങ്കെട്ടിയിരുന്നു എന്നതാണ്. (അതായത് 2016-17 മൂന്നാംപാദത്തിൽ വളർച്ച ഏഴുശതമാനമായി കുറഞ്ഞിരുന്നു). നിലവിൽ നേട്ടം പിന്നോട്ടുപോയതിനു സമ്പദ്വ്യവസ്ഥയിൽ നോട്ട് അസാധുവാക്കൽ കുടിയെടുത്തുപോയതിന് അടുത്തകാലത്ത് പരിശോധിച്ചാൽ ഇത് വ്യക്തമാകും.

എന്തായിരുന്നാലും 2017-18 സാമ്പത്തികവർഷത്തെ ആദ്യപാദ കണക്കുകൾ പരിശോധിക്കുമ്പോൾ സ്വകാര്യനിക്ഷേപം, നിർമ്മാണം, സേവനം എന്നീ മേഖലകളിൽ യഥാക്രമം (ശതമാനത്തിൽ) 1.6, 2, 6.4 എന്നിങ്ങനെ വളർച്ച രേഖപ്പെടുത്തിയതായി കാണാം. ഈ തിരിച്ചുവരവിന് കാരണം ചിലപ്പോൾ പുതിയ നോട്ടുകൾ ഇറക്കിയതോ അല്ലെങ്കിൽ നേരത്തേ പ്രവചിച്ചിരുന്നതുപോലെ നോട്ട് അസാധുവാക്കലിന്റെ പ്രതിഫലനം താൽക്കാലികമായതോ ആകാം.

സാമ്പത്തികമേഖലയിൽ ഉണർവുണ്ടാക്കാൻ സർക്കാരിന്റെ മുന്നിലുള്ളത് രണ്ടുവഴികളാണ്. ഇതിൽ നേട്ടമാണെന്ന് അടിയന്തരമായി പൊതുനികേഷനങ്ങൾ വർദ്ധിപ്പിക്കണമെന്നാണ്. സ്വകാര്യനിക്ഷേപം വർദ്ധിപ്പിക്കണമെന്നാണ്. സൂചകങ്ങളെ അടിസ്ഥാനമാക്കി നോട്ടുകൾ തിരിച്ചുവരവ് പ്രതിഷ്ഠിക്കാൻ കഴിയാത്ത സാഹചര്യത്തിൽ പ്രസ്തുതമേഖലയിൽ പൊതുവായ കഴിവു നഷ്ടപ്പെട്ടുപോകാതെ നേട്ടം നോട്ട് അസാ



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സാമ്പത്തികമേഖലയിൽ ഉണർവുണ്ടാക്കാൻ സർക്കാരിന്റെ മുന്നിലുള്ളത് രണ്ടുവഴികളാണ്. ഇതിൽ നേട്ടമാണെന്ന് അടിയന്തരമായി പൊതുനികേഷനങ്ങൾ വർദ്ധിപ്പിക്കണമെന്നാണ്. സ്വകാര്യനിക്ഷേപം വർദ്ധിപ്പിക്കണമെന്നാണ്. സൂചകങ്ങളെ അടിസ്ഥാനമാക്കി നോട്ടുകൾ തിരിച്ചുവരവ് പ്രതിഷ്ഠിക്കാൻ കഴിയാത്ത സാഹചര്യത്തിൽ പ്രസ്തുതമേഖലയിൽ പൊതുവായ കഴിവു നഷ്ടപ്പെട്ടുപോകാതെ നേട്ടം നോട്ട് അസാ

സാമ്പത്തികമേഖലയിൽ ഉണർവുണ്ടാക്കാൻ സർക്കാരിന്റെ മുന്നിലുള്ളത് രണ്ടുവഴികളാണ്. ഇതിൽ നേട്ടമാണെന്ന് അടിയന്തരമായി പൊതുനികേഷനങ്ങൾ വർദ്ധിപ്പിക്കണമെന്നാണ്. സ്വകാര്യനിക്ഷേപം വർദ്ധിപ്പിക്കണമെന്നാണ്. സൂചകങ്ങളെ അടിസ്ഥാനമാക്കി നോട്ടുകൾ തിരിച്ചുവരവ് പ്രതിഷ്ഠിക്കാൻ കഴിയാത്ത സാഹചര്യത്തിൽ പ്രസ്തുതമേഖലയിൽ പൊതുവായ കഴിവു നഷ്ടപ്പെട്ടുപോകാതെ നേട്ടം നോട്ട് അസാ

Economic Slowdown: What is the way out?

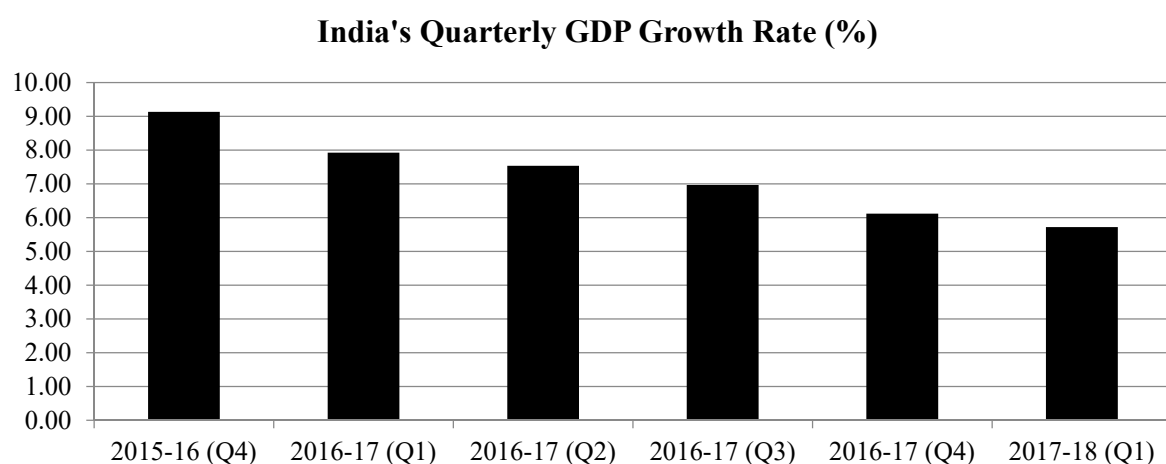
By Sthanu R. Nair

The recent slowdown in India's economic growth has raised serious concerns about the health of the Indian economy. Whereas the opposition has blamed demonetisation and government's mismanagement of the situation, as the key reasons for the slowdown, the government, though concerned about the situation, has attributed the economic slowdown to some temporary factors such as the disruptions caused by the new GST regime and sluggish world economy. Even within the ruling establishment voices which are critical of government's handling of the economy are being raised for the first time since the Narendra Modi government has come to power. It seems Modi government is facing its toughest economic challenge ever.



Nature of slowdown

The growth rate of India's Gross Domestic Product (GDP) has declined consistently for the last five quarters (Q) from 9.1% in 2015-16 (Q4) to 5.7% in 2017-18 (Q1) (Figure). Notably, the growth rate of 5.7% registered in 2017-18 (Q1) is the lowest since Modi government assumed office in May 2014. Except agriculture and allied sectors, all the other sectors namely manufacturing, construction and services have contributed to the economic slowdown. The growth rate of manufacturing sector has declined from 12.65 % in 2015-16 (Q4) to a mere 1.17% in 2017-18 (Q1). In case of construction sector, the growth rate has dropped from 6% to 2.01% during the same period. The services sector witnessed a dip in the growth rate from 10% in 2015-16 (Q4) to 6.9% in 2016-17 (Q3).



Source: Central Statistics Office

Reasons for slowdown

The fundamental reason for the decline in the economic growth rate after 2015-16 (Q4) is the significant decline witnessed in the growth rate of private investment. It declined from 8.3% in 2015-16 (Q4) to 1.6% in 2017-18 (Q1). On the contrary, public investment grew tremendously during the same period. This indicates that whatever growth we have achieved in the recent time is primarily due to a major push given to public investment. The growth rate of exports has improved notably from 2016-17 (Q1) as against the negative growth witnessed during the previous five quarters. Hence, poor export performance is not the reason for the recent growth slowdown.

A lot has been talked about on the impact of demonetisation. It is to be noted that the slowdown in economic growth has started even before the introduction of demonetisation on November 8, 2016, i.e. in 2016-17 (Q3) (Figure). However, demonetisation has proved to be a drag on an already slowing economy. This is evident from following trends: (i) the growth rate of private investment declined from 3% in 2016-17 (Q2) to 1.7% in 2016-17 (Q3) to -2.07% in 2016-17 (Q4); (ii) the growth rate of construction sector, which is considered to be most affected due to demonetisation, decelerated from 4.3% in 2016-17 (Q2) to 3.4% in 2016-17 (Q3) to -3.7% in 2016-17 (Q4) and (iii) the growth rate of Financial, Real Estate and Professional Services under services sector has declined from 7% in 2016-17 (Q2) to 3.3% in 2016-17 (Q3) to 2.2% in 2016-17 (Q4). However, in 2017-18 (Q1) the growth rate of private investment, construction

sector and Financial, Real Estate and Professional Services has moved up to 1.6%, 2% and 6.4% respectively. This recovery might be due to remonetisation and hence suggests that the effect of demonetisation on the economy might be temporary.

Revival strategy

The options available before the government to revive economic growth are twofold. First, as an immediate measure public investment has to be stepped up. Since there are no signs of a major recovery in the private investment this seems to be the best way out in the short run. It is argued that there is not much scope for further government spending in the rest of the year as a major portion of the fiscal deficit (i.e. government borrowing) target is already met. However, since the private investors continue to be reluctant to borrow money from banks and invest the same, the fear that high interest rates resulting from larger government borrowing would crowd out private investment is not valid in the present context. Also, since the banks are flushed with liquidity after demonetisation, the impact of government borrowing on cost of funds to private sector would be minimal. Hence, the government is now in a situation to breach the fiscal deficit target to a reasonable extent and incur additional public investment above what was budgeted. This opportunity has to be used. The government has already indicated its intention to re-assess its borrowing programme in December based on spending needs. Also, the government is said to be considering a stimulus package through higher capital spending to boost manufacturing and infrastructure.

Second, private investment is the key to sustained economic growth in a liberalised economy like India. Serious efforts have to be made to understand the reasons behind the recent stagnation in private investment on a sectoral basis and address them on priority basis. Interestingly, after Modi government has assumed office, private investment was growing strongly until 2015-16 (Q4). The free fall thereafter is perplexing considering the fact that the government has met some of the long pending demands of industry namely the passage of bankruptcy code, introduction of GST, and rationalisation of FDI rules. Surely, some other factors are at work here. Let me highlight two of them and possible solutions.

The ongoing efforts of the government to bring in a transparent and rule-based business environment through reforms such as bringing more individuals and businesses under the tax net, emphasis on digital payments and cleaning up the bad loan problem might have generated a sense of uncertainty among the private investors thereby prompting them to play a wait and watch strategy before committing further investments. Therefore, the immediate priority before the government is to end the uncertainty and settled down to the new system at the earliest. Any delay on this front would slow down the growth engine further.

In our strategy to improve the investment climate, the emphasis given on the role of the state governments is inadequate. Today, economic conditions, business environment and governance at the state-level play a major role in attracting private investment. For instance, the primary responsibility of providing essential social and economic services such as basic education, health, sanitation and much of physical infrastructure that are very critical for the progress of business in the country rests with the state governments. Also, for India to achieve a high economic growth on a sustained basis, all states need to perform to their full potential by way of improving their economic governance. This suggests that the central government's policies have its limits. Unfortunately, even after 25 years of economic liberalisation this thought is yet to percolate into the minds of the governments and policy makers. Unless the governance issues at the state level are addressed in a planned and coordinated manner, the

dream of achieving and sustaining a growth rate of 8% would be hard to realise. In this regard, one wishes the centre and the states to replicate the spirit and cooperation they have demonstrated in implementing GST for the cause of building a 'New economy for new India'.

The varied legacy of a revolution

Much of it has been horrific for the people of Russia, and benign for the rest of the world



PULAPRE BALAKRISHNAN

A century ago, on November 7, the world was shaken by a revolution in Russia. Public recollection on the centenary has been scanty in India thus far, perhaps out of the fear that remembering the Russian Revolution is tantamount to endorsing its outcomes. But that would be a sentimental approach to history. Historical events are to be evaluated in terms of their consequences.

Most of it horrific

There is no gainsaying that the revolution in Russia was momentous (Picture, taken in October 1917, shows armed soldiers, with a banner reading 'Communism', marching on Nikolskaya street towards the Kremlin Wall in Moscow). However, if we are to think of a legacy we might say that it has been both horrific and benign, much of it having been horrific for the people of Russia and some of it benign for the rest of the world. After a brief interregnum of endless possibilities in the early 1920s, the vacuum created by the death of Lenin was taken advantage of by Josef Stalin to assume power. For the next three decades, his role was not unlike that of the Tsar who had been deposed. The opposition was annihilated, labour camps for dissidents established, the free press disbanded and the peasantry dispossessed.

