

## Representative, Not Lord and Master

Parliament should act against violent MP

Shiv Sena MP Ravindra Gaikwad is a disgrace to the august House of the People and to the state of Maharashtra, from where people have elected him to articulate their right as citizens to have a say in how the country should be run. The MP beat up an Air India staffer and boasted about it later. The MP was angry that he had to fly cattle class, although he had a business class ticket with him. That the flight he boarded was an all-economy flight was a minor detail that the MP chose to ignore while venting his anger at being forced to travel like an ordinary, unimportant person on a member of the Air India ground staff who was only trying to ask him to come off his high horse, after the MP refused to get off the plane after it landed in Delhi and all other passengers had disembarked. Parliament should take stern action against such atrocious behaviour by one of its members.

The airline and the assaulted staffer have filed separate complaints with the police. The police might or might not act, depending on how they interpret the signal from the powers that be. But Parliament should not abdicate its responsibility to uphold standards of decency and the essential spirit of democracy. Elected members fly around the country to serve the people, not to rule over them and behave like feudal lords. This must be made very clear to Gaikwad

and all would-be Gaikwads among MPs. For Gaikwad, this is a repeat offence of sorts. He had made news once earlier for stuffing a roti into a canteen boy's mouth for daring to serve him non-Maharashtrian food. MPs looked the other way on that occasion. It is time to act now. And they should not be surprised if he does not quite turn the other cheek.

People must protest in his constituency as well. MPs have to be disabused of the notion that they can be, once elected, a law unto themselves, and are not answerable to anyone. People have to assert their status as the sovereign in a democracy. Those whom they elect to office have the delegated authority to run the affairs of the nation on behalf of the people. They are not modern versions of the rulers of old, with untrammelled power.

## Focus on Power, for Good Governance

As Uttar Pradesh chief minister Yogi Adityanath walks the talk and seeks to deliver on the BJP's poll promises, he needs to focus on power sector reforms. For, without quality power supply in the hinterlands, the development delivery mechanism would remain suboptimal and anaemic. Concurrently, the Centre needs to exercise suasion on states to be much more transparent on power utility operations.

It is welcome that some fiscal benefits of UDAY, Ujwal Discom Assurance Yojana, are beginning to accrue. Reportedly, 15 states that have initiated financial restructuring of power utilities, by issuing bonds against discoms' debt, are likely to see cumulative interest saving of ₹7,250 crore this fiscal. But what's required is institutional reform and transparency. Average revenue realisation remains below the average cost of power supply nationally. Given our widespread energy poverty levels, power subsidies might not be ruled out, but these need to be transparently budgeted and provided for, for instance, via Aadhaar-linked

bank accounts. The way ahead is to mandate quarterly publication of state power utility results, and a time-bound programme for stock market listing of state power utilities.

The point is to make a clear break from the perverse practice of politically mandated tariffs, tolerance of theft, open-ended subsidies and consequent woeful quality of power. Instead, good governance calls for 100% metering of power supplied 24x7, complete with reasonable utility bottomlines to provide for investment and plough-back. We need proper market design so that efficient power producers can supply, distribute and seek custom at competitive rates. Given sustained power demand in the offing, power utilities can actually provide steady returns for the long term.

Old-fashioned options are available too: reading and watching movies

## Use Flights to US as Data Detox Time

As if the crackdown on illegal immigrants and confusion over H-1B visas were not enough, the world — at least those people in it who have trips to the US in their itineraries — is confronted with the terrifying prospect of long-haul journeys without essential adjuncts of the 21st-century human body: laptops and other data and communication devices. Airlines have been operating for years anyway to make passengers travel as light as possible both in terms of cabin and check-in baggage, now the killjoy US government has proscribed those gadgets exceeding a certain dimension as carry-on items on certain US-bound airlines. A certain Shiv Sena MP is probably the only one who will now not have to deal with that particular dilemma as overland journeys appear to be the only recourse for him at the moment. For the rest, thousands and thousands of kilometres bereft of exclusive time with their electronic soulmates is the immediate prospect.

Indeed, there should be an awareness campaign about the days when regular flyers did not have their trusty gadgetry with them — because they did not exist. An overwhelming majority did not go stir-crazy. They just watched the movies on offer, listened to music and read books. All those options, amazingly, are still available. They should just consider transatlantic flights to be data detox time.

There's a cold, hidden truth that lies behind the country's low refrigerator ownership

# What's Inside India's Fridge



Vidya Mahambare

The electric refrigerator was invented in the early 1910s. Nearly all US households owned one by 1950. The adoption rates were also similarly high in a number of other countries. Such a fast diffusion rate of a household appliance indicates that families attached an enormous value to the refrigerator's ability to preserve food at a uniform temperature — which resulted in a quantum jump in family welfare.