Among the nationalities, the Ukrainians who had once dreamt of independence were suppressed. The method was not just ruthless, it was innovative. Upon Stalin's orders, grain was shipped out of their country to the rest of the Soviet Union, causing famine and deaths. A people were crushed. What the Ukrainians faced as a people was the treatment meted out to individual Russians who opposed the



RUSSIAN STATE DOCUMENTARY FILM AND PHOTO ARCHIVE VIA AP

dictator. Termed 'enemies of the people', they were stripped of all human agency when they were not marched off to Siberia. There among the tasks assigned to them would be to work nickel mines with their bare hands in sub-zero temperature. In a history reminiscent of the Third Reich, gypsies, Jews and homosexuals found themselves in Stalin's labour camps, the only difference being that Hitler had reserved a place also for the communists in his.

It may be said that some of Stalin's actions were no different from those of the European regimes in their colonies. While this is indeed correct, the colonial powers had not come into being promising emancipation of the oppressed. Churchill may have sucked grain out of Bengal thus tipping it into famine, but then he was unabashedly racist. On the other hand, the communist movement that eventually gave birth to the Russian Revolution was premised on the promise of power to the people. Instead, under Stalin, it gave rise to a bureaucracy, the rationale of which was to maintain the regime perpetrated by the communist party.

Despite the avowedly internationalist stance of the Comintern, Stalin was not sympathetic to the Indian national movement, painting it as bourgeois in character. It is odd therefore that the Communist

Party of India chose to support the British government during the Quit India movement launched by the Congress, ostensibly on grounds that an Allied Victory held out greater prospects for Indian independence. Perhaps they were unaware of Churchill's speech in the House of Commons in 1942: "I have not become the King's First Minister in order to preside over the liquidation of the British Empire...." Or perhaps the Indian communists just chose to follow their captain, who having once signed a non-aggression pact with Hitler, was later to fall out with him.

Sets of reforms

After the death of Stalin, the former Soviet Union went through two rounds of reforms. The first was under Khrushchev and the other under Gorbachev. Following the latter, the country imploded and we are now left with Russia alone, most of the republics having gone their own way. The diminution of the former Soviet Union is of lesser importance than the fact that the political climate in what remains of its core, namely Russia, did not change.

It is moot whether the Russia under Vladimir Putin today is a major change from the Russia under the Romanovs. A once-proud civilisation is now ruled by a former secret-service agent. Mr. Putin represents the very spirit that the re-

volution had tried to expunge, a reactionary combination of nativism and authoritarianism. He was able to rise to power due to Soviet communism's success in preventing the creation of a free and vibrant civil society. At the ending of the former Soviet Union, the only free agents around were the communist apparatchiks and the crime syndicate. Together they divided the assets of the country built by the toil of the Russian people. This is the tragedy of the Russian Revolution.

While the very people whom it was meant to serve suffered unimaginably in the cataclysmic events in the former Soviet Union, elsewhere in the world there were to be benign consequences. Of these, the rise of social democracies across Europe. In their 'Communist Manifesto' Karl Marx and Friedrich Engels had written: "A spectre is haunting Europe, the spectre of communism." While they may have been right when they wrote this, it was a while before the vision could have an effect. It took the Russian Revolution to bring home to the ruling classes of Europe the urgency of making concessions to workers, and that too only after the Second World War and the consequent incorporation of almost half of Europe into a Soviet bloc. These took the form of the public provision of health, education and housing. Underlying this is the brilliant Marxian construction that all value is created by labour, entitling them to a larger share of the surplus than the bare necessities for their reproduction. Europe's social democracies have combined prosperity and freedom, and provided an alternative to raw American capitalism and repressive Soviet communism. They have also demonstrated an imaginative response to the ecological constraint on mankind, something that the communist model was incapable of imagining.

Impact on colonies

The other consequence of the Russian Revolution was for Europe's colonies. While Stalin's initiatives

for ending colonialism were notably absent, the early communist movement had a global ambition aiming for the emancipation of all subject peoples. This was to have an impact on India. Though the communists never had a hold on the British working classes, the latter supported the revolution in Russia as did the British Labour party, which drew its support from the workers. It was natural that its commitment to socialism would extend to Indian independence. The Labour Party was to redeem its pledge. Winning the elections after the Second World War, the party withdrew British rule from India. Though the subsequent return to power of the Conservative Party under Churchill was to, predictably, delay the decolonisation process, Indian independence had a domino effect on Europe's colonial possessions.

Friendship that vanished

To end on a more mundane note, for almost three decades after Khrushchev's denunciation of Stalin, India enjoyed warm relations with the former Soviet Union. We received loans and other forms of economic assistance and political support in a notoriously partisan UN Security Council. An aspect of the former was the rupee-rouble trade whereby the Soviet Union accepted payment in rupees in exchange for vital goods needed by India, including defence equipment, oil and fertilizer. This mattered for the economy, for otherwise hard currency would have had to be earned on the international market before these goods could be had.

After the collapse of the former Soviet Union, its erstwhile republics lost their confidence and India's power elites turned the country westward for approbation. And a brief moment in history, when a rare friendship between diverse peoples had flourished, evaporated into thin air.

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HR ISSUES

Unions In The IT/ITES Sector

In the specific context of unions in the IT/ITES sector, collective bargaining for remuneration and benefits or political activism do not seem to be the primary function of the union. In fact, protection against unfair terminations under the guise of resignations, rampant unethical HR practices form the key purpose of the union.

by Prof. Jatin Pandey

Besides management and government, unions are important actors on the industrial relations stage. They form 'powerful collectives' that function to empower, and at times, even hedge employees from the other two actors. Despite the contention that

unions have lost teeth that they once had, they are rampant in many sectors of the Indian economy (especially manufacturing), but are yet to indicate their activeness and prevalence in the IT/ITES sector. However, there have been intrusion of unions in this sector due to actual or speculation of layoffs

by the big giants under the guise of voluntary resignations. Recently, the Forum for IT Employees (FITE) termed these incidents as illegal termination, and approached the state government of Tamil Nadu. There have been intermittent demands for unions in the IT/ITES sector, but these have come only in waves in response to changes in industry (mostly layoffs), and subsided thereafter. In a significant move, the National Confederation of Unites was registered as National Trade Union Confederation by the Government of Andhra Pradesh in 2014.

The delinquency of Archaic laws

For the management practitioners and scholars, these are important indications which warrant an elaborate examination. Despite the IT/ITES sector being an important employer of the educated workforce, it is interesting to note that there are very few and active unions in this sector. Unions derive their existence and legitimacy of functioning through legislative mechanisms and laws. These laws have their origins of an era when the IT/ITES industry was non-existent in India, for example, the Trade Union Act of 1926 was formed long before independence, and, the Industrial





of flexibility, and the boom witnessed in this sector is attributed to fewer government controls and regulations. However, the government of Tamil Nadu has clarified that the IT/ITES industry is covered by the Industrial Disputes Act, 1947. In 2007, even the central government stated that the IT/ITES industry was covered by labour laws, and it was up to the state government to deal with the violation of these laws.

The need for a holistic view

The second aspect is, if at all there is a need for unions, and, in order to understand the same, a holistic view of the situation needs to be taken. Principally, there are three 'major' players in industrial relations: - Central and state governments, employees (unions as their representatives) and employers (including their agents). All frames of reference need to be considered before forming an opinion. From the frame of employees, it becomes imperative to have unions in order to safeguard their interests. I spoke to a few employees; and one of them who has been with a major IT firm for seven years said, "I thought that it was a dream job post engineering, but now I have a family, and it becomes tough with these

“ There are evidences of long overtime hours (coolies of the IT age), questionable appraisals, workplace harassment, workplace bullying, etc. in the industry, and hence the employee needs to be protected. Further, there should be a mechanism so that they can raise constructive criticisms for mutual benefits of the employee as well as the employer.”

Disputes Act of 1947 came into vogue during independence. Though there have been amendments from time to time, these laws do not explicitly encourage or prohibit formation of trade unions in the IT/ITES sector.

The language of these laws refers to 'workmen' (workers) as the unit of formation of a union. Workmen have been construed as blue collared, and for a certain period of time, there was a prevalent view that employees in the IT/ITES sector do not come under the ambit of Worker and Industrial Employment (Standing Orders) Act, 1946, which regulates terms and conditions of employment.

The professional identity of IT/ITES employees with lucrative salary, type of work, style of functioning, and policies, made them stand way ahead of their counterparts. There are also arguments that the nature of work in these sectors warrants a high degree

erratic and stretched work timings." A fresher with a few months of experience post training shared his experience by stating, "working here is like working in a pressure cooker for the amount they pay us; the pay package is just an illusion as it is the

total CTC that is highlighted and not the cash in hand." There are evidences of long overtime hours (coolies of the IT age), questionable appraisals, workplace harassment, workplace bullying, etc. in the industry, and hence the employee needs to be protected. Further, there should be a mechanism so that they can raise constructive criticisms for mutual benefits of the employee as well as the employer.

From the frame of employers (top management) and managers (as agents of management), unions are viewed with scepticism, and thereby, there is a negative attitude prevalent towards the utility of unions. It is linked to undesired practices like strikes and protests and rigidity in attitude, which is not desired in a dynamic and volatile business environment. I interviewed a few managers to understand their perspective, and one of them said, "I can't allow hooliganism in my premises", there are others who said,

“ There are evidences of long overtime hours (coolies of the IT age), questionable appraisals, workplace harassment, workplace bullying, etc. in the industry, and hence the employee needs to be protected. Further, there should be a mechanism so that they can raise constructive criticisms for mutual benefits of the employee as well as the employer.”

"why do they need a union when we have HR." Managers believe that the nature of the industry is such that unionism will hamper its competitiveness, and enable the companies 'claim' to take good care of their employees.

From the frame of the government, both at the centre and the state, it has two conflicting roles. On the one hand, it must inhibit oppression and victimization of employees, and on the other, it must encourage the growth of the industry at large. Enhancing the complexity of the matter is the fact that industrial


relations dwell into the domain of both the governments. Presently, there is a focus towards major reform and rationalization of the laws by the central government, which would possibly clarify the situation.

The road ahead

Employees who are not satisfied with their organisations respond in four ways- exit, neglect, loyalty and voice. Exit is rampant in the industry with frequent and high turnover rates. The turnover may be classified as voluntary, involuntary or functional and dysfunctional. Dysfunctional, voluntary and involuntary disguised as voluntary exit needs closer examination. Voice (as opposed to neglect and loyalty) is a very constructive mechanism for employees to raise issues relevant to them that companies to recognize and take corrective actions.

Considering both sides of the arguments (for and against unions)

and forums springing up, which would act as pseudo trade unions in order to fill this vacuum, similarly politically affiliated trade unions have also extended their support to the causes of the employees of this sector to gain a foothold in the industry and use them for political leverage. There also exist interventions by the judiciary. For instance, the Hyderabad High Court recently asked Tech Mahindra to explain why it fired four employees. A structured and well thought out approach is always better in order to find an amicable solution instead of interferences by external parties like government, judiciary or political parties. There are examples of how alternative unions have customized their objectives to deal with specific situations. Self-Employed Women's Association (SEWA) is one such example, which is a trade union registered in 1972, and which protects workers of the unorganized sector.

In the specific context of unions in the IT/ITES sector, collective bargaining for remuneration and benefits or political activism do not seem to be the primary function of the union. In fact, protection against unfair terminations under the guise of resignations, rampant unethical HR practices form the key purpose of the union. Therefore, there should be an additional responsibility of the HR team in this sector who perform a boundary spanning role between top managers and employees; they must remain focused on their role as employee champions, wherein they can shoulder some of these concerns with utmost justification. 

About the Author

Prof. Jatin Pandey is an Assistant Professor at Indian Institute of Management, Kozhikode. Prior to IIM-K, Prof. Pandey was a Doctoral Scholar at Indian Institute of Management, Ahmedabad where he predominantly focused on research. Prof. Pandey is a Ph.D in Human Resource Management/ Personnel and Industrial Relations, MBA in Marketing and Marketing Management and a B.E in computer science from Visvesvaraya Technological University.

● AMBA, EQUIS, AACSB...

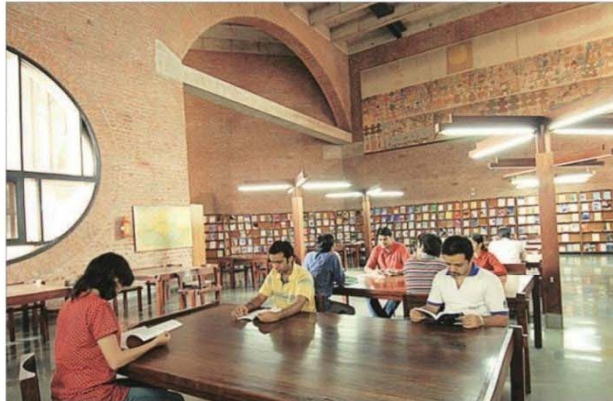
Why IIMs don't need foreign accreditations

It is quite disheartening that, in the last five years, several IIMs, including the first-generation ones, have entered the race to get accreditations from European and American private agencies (such as AMBA, EQUIS and AACSB). And foreign accreditation agencies profit at these public institutions' expense



Koyoor Purani & Rudra Sensarma

THE INDIAN INSTITUTES of Management (IIMs) have been the vanguard of management education in the country. Over more than 50 years, they have made global impact with their graduates leading large corporations as well as B-schools across the world. This reputation of being premier institutions of global reckoning may be attributed primarily to their unique governance model developed by founding fathers such as Vikram Sarabhai that provided autonomy and flexibility. In fact, IIMs have long refrained from seeking any accreditation support from third-party agencies or even the government. IIMs know that their distinctive value system characterised by self-regulation has contributed to their success and not any external endorsement. They have even resisted the certification of the usual regulatory bodies such as AICTE (All India Council for Technical Education) and UGC (University Grants Commission), maintaining that their standards are way beyond the mini-



The cream of the crop comes here to study: Students inside the Vikram Sarabhai Library, IIM Ahmedabad, in this file photo

num requirements of these bodies. Many IIMs have even boycotted popular business school rankings in the past, citing limitations in the methodologies.

In fact, when it comes to management education in our country, the Post Graduate Program (PGP) and Fellow Program in Management (FPM) of IIMs command much stronger recognition and preference over the 'globally recognised' MBA or PhD degrees that universities provide.

It is, therefore, quite disheartening that, in the last five years, several IIMs, including first-generation ones, have entered the race to get accreditations from European and American private agencies (such as AMBA, EQUIS and AACSB). These foreign agencies charge significant

accreditation fees—much more than what any of the IIMs have ever cared to spend on conscious reputation-building efforts. These agencies thrust their own standardised processes on participating institutions, which include interference with the admission criteria, academic curricula and the institution's systems and strategies. It is perplexing how IIMs, who have always been touchy and vocal about their autonomy, are quite willing to surrender it so easily to commercial, foreign, third-party agencies that charge high fees.

Even more inexplicable is the fact that some IIMs are paying to get accredited from not one but up to three such foreign agencies—to vaunt a 'triple crown'. Imagine the confusion and chaos when you try

to meet three different sets of standards and the wastage of precious funds if the standards are actually aligned.

Obviously, the agencies claim significant advantages for their certifications and a growing number of B-schools carrying their stamps. But it is doubtful if these advantages make any sense for IIMs. What are these claimed advantages, anyway?

One major claim is quality improvement as accreditations are supposed to certify education quality. But note that institutions, particularly those that are focused and specialised, rely more on quality of their people than processes to manage their affairs. IIMs are management schools themselves with over five decades of experience in building or mentoring

If the IIMs feel the need for quality control or external feedback, why not make it peer-driven as is the general practice in the academia?

Can the IIMs not jointly set up a body which will set standards for themselves and also for other Indian business schools? Why compromise autonomy to foreign agencies when it is otherwise fiercely guarded?

several institutions in the country such as the new generation IIMs. It is disconcerting that the same IIMs now need external validation of their programs and learning processes. It is hard to believe that the elite IIMs cannot shape their own curricula and academic processes to serve Indian students—their primary market. A standardised model imported from a foreign context, on the contrary, is sure to ruin the unique model of IIMs that has, for long, fostered creativity and flexibility.

Another contention is improved student preference and increased enrolments. Most foreign accreditations are designed to help aspirants select a quality program. So, global B-schools, in order to increase applicants' pool, find value in getting accredited. However, in case of IIMs, over 200,000 students compete (through the Common Admission Test) for close to 3,000 PGP seats and are willing to pay up to Rs 20 lakh in fees for the coveted diploma. IIMs—unlike their European counterparts—face a problem of plenty, which has led to the government establishing newer IIMs in recent times.

Accreditation agencies claim improved job opportunities for graduating students. It would be interesting to verify how many Indian recruiters care about global accreditation while visiting IIMs for recruitment. Most would not have even heard of these accreditations. For recruiters, IIMs are an important destination as the top talent in the country are

nurtured there. The formidable position of IIMs in job placements is certain to persist in the near future as they continue to attract bright students and their alumni occupy significant corporate positions.

If the argument is that such accreditations help IIMs go global, it makes sense only if IIMs decide to set up campuses outside the country. India has the largest youth population in the world which is bringing leading global B-schools to the Indian market for enrolments. It is imprudent for IIMs to think of leaving this market where they command leadership and instead compete in other geographies. Incidentally, realising this, IIM Indore recently closed down their operations in Dubai. As regards attracting foreign collaborators or global faculty, potential partners would always be attracted to top institutions in a country as per ranking and reputation in the local market.

Further, most IIMs have had strong relationships with leading European and American B-schools on their own strengths, much before they even started applying for global accreditations.

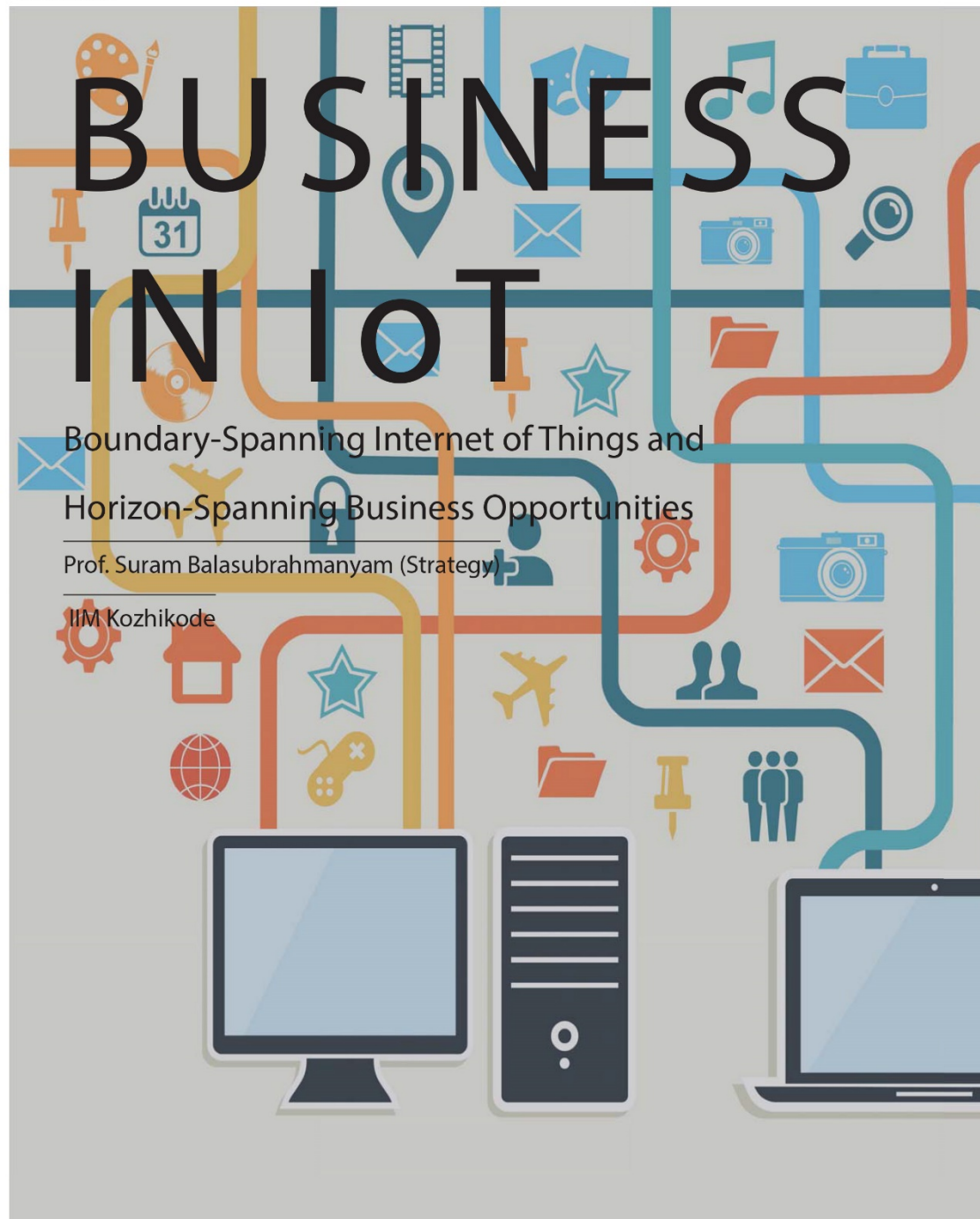
To conclude, two sets of relevant questions arise. One, for the significant costs of getting accredited by a global agency, what is the return on such investments? Are the promised benefits at all meaningful in Indian context? Are the existing accreditations being leveraged by IIMs to gain direct or indirect advantages, if any?

Two, if IIMs feel the need for quality control or external feedback, why not make it peer-driven, as is the practice in academia? Can the IIMs not jointly set up a body which will set standards for themselves and other Indian B-schools? Why compromise autonomy to foreign agencies when it is otherwise fiercely guarded?

These questions may require critical analysis and debate, but we believe that in line with their core values, IIMs need to denounce foreign accreditations and refocus attention on national priorities.

Koyoor Purani and Rudra Sensarma are professors at the Indian Institute of Management Kozhikode. Views are personal.

SPANDAN 2018

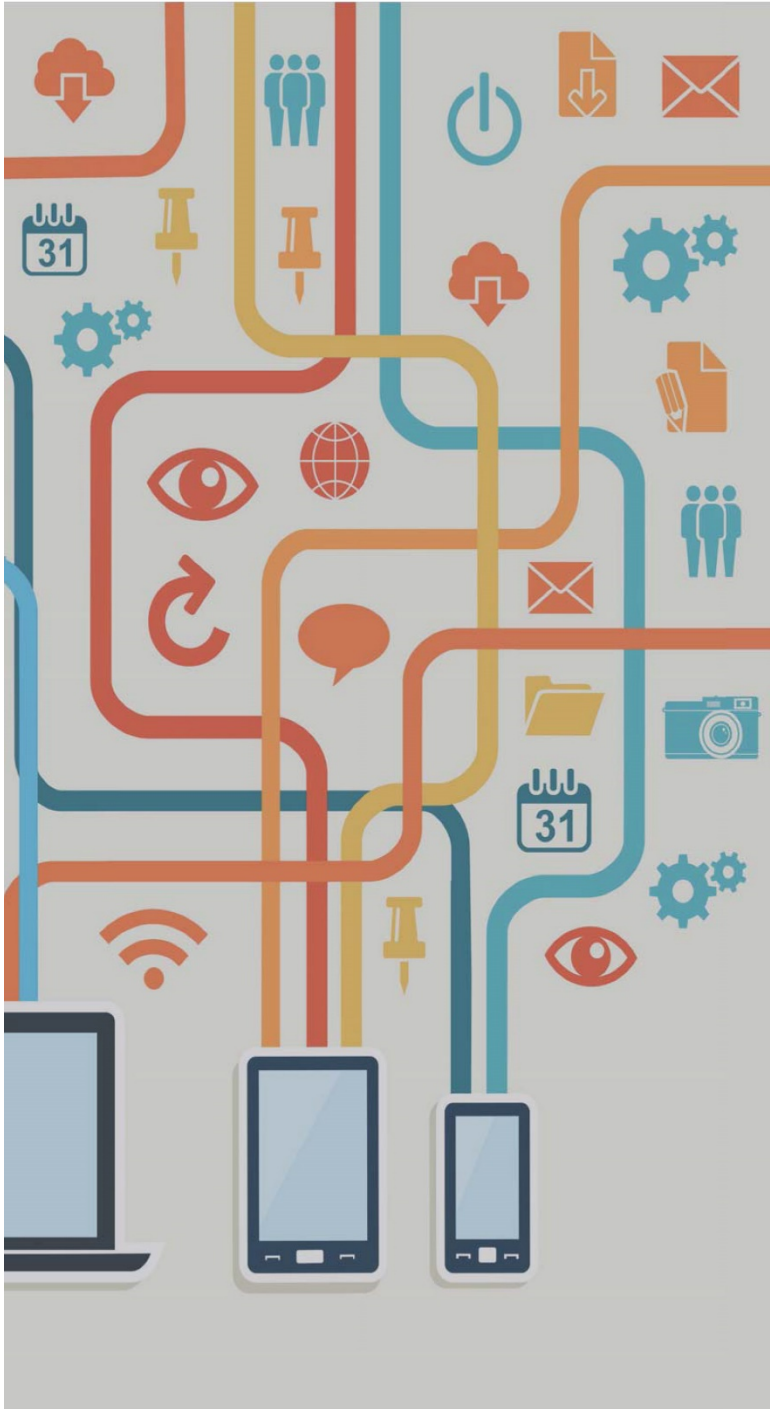


BUSINESS IN IOT

Boundary-Spanning Internet of Things and
Horizon-Spanning Business Opportunities

Prof. Suram Balasubrahmanyam (Strategy)

IIM Kozhikode



Varying degrees of systems integration success amongst companies across the globe particularly in the past two decades could be attributed to the varying levels of interconnectivity and interoperability amongst networks, platforms, databases, object or software components, GUIs and MUIs, groupwares, applications via middlewares. While IT solutions may be in islands, the business, however, doesn't exist in islands. For any business to excel, heterogeneous applications in diverse environments need to interact with one another. While service-oriented architecture (SOA) took all this exercise to a next level, D2D connectivity, M2M communication and Internet of Things have started skyrocketing the ever-expanding business ecosystem paradigm to several new levels by embracing the entire physical world and the virtual world working in tandem with one another in the form of omnipresent, all-inclusive and all-embracing silent intelligence.