A number of studies show that the refrigeration of food drastically improves health outcomes, especially for children. It also lowers time and effort spent on household tasks such as grocery shopping and cooking by women. A study published in 2005, *Engines of Liberation* by Jeremy Greenwood, Ananth Seshadri and Mehmet Yorukoglu (Review of Economic Studies, [go.glp/LpFhJd](http://go.glp/LpFhJd)), showed that between 1900 and 1970, the introduction of such durable goods reduced the time spent on household work by nearly 70%.

By saving women's time in household work, the adoption of a refrigerator, along with other consumer durables such as the washing machine and microwave oven, eased women's entry into the job market in advanced economies. In turn, it raised family incomes and leisure time. A number of studies consider this as a critical factor in raising women's emancipation.

Nearly 90% families in China today have a refrigerator. What about India? The 2016 ICE360 survey showed that a little less than 30% of Indian

families have a refrigerator. At first glance, we may conclude that a fridge is still an aspirational product that doesn't fit into the majority of Indian families' budgets. That reasoning however, does not hold up.

The same survey showed that even in the top 20% of the richest Indian families, only six out of 10 families have a fridge. This suggests that constraints other than affordability are at work here that influence households' decision to buy a refrigerator.

While a threshold level of income is a necessary condition for the purchase of a refrigerator, it is not the sufficient condition.

The 2011 census shows that nearly twice the number of households in rural India own a two-wheeler, which costs much more than a fridge. This kind of hierarchical pattern in the ownership of a two-wheeler and a fridge in India is unlike in any other major economy.

### So Women can Chill

In a March 2017 paper in the *Journal of Quantitative Economics* (From Income to Household Welfare: Lessons from Refrigerator Ownership in India, by Sowmya Dhanaraj, Vidya Mahambare and Poonam Munjal), this apparent puzzle is explored.

Following a robust statistical methodology and controlling for the impact of a number of other determinants such as regional influences, two factors stood out.

One, a refrigerator is unique among all energy-using consumer durables. Unlike the television or air-conditioner, the decision to purchase a fridge depends not only on the access but also reliability and duration of residential power.

Unlike a TV, a fridge is of little use unless uninterrupted power supply is guaranteed. Nearly 43% of rural households and 13% of urban households in India either do not have access to electricity, or receive electricity for less than eight hours. This



The light at the end of the panel

makes it a major constraint to buy a durable such as a refrigerator. In fact, only around half of India's population receives residential power for more than 16 hours a day.

Two, unlike a TV, which is a leisure good, a refrigerator disproportionately benefits women in the family. As a result, a decision to purchase a consumer durable is also driven by their bargaining and decision-making power within a family. And what would tilt the intra-household bargaining power in favour of women? It is largely the function of the education level of women.

The results of the study suggest that in both rural and urban areas, female education and its potential impact on increasing their earning capacity raise women's decision-making power within a household. In turn, it raises the probability of refrigerator ownership.

A related — and an often overlooked — fact about the role of women is that India is set to forgo a large share of its so-called demographic dividend if more women do not begin to work outside home. Rough calculations suggest, if the percentage of worki-

ng-age women who work outside home in India and China stays at their current levels — 27% and 64% respectively — India would have an overall lower labour force even in 2030, despite having a much larger working-age population.

### Policies in Cold Storage

To sum up, the slow penetration rate of refrigerator ownership is largely an outcome of the failure of India's social and economic policies. A rise in incomes per se does not necessarily lead to an increase in welfare, unless the government plays a supportive role, in this case by improving the energy and education policies.

The results also have implications for demand forecasting for firms selling durable goods such as refrigerators. The projected adoption rates of durables such as a fridge or a washing machine (piped water is a major constraint in India), based purely on the income levels, would overestimate the actual demand.

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Across the country, female education and its potential impact on increasing their earning capacity raise women's decision-making power within a household

**WIT & WISDOM**

"I have a wonderful make-up crew. They're the same people restoring the Statue of Liberty."

Bob Hope  
Comedian

## Gaps in Rural Health Setup

Primary and community health centres, usually the second and third tier of public healthcare delivery system in rural India, suffer from an acute shortage of health personnel. In fact, their numbers too need to be beefed up...

Status of docs and support staff at PHCs/CHCs			
	Required	Shortfall	% shortfall
Specialists*	22,040	17,854	81
Allopathic docs, general duty*	13,450	13,207	98
Radiographers*	5,510	3,645	66
Pharmacists*	30,864	6,969	23
Nursing staff*	63,924	13,115	21
Technical staff*	30,864	13,659	44

Status of public facilities...			
	Existing	Shortfall	% shortfall
*As of March 31, 2016			
Sub-health centres	155,069	35,110	20
Primary health centres	25,354	6,572	22
Community health centres	5,510	2,220	30



Source: NHM, Lok Sabha

## CAMERADERIE



Captain saab, even if this isn't The Kapil Sharma Show, please thoko taali!