Internet of Things is a foundation for connecting things, embedded wireless sensors, actuators, and other smart technologies whereby boundary-spanning firms gain from pursuing horizon-spanning business opportunities right from instantaneous RFID-enabled inventory management on a circadian basis to smart homes, smart roads, smart cities and smart devices in intelligent environments and that too at a zero-marginal cost to society. Already, the world has been witnessing this intelligence at a rudimentary level right from smart toilets in corporate hospitals to smart cards across bank ATMs and many other smart applications including smart buildings, smart grids, smart phones, telematics and intelligent transport systems. Appropriate customer value propositions need to be generated by

firms in different industries towards making these latent business opportunities cross the chasm and reach the pinnacles of commercial success in various markets. Indeed, the success mantra lies in "Nail it and scale it" in a spirit of discovery-driven planning and entrepreneurial marketing. Resource conservation strategies like cloud computing and resource complementation strategies like cloud manufacturing coupled with embracement of promising technologies like 3D-Printing would go hand in hand with Internet of Things in the scintillating odyssey of moving from expensive extended enterprise solutions like ERP and SOA to affordable yet ubiquitously integrated eclectic business solutions that achieve astounding levels of productivity and realize several symbiotic and synergistic business opportunities in a perpetually circadian manner. While M2M communication is between homogeneous machines (e.g., ATMs, Vending Machines etc), Internet of Things is much more transcendent in terms of communication between heterogeneous gadgets, devices, machines, equipment and what not.

Business history is replete with success stories of companies like Microsoft which could leverage economies of diversity by virtue of total solutions comprising complementary software modules which

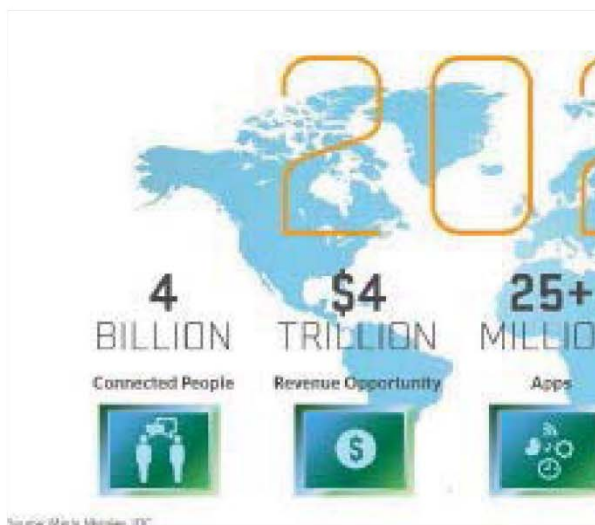
were not the world's best vis-à-vis stand-alone software providers of world-class repute like Harvard Graphics or Netscape Navigator. As they provide a coherent solution with built-in middleware ensuring smooth and seamless flow of information between various software modules of the package, mass markets tend to embrace such holistic solutions offered in a single bundle thereby rejecting the stand-alone product sellers, no matter how excellent they are otherwise. However, few niche firms like Intuit, by virtue of the interoperability of their 'Quicken' software with various Operating Systems apart from their religious adherence to key customer-centric metrics like NPS (Net Promoter Score) could outwit giants like Microsoft.

Mass markets tend to embrace holistic solutions offered in a single bundle, rejecting the stand-alone product.

These are just success stories of businesses of firms in software and IT industries. If such is the impact of interoperability in one domain or industry, what should be the range and magnitude of the impact

of interoperability across multiple domains, multiple devices, multiple industries and multiple ecosystems? Humongous, indeed. However, we need to cope with the heterogeneity of the involved technologies and architectures.

Already, we have some analog companies that are worth-emulating for businesses, though antilogs with flickering businesses

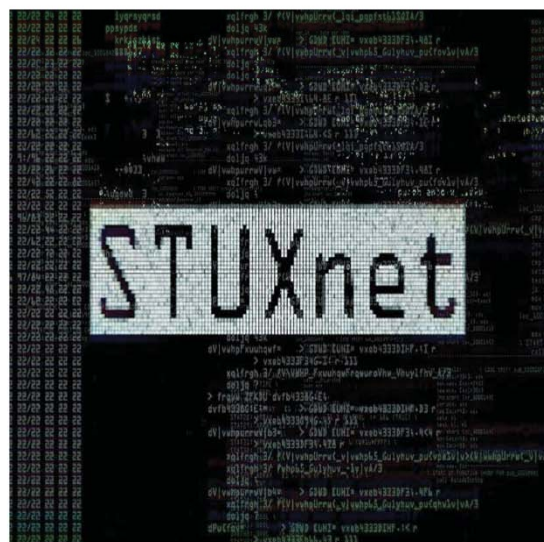
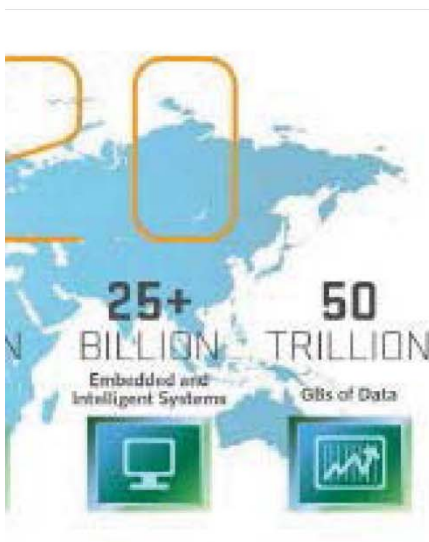


like internet fridge are equally present. Printer manufacturing companies have integrated automatic identification for print cartridges, sensors to measure the ink fill levels, user interfaces to inform the consumer about the current status, instant online ordering of replenishment cartridges through corresponding software utilities, e-business and e-fulfilment, e-servicing and, last but not least, e-billing and e-payment. Nevertheless, this only represents one stand-alone solution dominated by a single large business company. We would not want isolated “business tunnels” for every Internet of Things application. One key to success is the freedom of choice! We want to choose between different manufacturers, suppliers, service providers, delivery options, and payment services without the need for proprietary technologies. For this to materialize, interoperability across businesses, service providers and consumers needs to be achieved by virtue of standardized interfaces.

In view of the data explosion that entails ever-increasing volume, variety and velocity of data produced by the Internet of Things (with estimates of 16-50 billion internet-connected devices by 2020), Big Data Analytics comprising analysis of large datasets, and discovering relationships across structured and unstructured datasets would be a great complementary force in bringing about realization of multitudinous symbiotic and synergistic benefits to the scientific community, enterprise world and the society at large. Notwithstanding the achievements made in the domain of IoTs, there are still a set of technological challenges to be addressed, mainly related to the development of IoT applications dealing with the heterogeneity arising from the diversity of hardware, sensors, actuators, and wireless technologies inherent to such environments. In addition, there are also certain threats and issues of

governance, security, and privacy that can wreak havoc with some stakeholders of IoTs. A recent malware attack (Stuxnet) by cyber-terrorists, aiming at spying on and reprogram Supervisory Control And Data Acquisition (SCADA) systems, has revealed once more the need for security in a future Internet of Things. The Internet has been misused to manipulate the virtual world, such as stock markets; and the Internet of Things will have direct implications on the physical world. In relation to privacy, it is important that personal data should be treated as such. New legislation is being proposed to deal with the misuse of personal data by employers. The Internet of Things enables further surveillance possibilities concerning employees and consumers. Again, it is up to us to use the advantages of the Internet of Things while promoting a responsible usage of the newly achieved visibility.

Improved laws and regulations will help, but self-regulating control mechanisms will be even more important. Responsible usage will be rewarded in a world that is more and more influenced by social and sustainable management. Indeed, mankind can use, abuse or misuse any technology to its benefit or the detriment of the society. At the same time, non-use would tantamount to colossal losses in the form of forgone revenues and forfeited business opportunities on an unprecedented scale. Discretion lies in the hands of the humanity in arriving at common protocols and technology standards that smack of benevolent bonhomie, candid camaraderie and constructive competition towards creation of new wealth in the society at large.



LEFT
Internet of Things
general overview

CENTER
Internet of Things
potential by year
2020

RIGHT
Stuxnet malware,
a reminder of the
increased need of
security in the future
with IOT.

Life in a deadly democracy

From class issues to inequality, there's a frightening pattern in the spiralling political violence in Kerala



PULAPRE BALAKRISHNAN

Yet another murder involving India's political parties has taken place in north Kerala but this time it is different. It does not follow the pattern that we have got used to. The parties involved are not the Rashtriya Swayamsevak Sangh and the Communist Party of India (Marxist). A Youth Congress leader, S.P. Shuhaib, was killed recently, and the police have identified the killers who surrendered as CPI(M) workers. It is reported in the State's leading newspapers that one of them confessed that the district leadership of their party was not merely in the know of it but had actually instigated the action. While we cannot be sure of the veracity of this statement, it is believable. A minister in the State cabinet is on record that in the 1980s, the leadership of his district in south Kerala had discussed the elimination of political rivals.

Political vendetta

In a history of violence in Kannur district, the CPI(M) has lost many of its workers to killings by the RSS. This removes credibility from the claims of the Bharatiya Janata Party that the RSS is a victim of violence in Kerala; it is actually a perpetrator and not only deserves no sympathy but also its actions should be called out. The nation knows of its commitment to violence, evident in the assassination of Gandhi. However, I am here

concerned about the situation in Kerala today. Here and now the promise of power for the RSS, through its proxy the BJP, is no more than a glint in the eye of Amit Shah.

The CPI(M) however is a major player on the political stage of the State and its actions must be viewed sharply. By now this party's workers stand accused of killing widely across the political spectrum. Apart from this most recent killing of a young Congressman, its members are accused of the killing, in 2012, of T.P. Chandrasekharan, a former comrade who left the fold to form the Revolutionary Marxist Party (RMP), and of Muhammad Aslam of the Indian Union Muslim League, in 2016. The fig leaf of secularism, or more so of "fighting communal forces", does not hold up as it would be difficult to argue that party workers of the Congress or the RMP are communal in any way. These murders are to be seen for what they are, a form of political vendetta and nothing more inspired. Unlike the Maoists who do not believe in parliamentary democracy, the CPI(M), while decrying Indian democracy as bourgeois, is happy to partake of the loaves and fishes of office. A reminder that the violence unleashed by those with access to state power has little to do with some lofty ideal came recently when a gang of men assaulted a pregnant woman over a property dispute in Kozhikode district. The woman was so bodily harmed that she lost her child. Press reports are that seven Left activists have been arrested, including a local-level CPI(M) leader.

Going a little deeper into the so-



called political violence in Kerala, we are able to see a frightful pattern. Frightful not in terms of the violence, which is brutal even at the surface, but in terms of the class element clinging to it. In almost all cases the actual killing is undertaken by young men of the working classes while the party leadership rests with a class that does not soil its hands with labour of any kind. At the national level, so-called intellectuals lead the CPI(M) while its rank and file are of the subaltern class. It is members of this underclass that cannot hope to ever lead the party who find themselves in the frontline of the assault against opponents named 'class enemies'. The leadership in Kerala is seen not just as property-owning but perceptibly rich. They are distinctly bourgeois also in the sense of advancing the career of their offspring. On the other hand, it is unlikely that the young men who commit murder in the name of a political ideology that they very likely do not comprehend will ever own as much.

It is this social distance that makes the situation approximate feudalism as it is understood. Under feudalism the lord owned the land which was farmed out to peasants who not only paid taxes for the privilege of cultivating it but also had to bear arms for their lord in the event of war. The striking si-

milarity with the situation in Kerala today where a property-owning leadership directs unemployed youth to eliminate political opponents is evident. It is rumoured that in return for their murderous services these youth have their families provided for by the party.

Shroud of silence

Gandhi was able to see that for the poor, god appears in the form of bread. In the formal democracy that is India, where the equipping of the poor with capabilities that set them free has not been a priority of the state, it appears that politics appears in the form of food. Despite Kerala's much-vaunted social indicators, economic inequality here is the highest in India, and the subaltern can perhaps yet be encouraged to kill in return for material gain. Of course, the case of assailants mesmerised into seeing an aesthetic in violence cannot be ruled out. What is uniform, however, is that the killers are foot soldiers of a party which is firmly in the hands of a clergy that teaches but does not itself do.

Unsurprisingly, the Malayalee nomenclatura has remained silent on the recent killings. The communist intelligentsia have always glorified "necessary violence" while delegating murder to the working class. Condemnation of the use of violence in a democracy does not rest on moral considerations. Actually, no criterion external to democracy itself is required. Violence is to be rejected on the ground that it is contrary to the essence of democracy, which is deliberation through public reasoning. When aimed at eliminating political opponents it eliminates the space for deliberation and dis-

ables democracy. In a contest between political parties, most parties represent the people. Therefore, to kill a representative of another party is to set upon a section of the people themselves. Democracy is legitimised by the existence of the demos or the people. Parties that turn against the demos delegitimise themselves.

But surely, supporters of the CPI(M) cannot be singled out for their silence. There is little outrage in Kerala in the face of the visible butchery. In a democracy the demos can hardly escape blame for the violence, for they are expected to discipline the political parties. Kerala's identity conscious populace fails to converge on the greater common good but effectively makes common cause on a form of welfarism. Welfarism is a re-casting of democracy as the citizens' entitlement to unlimited public services without the responsibility to deliberate upon the common good and how to attain it. We should hardly be surprised that in such a society, this February 22 a mentally-challenged Adivasi was dragged out of the forest and beaten to death by a mob. And it seems Kerala's political class can never be separated from violence. A man present on the occasion, and reportedly clicking selfies with the youth while he was being humiliated, has been linked to the Indian Union Muslim League. It speaks volumes for our democracy that a hungry citizen is killed for stealing rice while politicians facing charges of corruption never leave the stage.

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ONLINE

Headline: Industrial Training Institutes are now attracting 90 percenters; here's why that's a good thing

Domain : Firstpost

Date : June 13, 2017

Author: Prof. Kausik
Gangopadhyay and Karthi
Sivaraman

Industrial Training Institutes (ITIs) are fast becoming preferred destinations for many 90-percenters in the tenth standard board examination, as per a report in *Times of India*. A decade ago, it would have constituted an insult to even remotely suggest to someone scoring 90 percent or beyond to join an ITI – previously deemed fit only for those unable to cope with the regular school curriculum. This gravitation of high-performing students towards post-secondary schools in India is simply striking.

Why is this observation striking? Because the drift towards ITIs documents a crisis in the theory-induced modern education system. And, this is not an isolated phenomenon either. In the same vein, technology giant **HCL had recently announced a transformative scheme** to hire high school graduates on a monthly stipend.

The science education in Indian schools is often regarded as insipid for the inquisitive. That "imagination is more important than knowledge" (Albert Einstein) is something the science curriculum in Indian schools simply cannot comprehend.

A student in India does not view gravity as a theory to reconcile with reality – from the superb imagination of Isaac Newton – but rather learns it as an object of knowledge. It is ironic that exploration of the unexplored, which is actually the idea of science, is rather discouraged in the Indian science curriculum, that presents existing theories as established truth.



This situation is unfortunate – all the more so because globally it is no different. Robert Sternberg, the distinguished psychologist from Cornell University, believes that the **United States' education system is producing "smart fools"** as a consequence of its focus on "narrow academic skills".

The overt focus on these skills in curriculum and examinations makes people good at handling smartphones and computers. It is no coincidence then that the average intelligence quotient (IQ) rose 30 points over the twentieth century globally – today's average person is yesterday's genius in IQ terms.

However, these 'smart' people are more often than not 'fools' in their approach to solving real-life problems. The world is clearly not becoming a better place with such an education

system in place – failures in collective decision-making, like in mitigating climate change or curbing violence, validate the claim.

"The western constructs are based on theory-building as opposed to empirics-based constructs in Asian societies like India and China," SN Balagangadhara, a professor at Ghent University, Belgium, argued in his phenomenal book *The Heathen in His Blindness (1994)*.

The western "theory-induced" education can be imparted quite efficiently to the masses but comes with the baggage of cultivation of shallowness (the **phenomenon of "smart fools"** often produced by engineering and management institutes of India) and inefficiency regarding its application.

The cultural constructs of the Indian society are more suited to an "empirics-based" approach. Even though academics may remain insensitive to this alternative approach of education, the social environment clearly favours it. Consequently, the job scenario would, potentially, reward an empirics-founded education and would, naturally, induce a course correction to our educational preference – as is happening now.

To facilitate the empirics-founded cultivation of education, the school boards should change their approach to science curriculum: Start with the formation of a hypothesis, and why it is important to have a logically sound one; use Indian epistemological methods (Pratyaksha, Anumana, Upamana, Arthapatti, Anupalabधि, Abhava, and finally Shabda) to develop a hypothesis; teach them *purva-paksha* (the importance of knowing prior art); teach them the economics of science; let them experiment to find out the why and the how, rather than the what and the when.

Experimentation must be focussed upon, rather than mere theory. Children, by the sixth grade, must learn about experimental errors: by introducing simple experiments like timing pendulums; indulging them in creative experiments that encourage discovery; handing out kits that allow creativity in terms of results.

Here are a few examples of how this can be done: Explain the difference between a catapult and a trebuchet, after having them build both; ask them to build paper dams from scrap; include workshops like on how to fix a bicycle; teach them how to draw a map from the measurement of the distance between different pairs of points; show them how to build a simple water circulation system or make a primitive lever based calculator.

Let us make education a living entity rather than a certificate of time spent in schools and colleges.

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<http://www.firstpost.com/india/industrial-training-institutes-are-now-attracting-90-percenters-heres-why-thats-a-good-thing-3589717.html>

Headline: Will the buyer taste GST benefits?

Domain : The New Indian Express

Date : July 06, 2017

Author: Prof. Sthanu R Nair /
Prof. Leena Mary Eapen

Dr Sthanu R Nair / Dr Leena Mary Eapen |



With the launch of the long-awaited Goods and Services Tax (GST) on July 1, 2017, the focus is now on effective implementation of the tax. From a consumer point of view, a key issue is whether the benefits of GST namely reduction in rate of tax and input tax credit will be passed on to consumers in the form of reduction in prices.

It is to be noted that the Finance Minister Arun Jaitley went on record by saying that the average of all the tax rates fixed by the GST council was significantly lower than the present tax incidence. Aware of this, in his meeting with industry bodies a day before the roll-out of GST, Jaitley urged them to pass on the price benefits to the consumers.

Also, to ensure that the benefits of tax rate cuts and input tax credit are passed on to the consumers, the central government has formulated Anti-profiteering Rules, 2017 (APR). This is a welcome step considering the fact that when value added tax (VAT) was introduced from April 1, 2005 with a similar claim —that prices would come down due to input tax credit and lower tax rate—no credible mechanism was put in place to ensure that the claim was achieved.

Anti-Profiteering Rules: The APR prescribes an administrative structure to deal with consumer complaints about profiteering by businesses in the aftermath of GST implementation. The structure comprises of a standing committee (SC) constituted by the GST council, state-level screening committee (SSC) constituted by each state government, Director General of Safeguards (DGS), and National Anti-Profiteering Authority (NAPA).

The compliant redressal mechanism works as follows: In the first stage, the SC receives the written complaints of profiteering practices and verifies the adequacy of the evidence. After reviewing the prima-facie evidence to support the complaints, the SC forwards them to DGS for a detailed investigation. In case of local complaints, the SSC would examine them first and forward the same with its recommendations to the SC for further action. The second stage involves investigation of the complaints forwarded to the DGS, which can take up to three months. In the final stage, the DGS submits the investigation report to the NAPA, which will

have three months to give its verdict. Apart from these complaints, the NAPA can also take suo motu actions.

If a company is found to have not passed on the benefits of lower taxes and input tax credit to consumers, the NAPA could initiate any of the following actions: Cancel the registration of the company, impose a penalty on the company, order a reduction in prices; order the company to refund the customer an amount equal to what it has earned by not passing on the price benefits from the time the GST took effect. In case a customer fails to claim the refunded amount or cannot be traced, the amount would be credited to the consumer welfare fund, which is managed by the Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution.

But the critical question is whether APR would help the consumers benefit from lower GST rates and input tax credit? The answer is probably no due to following reasons. First, the announcement of APR just ten days before the roll out of GST makes little sense. Sufficient time should have been provided to educate the consumers.

A case in point is Australia's experience in implementing a price monitoring mechanism to oversee the pricing responses to the introduction of GST. A key aspect of this mechanism was the GST transition period which began a year before GST introduction. During this period consumers in Australia were provided with the information on the expected price movements for goods and services. Nation-wide retail price surveys were conducted to study price changes and pricing behaviour both before and after the introduction of GST and inform the same to the consumers. No such critical initiatives have received attention in India.

<http://www.newindianexpress.com/opinions/2017/jul/06/will-the-buyer-taste-gst-benefits-1624766--1.html>

Headline: Online retailers beware! For consumers there is great disappointment on this particular parameter

Domain : The Financial Express

Date : September 04, 2017

Author: Prof. Keyoor Purani

With pro-digital government policies, demonetisation-triggered e-wallet usage and reduced data costs, online commerce is making rapid strides. The Meeker 2017 report on internet trends in East Asia concurs this by highlighting [Amazon](#) India's 300% year-on-year growth both in number of SKUs and sellers. But it underlines the beginning of aggressive competition among e-commerce players.

For online retailers, increased returns of merchandise by dissatisfied customers has become a concern. According to media reports, the return rate has gone up by 50% in one year. Sellers such as Amazon, [Flipkart](#) and [Snapdeal](#) have come together to create a fora such as eSuraksha and have even protested against some e-retailers by putting large amount of SKUs out-of-stock.

A recent research provides interesting explanation of how a buyer's trust, satisfaction and intention to repurchase in an online retailing context are influenced by psychological contract violations (PCV). Businesses have guarded themselves legally with fine prints, but PCV could be critical for e-retailers, suggests my study published along with two other professors from the UK in the Journal of Business Research (June 2017). It provides evidence that a mechanism called Structural Assurance (SA) can mitigate the negative influence of PCV on trust and satisfaction, in cases where such violations can't be avoided.

Every buyer-seller interaction in the B2C online marketplace can be characterised by a psychological contract as online buyers are generally governed by their implicit understanding of the seller's transactional obligations rather than by explicit rules in legal contracts. Psychological contracts, unlike expectations, are based on perceived promises, and arise when one party believes that another is obligated to perform certain behaviours. They are much broader than economic and legal contracts, and comprise perceptual aspects that cannot be formally incorporated into legal contracts. There are four seller obligations—deliver the product in a timely manner by the promised method; deliver an item that is identical to the one described and shown in the ad; follow the payment policy promised and accept payment; and follow the conditions of sale and honour a return or refund promise. With concerns over logistics and payment, fulfilling these obligations becomes dicey.

PCV is common in online marketplace because buyers and sellers do not engage at a personal level, have non-congruent goals, and may have different understanding of their respective contractual obligations. While a few e-retailers are mindful of this, PCV is central to buyer-seller relationships in e-retailing as online buyers' behaviours are mainly guided by their perceptions of psychological contracts. So, behaviours such as fraud, product

misrepresentation, product delivery delay, failure to acknowledge guarantees, and refusal to follow payment policy could be common underlying sources of PCV in India.

Our research found evidences for negative influence of PCV on customers' intention to reuse a retailer's website, and that trust and satisfaction are the mediating mechanisms through which PCV negatively influences the intention to repurchase.

Having known the negative influence of PCV in retaining customers, e-retailers may try to bring down the incidence of such violations that need not be breaking legal contracts but breaching customer trust. However, despite all attempts, it may not be possible to completely prevent PCV.

SA refers to the degree to which consumers believe structures exist to promote the success of online transactions. Credit card guarantee, escrow services (PayPal), 'seals of approval', secure e-transactions, return/exchange policies and cash-on-delivery are examples of SA. In fact, Myntra's try & buy (T&B) is an interesting SA mechanism that is being adopted by e-retailers.

Therefore, it is vital for online retailers to recognise the role of PCV and safeguard customer trust. Also, investments in SA are paramount for preserving buyer trust in the online retailer when PCV occurs. This is important for Indian e-retailers and other emerging economies for two reasons—e-retailers are competing intensely for too few customers, and they are grappling with problems related to logistics and payment gateways that invariably lead to instances of PCV. Hence, e-retailers should conceive strategies for improving SA as perceived by customers.

Finally, investments in SA should not be considered a panacea, as our findings also indicate that its role in preserving buyer satisfaction is effective only when PCV is perceived as low to moderate. Therefore, e-retailers should pro-actively limit the incidence and magnitude of PCV to a minimum.

<http://www.financialexpress.com/opinion/online-retailers-beware-for-consumers-there-is-great-disappointment-on-this-particular-parameter/839789/>

Headline: Designing the smart social: The people-centric approach

Domain : ETTech

Date : November 09, 2017

Author: Prof. Anindita Paul

November 9th is designated as the World Usability Day. A day to realise the importance of user- centricity in products and services in most cases digital. In our journey to Internet of Things; we perhaps skipped paying much attention to the "users of things". Usability starts with user- friendliness of digital technologies. Unless a service or product is user-centric it becomes a failure sooner or later as it affects acceptance and successful implementation and use. With ongoing trends and the race towards digitization it is important to see how much of the solutions digitized are user-centric.

The socio-technical approach has been long adopted by organizations that advocate the [people](#) and the technical. It is time that this be seen from the perspective of people who are users whether in or outside the organization. It is time the socio-technical and usability come together to look at the daily lives of individuals that are guided by norms, normatic behaviours, social influence, facilitators etc., it becomes necessary to understand the enhancers and barriers of digital adoption and use. An understanding of the contextual elements of a need along with the elements of who, what and why of the specific need can open up avenues for a smooth and faster transformation. A people-centric approach is what is needed. This also brings in gaps that the digital solution can address sometimes even those that the user may not have realized the need for. Information and communication technologies has transformed the everyday lives of individuals across the globe and has touched the lives of Indians too. In spite of this there is a 'digital struggle' underway to adapt to it as is evident in the digital penetration figures (34.8% as of 2016 as per internetlvestas.com).

Understanding the user side of things can enable better planning, designing and implementing of Digital India solutions. The pace of development, frequent digital innovations and the recent measures by the government in harnessing the power of the digital points towards an urgency to adopt a contextual view.

Smart governance start with smart understanding of the citizenry and in a country as diverse as India there is an urgent need to understand the needs and wants of the citizens. It is because of the lack of enough attention on the people-centric approach digital implementation by the Indian government is undergoing challenges. Starting from the digitalization of government departments to the implementation of digital solutions for the public has been a bumpy ride.

There is much work needed to be done when it comes to digital governance.

Digital payments that were hyped until few months back are no longer in the picture. Digital access to government portals is limited due to inefficiencies that come out of information overload, outdated and unorganized information, just to name a few. High-speed access to the internet without a socio-technical approach is essentially a waste of money, time and effort.

For a country like India such large scale implementations affect every strata of society throughout the length and breadth of the country. To see them through one lens and a flat implementation across all is a sure shot blunder. With different users of these solutions, the people-centric approach has to span across all.

Getting the users inputs through user studies that range from ethnography to laboratory based studies can inform better solutions. It is not only the citizens that are part of these smart implementations but also the government staff whose attitudes play a great deal in the success of digital implementations. A people-centric approach will take into account all of that. Further, a look into process, integration, feedback, and implementation can address many of these issues.

A people-centric approach requires expertise that draw from different disciplines that may not be easy or doable without involving academia. A good place to start would be to establish usability labs and centers for socio-technical studies run by experts in the field who have substantial knowledge of usability and socio-technical aspects. Openness to regular interaction with academia, conducting studies and holding symposiums in collaboration with such labs should be undertaken on a regular basis. This will enable taking into consideration the dynamics of the digital society and incorporate it in the various proposed solutions over time. With usability day round the corner it is perhaps an opportunity to revisit some of these ideas that go into digital planning and that are formulated in closed rooms without keeping the user in mind.

It is time the "user of things"; takes precedence that can serve goals of acceptance by the public, which is the need of the hour. Only then can a dream of a complete Digital India hold true.

(The author is an assistant professor - Information Technology and Systems, Indian Institute of Management Kozhikode)

<https://tech.economictimes.indiatimes.com/news/people/designing-the-smart-social-thepeople-centric-approach/61576268>

The recent #MeToo campaign begun by Hollywood celebrity Alyssa Milano brought to my Facebook timeline personal painful narratives from many of my women students. While many were applauded - rightly so - for their courage to speak up, and in turn adding to the strength of the movement, I found myself more immersed in the details of their narratives. I must mention that their words were not doing sufficient justice to their experienced trauma. They revealed only partially the psychological and emotional struggle that they were engaged in for long. Struggle to come to terms that they were victims. Struggle to come to terms that this had happened in reality. Struggle to keep the incident hidden. Struggle to wipe away the stain of the inappropriate touch. In the train, in the car, in the shopping mall, in home, and of course in workplaces.

Sexual harassment is rampant in business organizations operating out of India. To illustrate the malaise, I will borrow a few significant findings from a report submitted by Yugantar Education Society to the Department of Women and Child Development (MHRD, Govt. of India) in the year 2003. Focused on the organized and unorganized sectors of the State of Maharashtra, the study findings revealed that around 37 percent of the women admitted to being sexually harassed in workplaces, of which 20 percent belonged to the unorganized sector, while 17 percent belonged to the organized sector.

However this number is misleading for the report stated that a large number of women were unaware of indirect behaviour of sexual nature. The report provided more shocking statistics. For example, of the 37 percent of women who were sexually harassed, 71 percent were highly educated and 58 percent were married. So education does not seem to empower women and a wedding band has little effect in preventing this nuisance. Further, contrary to popular perception about a "lecherous boss" with an evil eye and a roving hand being the perpetrator, the study reported that co-workers afflicted the maximum number of sexual harassment incidents. Additionally roughly 22 percent of the afflicted women claimed to be harassed during working hours.

It must also be mentioned that majority of the employers (i.e. > 50 percent of the surveyed organizations) had little idea on the measures to be taken for addressing sexual harassment. Of the organizations which had some measures, the (1) constitution of a complaints committee, and (2) arranging safe sitting spaces for women ranked the most implemented ones. However, a complaints committee, while a necessity, is not empowering enough, for research suggests that speaking up (or reporting) often affects the personal and professional life of the complainant negatively. And teams form the nucleus of job performance in contemporary

business organizations. So having safe sitting spaces is of little use and in many ways could stimulate discrimination. In any case both these measures are curative. The need of the hour is preventive. Two methods possibly could help so.

First - (lack of) sexual harassment incidents can be made a performance metric for the team manager (and by expansion the organization). Currently, the onus of reporting a sexual harassment is on the woman employee. Already fighting the uncalled for indignity, she is expected to gather much more courage to report the incident. This appears unfair and insensitive. Instead, if the managers are made accountable through a suitably designed performance metric, they will actively monitor the behavior exhibited by the team towards its women members. Sexist jokes, sexual comments, cat calls, personal questions, pressure for dates etc. would diminish significantly. Further, it will become the managers' responsibility to coach the team on appropriate behavior. It will make them more accountable to develop a team climate that focuses on healthy exchanges centered on performance. Possible "bad apples" can easily be identified and dealt with appropriately at the team level. A manager thus focused will help make the women employees more psychologically free and committed to performance.

Second - ensure a gender balance at the team level. Sexual harassment is an expression of power on a minority gender. So increasing the number of women in the workforce helps. A woman's point of view will be taken seriously by one and all if number of women is significant in a context. As a beginning, a company goal of ensuring a significant proportion of women at all levels of the organization must be set. Although gender-matching of jobs does exist in India, it is slowly eroding away. Women pilots, women in combat positions, women wrestlers etc. are a reality today. A little more conscientious push by the organizations can help bring down this perceived societal wall forever. Similarly, 'one role, one pay' must be implemented compulsorily. Discrimination by the organization in this most observable and fundamental relationship undermines the status of the woman. Will it be a surprise then if she faces verbal taunts and abuse? Finally 'glass ceilings' must be replaced with "ladders of opportunity", helping women reach further positions of eminence in organizations.

Professor Chelsea Willness, Associate Dean of the Edward School of Business (University of Saskatchewan, Canada) along with her coauthors estimated in a meta-analytic study that sexual harassment could cost around \$22500 per person affected, solely in terms of productivity. Added to that the Yugantar report suggested that roughly 50 percent of harassed women think of quitting their jobs. Even if they decide against quitting, they remain highly disengaged. Organizations can only neglect all these at their own peril. Time to respond to #MeToo with #WeCan.

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<http://www.moneycontrol.com/news/business/economy/preventing-sexual-harassment-somelessons-2450783.html>

Headline: Search Engine to Consumer Electronics – What next for Alphabet?

Domain : Moneycontrol

Date : December 28, 2017

Author: Prof. Aravind Sampath

When Google launched the “Pixel” phones in October 2016, it marked a change of direction in its own narrative in a business it has been struggling to identify itself – smartphones. Despite being the company which owns the source code of the most widely used mobile operating system (Android) in the world, Alphabet’s share of the margin is incomparable to iOS for Apple. A major service provider whose revenues are driven by advertising, Alphabet’s venture into the product space has seen many misses than hits! In the last decade, Alphabet has systematically attempted to put its foot in the smartphone ecosystem, albeit with a lot of struggle.

In this regard, Google’s deal with HTC in September 2017 is crucial in its decade long battle with Apple (and other OEMs). In the smartphone business, Alphabet is a unique entity because not only is it the software provider for all Android OEMs, but through Google, it itself is an OEM! Given this strategic advantage, at the minimum, Alphabet should be toe to toe with Apple in the business. However, the reality is that Apple comfortably leads this space (followed by Samsung and other OEMs) while Alphabet is still struggling to foot its identity in a game as an OEM which is already ten years old.

Google’s foray into this business can be best narrated into three distinct phases. In the first phase, Google co-designed and co-produced smartphones with third party OEMs from 2010 to 2015, called the “Nexus” line. Google’s involvement in this phase was a co-designer and software provider while the OEM was tasked with co-design and manufacturing. For all expectations of Google entering consumer electronics to take on its rivals, the Nexus line was nothing more than a poster child to flaunt the latest version of its Android versions. In parallel, Google entered another phase in 2011 when it acquired Motorola’s mobility division for \$ 12.5 billion raising eyebrows that it is ready to take on its rivals by acquiring a hardware line. What was heralded as a new age eventually disappointed as the division was sold to Lenovo in January 2014 for about \$ 2.91 billion (minus the patents implying the potential reasons for the acquisition – patents). In October 2016, Google entered a third phase when killed its Nexus line and announced the arrival of the “Pixel” phones, entirely designed and sold by itself without any co-branding of an OEM. However, the compelling change in its narrative in this third phase has been the acquisition of “Powered by HTC”, an R & D division of HTC for about \$ 1.1 billion along with a non-exclusive license for HTC’s intellectual property in September 2017. 2000 of HTC’s employees who worked for this hardware R&D division would now be part of Google.

Throughout its ten year old battle in the smartphone space, Alphabet's greatest struggle has been finding the right hardware integration to leverage on its traditional software strength. In the middle of this challenge is the biggest strength and weakness of Android – a fragmented ecosystem. As a result, Google has virtually minimal control over the devices that ironically its own software. This lack of Android unification, among other factors implies Google only generates a meagre of revenue through Android as a “service” compared to what iOS does for Apple. From the point of view of its investors and future bottom line, this is a critical issue because despite being the source of Android, it is not effective to generate revenue to match its biggest rival. The arrival of Pixel phones was almost a decade late, but much needed relief for its investors because it finally provided Google control over the entire product life cycle.

Therefore, Google's deal with HTC arrives at a critical juncture not only in its history as a firm, but the smart phone and related businesses also. With increasing commoditization of innovations, customer loyalty and margins are now purely driven by “user experience” – a game Apple successfully pioneered to differentiate itself as “the” premium, a game Alphabet has only belatedly understood. To survive in this game, it is imperative to exercise a certain degree of control starting from design, supply chain and ultimately manufacturing. If Alphabet has to catch its competitors in this segment, a marriage between its core competency (service) and lack of competency (hardware manufacturing) is not a mere necessity, but an urgent requirement. Consequently, the Alphabet- HTC type of deal though late, is a much needed welcome not just for its investors, but for the overall competition in the user experience space. Alphabet's acquisition of “Powered by HTC” is an infinitesimal start, and there are bigger mountains to climb before it can think of matching its rival in a game it has only begun to get a grasp of.

(The author is an Assistant Professor at IIM Kozhikode)

<https://tech.economictimes.indiatimes.com/news/corporate/search-engine-to-consumerelectronics-what-next-for-alphabet/62280132>

Headline: Nawab of Oudh, Keynes and lessons for the Union Budget

Domain : Moneycontrol

Date : January 24, 2018

Journalist: Prof. Rudra Sensarma

The news of direct tax collection jumping by 18.2 percent in April-December would bring some relief to the Finance Minister as he faces the twin challenges of growth revival and fiscal consolidation in his budget proposals. The government is in an infrastructure overdrive starting with the last [union budget](#) making a massive allocation of Rs 3.96 lakh crore towards infrastructure (almost twice the previous year's amount) out of which Rs 2.41 lakh crore was for transport sectors alone. This was followed by some high profile project launches such as the Rs 1.1 lakh crore bullet train in September and the Rs 7 lakh crore Bharatmala highway project in October. With the economy not out of the woods yet and job growth a priority, it is important to continue this focus on infrastructure by launching more big bang infrastructure projects this year.

How will an increase in public investment help to turn the fortunes of the economy? I am reminded of a story I narrate in Macroeconomics class ever since I started teaching thirteen years back. In 1784, the Nawab of Oudh (or Awadh, as Lucknow was known then), Asaf-udDaula, faced the challenge of reviving employment and economic growth in the aftermath of a devastating famine. He commissioned the Bara Imambara – a monument of limited practical use – where thousands of construction workers found employment and large orders for equipment and materials were placed. The public exchequer was used to pay the men and suppliers a market rate. It is quite likely that the project spawned several sceptics. What use is such an elite project to the common person? Should such huge amounts of money be wasted in times of economic distress? Why not use the same money for health and education?

But Asaf-ud-Daula went one step further and employed noblemen (the middle classes) to come at night and destroy what was built during the day. They were suitably compensated for their efforts. Reasons for this seemingly odd nocturnal activity vary. The noblemen were jobless too and so were employed for the only work they knew. The cover of darkness protected their dignity as they did not want to be publicly seen during daytime engaged in manual work. Or perhaps the good Nawab simply wanted to prolong the project beyond its planned schedule to keep people employed for a longer time. The project eventually got completed in 1791 (clearly the speed of construction exceeded the pace of destruction). By then the Imambara had fulfilled its real objective – not of being the grandest building in Oudh but to boost the economy and bring prosperity to the region.

It is not only the men and material directly engaged with the project that created this economic impact. Each worker who was paid by the Nawab spent it on things he needed. Be it on food, clothing or recreational activity, every spending in turn generated another earning (for the producer of the goods sold to the workers) thereby triggering a sequence of economic activities. At each step of the sequence, some employment was created, income was earned and GDP increased.

There are numerous examples in Indian history of similar projects such as the Umaid Bhavan palace (Jodhpur), the Hari Parbat fort (Srinagar) and the Madhav Sagar pond (in Sikar) that were undertaken to 'pump prime the economy'. The most known global example is from depressionera United States (1930s) when President Roosevelt used the federal budget to build several bridges, reservoirs, parks and playgrounds. This was under the intellectual influence of the British economist John Maynard Keynes (who had earlier worked in the India office of the British government and had written extensively on Indian economic problems). That is how such policies came to be named after Keynes and today we refer to them as the Keynesian multiplier effect of public investments.

Keynesian policies in India in the recent past include the golden quadrilateral project launched in 2001 and the NREGS initiated in 2005. While each project would have a proclaimed purpose, there are multi-fold benefits to the economy through various forward and backward linkages. Take the case of the bullet train. Its route runs through 3 states that would receive an enormous economic stimulus with multiplier benefits percolating across the country.

Additionally, there will be transfer of Japanese technology to Indian component manufacturers and skill development of Indian engineers that would find use in other high-tech applications. The four-laning of highways under Bharatmala, along with the Sagarmala project of ports and coastal development, will give a fillip to domestic and international trade. As many as 44 economic corridors are expected to be created with 14.2 crore man days of jobs generated in the states through which the roads pass.

The projects need not hurt the exchequer. For instance the bullet train is funded by a Japanese loan at generous terms and Bharatmala is funded through a mix of market borrowing, cess and toll collections, asset monetisation and private investment. Fiscal space can also be created in the budget by using the demonetisation and GST driven growth in tax collection, higher disinvestment targets and by further rationalising subsidies. Without compromising on fiscal consolidation and through the use of innovating financing options, the 2018 budget proposals should include at least ten big bang projects in roads, railways, ports and other rural and urban infrastructure sectors. The economic gains from projects such as the bullet train are not just short term by means of job creation and demand boost during the project implementation phase but also long term through higher productivity and tax revenues. Will the FM bite the bullet?

(Dr Rudra Sensarma is Professor of Economics at the Indian Institute of Management Kozhikode. The views expressed in this piece are his own.)

<http://www.moneycontrol.com/news/business/budget/nawab-of-oudh-keynes-and-lessons-forthe-union-budget-2489401.html>

A stepping stone for women empowerment

The Kerala state budget 2018-19 announced the allocation of ₹1,267 crore (13.6 pc of the total budget) for the welfare schemes for women. The difference between the amount allocated exclusively for women last year and the amount allocated this year is almost nil – the Kerala Budget 2017 had set aside ₹1,266 crore for women, including over 64 schemes. Even though the amount of allocation is not appealing, this budget has some positive aspects which will act as a stepping stone for the transition of women towards empowerment. For instance ₹25 crore for setting up women's hostels and short-stay homes in all 14 districts is a welcoming move. One of the main constraints working women face is the lack of support system for her mobility especially while travelling overnight which required stay facility.



Dr Leena Mary Eapen, Associate Professor, Indian Institute of Management, Kozhikode

This difficulty to a certain extent will reduce by having short stay homes and women's hostels. Construction of public toilets for women across the state will help women travel without much difficulty. Other welcome features of this budget are social security schemes like assistance to panchayats which envisage women-friendly schemes and allocation of ₹50 crore for women safety programs. But these programmes will make a difference only if the government is able to guarantee safety as violence against women is still persisting on a high scale both in private and public spaces.

Equal attention must now be paid to better implementation of laws and safety measures. Moreover the government should allocate more funds to small female entrepreneurs for innovation, scaling up, and startups, along with Kudumbashree.

For instance, the government support in helping women entrepreneurs through Kudumbashree chicken farming is commendable. These kind of measures through effective implementation will definitely guarantee that women are empowered and face lesser gender disparity and can be showcased to other states as "Kerala Model of Women Liberation".



Sat, 03 February 2018

epaper.newindianexpress.com//c/25931



Headline: Good balance between welfare & fiscal prudence

Domain : The New Indian Express

Date : February 03, 2018

Journalist: Prof. Rudra Sensarma



Good balance between welfare & fiscal prudence

Finance Minister Thomas Isaac has succeeded where the Union budget has failed. The state budget has managed to bring down fiscal deficit from 4.3 per cent last year to 3.3 per cent this year and set an even lower target of 3.1 per cent for next year. This will help the state bring down its debt and interest obligation in the years ahead. It is heartening to see that this fiscal prudence is accompanied by a reduction in the revenue deficit through efforts such as rationalising subsidies by eliminating the undeserving from social security and ration priority lists. At



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the same time capital expenditure as a percentage of state output has increased which will help in improving productivity and ensure sustainable growth of the state economy. The ₹2,000 crore allocated for coastal area development by way of developing infrastructure, fisheries sector, health and education will have huge multiplier effects on job creation and living standards of the people. The initiatives for promoting tourism and start-ups are welcome but cannot be sustained unless there is significant improvement in the business climate of the state.

My own research with a colleague in IIM had identified non-tax revenue collection as a weakness of the state government. Hence I am pleased that there are efforts such as the amnesty scheme for vehicle registrations in other states and re-introduction of land tax which will bring ₹100 crore each to the state exchequer.

But I am disappointed that these hard gained revenues will be frittered away in the form of a ₹1,000 crore grant to the KSRTC which is unlikely to solve its problems but will divert valuable public funds which could have been used for the state's development. Overall I am satisfied that the Finance Minister has been able to maintain a good balance between welfare orientation and fiscal prudence.



Sat, 03 February 2018

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<http://www.newindianexpress.com/states/kerala/2018/feb/03/kerala-budget-2018-good-balance-between-welfare-and-fiscal-prudence-1767465.html>

Headline: Long-term capital gains tax on equity: Will it scare away small investors?

Domain : Economic Times

Date : February 09, 2018

Author: Prof. Aravind Sampath & Prof. Sony Thomas

3/1/2018

Long-term capital gains tax on equity: Will it scare away small investors? - The Economic Times

Long-term capital gains tax on equity: Will it scare away small investors?

BY ET CONTRIBUTORS | FEB 09, 2018, 08:34 PM IST

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By **Aravind Sampath & Sony Thomas**

Among questions on [fiscal deficit](#), rural economic development, Agriculture focused resource allocation among others, a keenly anticipated item was introduction of long term capital gain (LTCG) taxes. Here are a few points outlining what this means to various stakeholders.

Big Change:
The end of Five-Year Plans: All you need to know

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LTCG and Grandfather Clause

In the Union Budget presented on February 1, the Finance Minister introduced the anticipated LTCG of 10% when listed securities are sold for gains greater than Rs 1 lakh. While this came as a blow to investors, the blow was softened by the Grandfather clause to protect existing investors. Under this clause, the price of the security on January 31, 2018 is the benchmark date. If the price on this date is greater than the original buy price, January 31 price is then considered as the buy price for estimating capital gains when the security is eventually sold, thereby softening the tax payments for investors (if sell price is lower than January 31 price, yet higher than original buy price, the sell price is taken as buy price, thus making capital gains for tax purposes zero).

The case of double taxation

In 2004, the then Government introduced Security Transaction Tax (STT), where all securities listed on an exchange (excluding commodity and currency) were subject to a STT during the purchase or sale. This was levied instead of imposing a LTCG tax. With the introduction of LTCG, investors would now pay both the STT and LTCG thus incurring double taxes.

Barrier to Retail participation?

The primary participants of the Indian financial markets are institutional investors. Despite the best attempt of regulators in India, retail participation in the financial markets have historically been very low. Critically, the Indian population is the youngest in the world characterised by literacy, education and financial inclusion compared to the previous generation. When this demographic is coupled with lowering bank rates, [inflation](#) changes and a correction in [real estate](#) prices, the growing financial markets provide an ideal set up for investments. Introduction of LTCG may now act as a deterrent slowing down the increase in retail participation.

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Does the Government really benefit?

Introduction of LTCG would also result in two important effects. First, those investors with profitable positions would look to exit the markets in the short run (cue, today's markets have already fallen) before March 31, 2018 to avoid paying the double taxes. Potentially, investors can sell gains amounting to Rs 1 lakh and below and repurchase it immediately. This sell-buy strategy can be fined such that any net loss on the transaction is lesser than the LTCG tax. On the other hand, the long-term investors would hold their positions, awaiting favourable exit positions in terms of gains or tax regimes. The real casualties here are those middle investors whose gains are more than Rs 1 lakh but not very high. Thus, the Government may not generate anticipated revenue due to short term selling, long term holding of positions and slower entry of new investors.

Short Termism vs Long Termism

Currently, the short-term capital gains (securities sold within one year) are taxed at 15%. With LTCG of 10%, an investor does not benefit much by holding on to his position in the market for long. Potentially, this may dissuade long term investments and promote short term exits thereby resulting in cyclical [volatility](#) and deprivation of capital in the long run. The grandfather clause may soften the blow; however, it is a temporary fix for existing investors.

Concluding Remarks

In a country where more than half the tax revenues are indirect taxes, balancing tax reforms, yet raising revenues to be allocated as resources elsewhere is a question successive governments attempt to solve through budgets. While the budget of last year was a master stroke in terms of tax reforms (revision of tax slabs/rates whose increase in volumes was greater than reduction in the rates), the current budget has imposed the tax burden on the investor.

Historically, the exponential growth in terms of volumes and turnover in the Indian markets have been predominantly without the participation of retail investors. In the last few years, this trend has changed i.e. retail participation in the markets has increased year on

<https://economictimes.indiatimes.com/markets/stocks/news/long-term-capital-gains-tax-on-equity-will-it-scare-away-small-investors/printarticle/628...> 1/2

3/1/2018

Long-term capital gains tax on equity: Will it scare away small investors? - The Economic Times

year (mainly through mutual funds).

At this critical juncture where the regulators' vision of enhancing retail participation in Indian markets to match that in developed markets, the LTCG taxation arrives as a check. While investors reallocate assets and the market adjusts to these changes, the potential "new" investor of the next generation watches wondering where to put the next rupee.

(Aravind Sampath is Assistant Professor & Sony Thomas Associate Professor at IIM Kozhikode. Views are their own)

<https://economictimes.indiatimes.com/markets/stocks/news/long-term-capital-gains-tax-on-equity-will-it-scare-away-small-investors/articleshow/62854260.cms>

Headline: Management approach to solutions: Can jugaad be our answer to the problems that we face?

Domain : Firstpost

Date : February 20, 2018

Author: Prof. Ashutosh Sarkar

There are management authors who argue the existence of an Indian approach to management and its superiority over others. 'Problem solving' being one of the key word in management such approach must deal with the way we solve our problems. There is also an effort to brand such approaches as *jugaad* which is being projected an Indian version of 'frugal innovation'.

As I surfed the Internet for the word jugaad, the following attracted my attention: (1) that it as an alternative approach to research and development as practiced in the western world, and (2) that it is an 'out of box' creative thinking process. The above conclusions are not obvious when we raise the following questions: (1) whether jugaad is a fit nomenclature for any Indian version of 'frugal innovation', and (2) whether there exists any Indian approach that has significantly changed our life. A gap in the meaning of the 'nomenclature' and the 'understanding of the masses' may lead to encouragement of non-useful practices as our answer to our problems and therefore, it is important for us to evaluate the above questions.

Our life as an Indian give us innumerable examples that fits the word jugaad. For getting a bed in a government hospital I have to use jugaad; to get a government certificate I need to use jugaad, etc. etc. From such understanding of ours, we can characterize the jugaad as something 'which solves my immediate problem in an uncommon way (technically fits the concept 'out of box' thinking)', it involves incremental costs, and the outcome is quick. While the above is appreciable, the proponents of jugaad have overlooked the fact that it is 'reactive', 'shortterm', 'non-comprehensive', and 'bypasses a system'.

Jugaad gives us quick outcome but not necessarily a long-term solution. Further, being reactive and non-comprehensive, it overlooks larger problems. It also creates problems of efficiency and effectiveness of an existing system.

Most of the innovations, cited for arguing jugaad as an innovation methodology, have never been tried at the higher scale. It is not known for sure whether those solutions will remain affordable when they are scaled-up and replicated in an organized manner. They also also not been tested for 'convenience in the use' and 'long-term durability'.

In such a case, it is premature to suggest jugaad as an alternative to western methods of R&D solely based on these examples. Further, it is also not known whether the cost differentials between the western and the Indian innovations are due to the way it is done or a result of higher cost of operation in the western world. We all know that the latter is a reason for outsourcing to countries like, India and China.

There is no denying the fact that there are many innovations that took place in this country which may fit the use of the word 'frugal innovation'. However, are they exemplary achievement for a country of 1.25 billion? If we travel around the world, we would realize that there is nothing great in our innovations and the world has plenty of such examples. In fact, when we compare ourselves with the world we see an absence innovation culture to solve our problems to make our life easier.

In the cases of development of industrial technologies we have achieved nothing significant though we have the second largest pool of engineers. To solve our day-to-day problems, on occasions, we do differently, not necessarily, in an efficient and effective manner. In most cases we rather focus on immediate outcome at the cost of long-term performance. Thus, the few stories of innovation that we see around are just random successes rather than a nation-wide culture of innovation.

If we look around we see innumerable problems to be solved to make quality of our life little better. The key words that define the challenges of these problems are – 'large numbers', 'affordability', 'limited resources', and 'cultural diversity'. These words differentiate our problem with the world and are our very own that require our own solutions. If we do not solve our problems ourselves than nobody is going to do it.

India needs explosion of innovative solutions at grassroots level. If jugaad with its short-sighted and non-comprehensive approach becomes our only hope then I fear we will have to live in the current chaos world for longer. In fact, I relate jugaad at the root of the chaos, complex, and risky life that we live in India. Many other countries, with similar levels of economic prosperity as India has, live a much better life than us and this is not acceptable. We must live a better future.

(The writer is Associate Professor at the Indian Institute of Management, Kozhikode)

<http://www.firstpost.com/business/management-approach-to-solutions-can-jugaad-be-ouranswer-to-the-problems-that-we-face-4360039.html>

Headline: Rot in PSBs Part 4: RBI's inability to regulate and supervise banks shows it's time for a super financial regulator

Domain : Firstpost

Date : February 23, 2018

Journalist: Prof. Rudra Sensarma and Prof. Pankaj Baag

The Rs 11,400-crore bank fraud in Punjab National Bank, that was perpetrated by billionaire Nirav Modi in collusion with a few bank employees, has once again brought governance practices in Public Sector Banks (PSBs) back to public debate. There are questions raised on the way these entities function. A political blame game is on. But the problems in this sector are far beyond one instance of fraud. After five decades of bank nationalisation, India's public sector banks face deeper structural problems ranging from poor management practices, ineffective risk-management systems, vulnerability to a political-corporate nexus, large chunk of bad loans and lack of sufficient autonomy. Beginning today, Firstpost will publish a multi-part series that examines the serious structural problems that have engulfed India's state-run banks and the likely course of this industry, which constitutes 70 percent of India's banking sector assets. You can read the [first](#), [second](#) and [third part](#) of the series here.

Most commentators on the Punjab National Bank (PNB) scam have wondered how the rogue employee managed to fraudulently issue Letters of Understanding (LoU) to the tune of Rs 11,400 crores. It is by now understood that the absence of a link between the SWIFT system (through which the LoUs are authenticated) and the bank's own IT system ('Core Banking System') was the main flaw.

But it is astonishing how this vital weakness and the consequent fraud went unnoticed by auditors. Even the Reserve Bank of India (RBI) did not detect it for seven years even though it now claims to have cautioned banks confidentially at least thrice since August 2016. In banking parlance, this was an operational risk which remained uncontrolled by those discharged with identifying and mitigating it. The final responsibility for risk management lies with the board of the bank and the banking supervisor of the country. Where did these two entities fail?

There are several acts of omission that the RBI as the banking supervisor is guilty of. The RBI should have ensured that banks adopt risk management frameworks as per the Basel Committee guidelines. While there is a lot of justifiable emphasis on business risks (such as credit risk) in Indian banks, operational risk has been ignored. For instance, RBI has allowed banks to lag in implementing advanced technology and secure systems. Proper operational risk management by the bank would have red-flagged the IT systems flaw and the RBI should have insisted that the weakness be resolved in a time-bound manner, failing which action against the bank should have been initiated.

Banks on their own may be reluctant to link the SWIFT system with CBS as it may be convenient for them to evergreen export-import accounts without the practice getting detected. While the RBI had publicly raised the issue of systems weaknesses in its Financial Stability Report, it did not actually act against recalcitrant banks.

The SWIFT system requires multiple interventions to complete a transaction, starting with initiating the message, verifying it and recording the acknowledgement. It seems the rogue employee of PNB was either taking all these actions himself or was colluding with others. That

is how he must have obliterated the return confirmation messages and destroyed paper trails. The RBI should have made sure that banks have proper controls in place to ring-fence these tasks as well as access to the SWIFT system at each stage of a transaction.



The typical defence from banks seems to be that branches are overloaded with work and hence it is just convenient for one person to complete the transaction on behalf of many. In spite of additional workload involved, separating the tasks was imperative since the costs of a failure (even from an erroneous SWIFT entry) are high but the number of such LoUs on a day are not too many.

The other defence from banks is the lack of expert staff. This became an excuse to continue with the same employee in this critical role for seven years. Apart from securing IT systems, employee risk must be evaluated through 'Know Your Employee' guidelines and staff turnover at one post or branch should be effectively monitored. In fact, all banks must develop their own internal frameworks for operational risk management, whether RBI insists or not.

The RBI's on-site monitoring system during branch visits uses the CAMELS framework (Capital, Asset, Management, Earnings, Liquidity and S is the much-neglected system and controls). The on-site inspections should have flagged all such cases where banks lag behind in terms of effective internal systems and controls. The RBI should have insisted that automatic alerts are generated whenever the value of credit exceeds authorized limits even for non-fund based guarantees such as LoU. The RBI inspectors should have also insisted on ring-fencing the front office (the initiator of a transaction) from the back office (the recorder of acknowledgement). It is not clear whether RBI inspectors visited this non-compliant branch even once in the past several years.

While the RBI may mandate that banks introduce all these checks and balances, but if its on-site monitoring is weak, how else can banks be forced to implement the requisite controls?

That brings us to the failure of the audit mechanism. The internal auditors should have cross-checked the paper trails from the SWIFT system and spotted any missing records. The concurrent auditor and the statutory (external) auditor should have verified all high value transactions carried out through the SWIFT system. That the auditors did not discharge their duties is a failure of the Audit Committee of the Board (ACB) that is supposed to oversee the internal and external audit process. Interestingly, PNB's ACB has five members, two of whom are nominees of the RBI and the government.

The responsibility of overseeing operational risk management also lies with the board, particularly with its Risk Management Committee (RMC). Consider what the Basel Committee on Banking Supervision has to say on the principles of corporate governance of banks. The Risk Committee of the Board should have a chair who is an independent director and is not the chair of the board and the Committee should have a majority of members who are independent directors. PNB's RMC is not only chaired by the chairman of the board, it has seven members out of whom only one is an independent director, who also happens to chair the ACB!

While we are citing PNB as an example because of the recent incident, many public sector banks have similar weaknesses in their audit and risk governance structures. Indeed, the Basel Committee makes it quite clear that the principles of corporate governance should equally apply to state-owned banks and it is the supervisory authority's responsibility to ensure that the principles are followed. Not only did the RBI allow bank boards to violate these principles, in the case of PNB it allegedly ignored a letter from a whistleblower who happened to be a board member!

The PNB scam is a failure of risk governance and risk supervision (by the board and the RBI). While investigation and prosecution of the guilty will take time, immediate steps must be taken to instil public confidence in the banking system. Specific action must be initiated at the senior levels to demonstrate accountability of the board and the supervisor.

The government must announce concrete plans for improving governance of PSU banks. With the privatisation option unfortunately off the table, a bank holding company could do a better job of governing banks than the department of financial services. RBI must roll out the long overdue risk-based supervision method encompassing more intensive inspection of systemically important or high-risk banks and branches. If the RBI is unable to immediately act on the scam, it would be time to restart the discussion on forming a unified financial agency in India which can coordinate risks across market segments. This was a key recommendation of the Financial Sector Legislative Reforms Commission that was vehemently opposed by the RBI.

For instance, in this case, SEBI failed to act against Gitanjali Gems for stock price manipulation while RBI could not detect the fraud at PNB, but better coordination between the two regulators may have helped (since Gitanjali Gems was also a beneficiary of the fraudulent LoU). With multiple functions currently weighing down the RBI and most of its attention going towards monetary policy and management of debt and forex, is the central bank really up to the task of regulating and supervising India's banks? A super regulator for the entire financial sector may just be the answer.

(The writers are faculty members at the Indian Institute of Management, Kozhikode (IIM-K), and have previously worked in central banking and commercial banking)

[Part 1: Beyond PNB fraud, a deeper malaise lies in India's state-run banks gifting them a slow death](#)

[Part 2: PNB, Nirav Modi, Vikram Kothari aren't the first; India's PSBs have long been beaten by frauds](#)

[Part 3: Nirav Modi scams shows its time Parliament reexamined banking laws, brought in transparency](#)

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<http://www.firstpost.com/business/rot-in-psbs-part-4-rbis-inability-to-regulate-and-supervise-banks-shows-its-time-for-a-super-financial-regulator-4363399.html>

Headline: Why bullet train is not a luxury but a necessity for India; its bigger benefits are speed, convenience

Domain : Firstpost

Date : February 24, 2018

Author: Prof. Ashutosh Sarkar

The critics of the bullet train project may not like the recent statement of the Prime Minister Narendra Modi advising those opposing the bullet train project to travel on bullock carts. However, they should realize that his emphasis on the necessity of the project for India is appreciated by the masses. In fact they should realize that continuous criticism of the project may boomerang on them as the people at large does not believe that the government, by committing to the bullet train project, has compromised on the upgradation of the Indian Railways.

Millions of businesses thrive and billions of people live, directly or indirectly on Indian Railways. Therefore, in addition to its financial objectives, it has to achieve a social goal and this is why it is, unlike many rail networks around the world, is controlled and run by the government. Naturally, any investment by the government on the Indian Railways is seen by the public as an act for the welfare of the people. But the politics and too much of bureaucracy has made, operationally, the whole network as one of the most inefficient railway network in the world. The consequence is not just longer travel time or loss of taxpayers' money.

Travellers regularly meet with fatal accidents and also face innumerable incidences concerning their safety. Given the seventy of years of heritage of poor management during post-Independence era, the effort to improve both financial and operational performances of Indian Railways appears to be a Herculean task. Even if we assume that a complete organisational overhaul is possible, given the size, the financial requirement may reach few hundreds of billions of dollars. Finally, the taxpayers' would pay a major part of the above funds and also the interests on borrowings for something for which the outcome is unknown.

Given our competency in project management, they may have to spend more than a decade before we can see substantial difference in performance. As any economy is deeply linked to its transportation and communication infrastructure, until we do it (or rather complete the overhauling process) our economy must suffer.

The bullet train project is about trying an alternative approach which is easier in terms of effort and project management but may have similar financial burden. The investment, however, would build an alternative high-speed network that uses latest of the technological

advancements and is safer. The alternative being completely new makes it easier to manage and execute.

More strategically, we can use the new network for long-distance travel while utilising the existing one for short-distances. Please look around and analyse some of the major technological innovations where governments as well as private enterprises are putting hundreds of billions of dollars. A good number of such big technological developments relates to the transportation sector. No one has any doubt that these efforts are going to drastically change the way businesses would be conducted in the future.

In such a scenario, the Indian Railway, with an average speed of just above 50KM/hour looks medieval and would definitely hamper our economy at a time we are aiming to become world's third largest economy after the USA and China.

The critics argue that the bullet train project is not financially viable and is a wastage of taxpayer's money. The prime minister, on the other hand, argued that the project is coming very cheap. Please note that the repayment of the loan will start only after 15 years with an annual repayment of lesser than Rs 3,000 crores. For India of 2035, it is indeed an insignificant amount. The critics argue that the project would be viable only if a volume of 100,000 passengers per day is achieved and this is impossible to achieve. The argument is also that the airfare between Mumbai and Ahmedabad is cheaper than the targeted one-way fare. The fallacy in the above arguments is that the volume requirement becomes relevant only after 15 years when the repayment of the loan starts.

Given the conservative estimate of 20,000 passengers per day in 2020, any scientific estimation method would give closer value to the desired number for the traffic volume in 2035. I also did a quick check on the prices for one-week advance air ticket and found that the least airfare is at least 40 percent more compared to the proposed train fare. The biggest benefit though would be travel speed and convenience. A businessman or an entrepreneur or someone from the working class would only see an economic opportunity in saving time and improving convenience. Thus, keeping in mind about the India of the future, building a pan-India network of bullet trains would definitely be a rational investment decision for the government. (The writer is Associate Professor, Indian Institute of Management, Kozhikode)

<http://www.firstpost.com/business/why-bullet-train-is-not-a-luxury-but-a-necessity-for-indiaits-bigger-benefits-are-speed-convenience-4364943.html>