Prithvi Thakur

## Citings

## Sustainable Valuation

TIM KOLLER

For hundreds of years, the value of a company has ultimately come down to the cash flows it generated. That's what you can spend as an owner; whether you are a private owner or whether you are a shareholder.

Now, there have been times when people said, "Oh, the rules are changing." For example, during the dotcom bubble, all of a sudden, people said, "Traditional methods of valuation don't make sense any more — look at all these companies with high valuations that have nothing to do with cash flow." Well, ultimately, it was the lack of cash flow that brought those companies' valuations back down...

If the forces in the world that relate to sustainability are going to be material to a business, it's management's job to take a longer view and figure out what to do about them. Because, eventually, these things will affect cash flows. From the perspective of how investors react, managers have a lot more information than investors — and long before investors have it.

So, sometimes the markets lag behind in their valuations because some important factor is too vague or unclear for investors to see how it might affect a company's cash flows. When it becomes clear, the markets react... Actually, the market's already discounting the concerns. Investors assume there isn't much value beyond a certain period, which isn't too far into the future.

From "When Sustainability Becomes a Factor in Valuation"

## Chat Room

## Ground, Punish Unruly Minister

Apropos 'Sena MP Hits AI Staffer: Airline Looks at Grounding Unruly Fliers' (Mar 24), power-drunk Shiv Sena MP Ravindra Gaikwad demanded business-class arrangement in an all-economy flight and had the audacity to assault Air India employee using a slipper. He should be booked for attempt to murder apart from invoking other relevant sections of the IPC. People's representatives with sound mind should be debarred for life from travelling in the national air carrier at taxpayer's expense. There should be a suo motu case filed against the MP to ensure lawmakers behave decently in public places.

DEEPAK CHIKRAMANE  
Mumbai

## ECONOMIC REFORMS

# Wish Upon a Rising STAR



Kaushik Das

India's reforms outlook can be looked at by dividing the reforms agenda in four separate categories. These are not reforms by themselves, but the desired outcome of the various reforms that are being pursued at present. The reforms objective is to transform India into a STAR — Simple, Transparent, Affluent, Resilient — economy.

● Simple: In the last three years, the authorities have tried to simplify rules and regulations, so as to improve the ease-of-doing-business conditions in the country. The efforts have started bearing fruit slowly, with India's current ranking having improved to 130 from 142 in 2014.

It can be expected that the government will remain focused on measures that will help to improve the ranking substantially and persistently in the period ahead. Implementation of the goods and services tax (GST) from July will simplify the indirect tax structure, reduce geographical fragmentation and broaden the tax base, which will prove to be transformational for the Indian economy in the medium term.

● Transparent: The authorities have taken a number of steps in the last few years to improve transparency. Moving to a fair and transparent method of e-auctioning of national resources has been a welcome and bold step.

Deregulation of petrol and diesel prices, and linking them to global oil price movement, has helped to eliminate discretion and distortion. Implementation of the bankruptcy code will help empower banks and usher transparency in the banking sector lending process.

And the recent move to demonetise high-value currency is also primarily directed toward increasing transparency in the economy. One can expect tax compliance to improve from the next year due to the demonetisation move. While the cash economy may still remain prevalent in the country, the increased pace of digitisation will help reduce the share of cash economy on the margin as

compared to that in the pre-demonetisation period.

● Affluent: India's urbanisation rate increased by only 3 percentage points from 28% in 2001 to 31% in 2011. However, the government's commitment to expedite the pace of urbanisation as a key medium-term objective is encouraging.

It is empirically true that by and large, the most economically affluent countries are also highly urbanised. While urbanisation may not be the only factor that makes a country rich, it is undeniably one of the key catalysts that help propel an economy to a higher growth trajectory.

Take China. Its emergence as an economic superpower has occurred hand in hand with rapid urbanisation. About 57% of China's population are urbanised today, compared to only 20% in the late-1970s.

The government's Smart Cities initiative should get a boost in the next two years. This will help accelerate

employment and infrastructure in the economy.

● Resilient: Since the 2013 currency crisis in India, steps have been taken by both the government and the Reserve Bank of India (RBI) to make the economy more resilient from both domestic and external shocks.

Foreign exchange reserves have increased substantially in the last three years. Along with the central bank's focus to maintain positive real interest in the economy by keeping inflation low, this growth in forex has helped maintain stability in the exchange rate, a key source of comfort for investors.

Indeed, even with global uncertainty on the rise, India is currently regarded as a relatively safe investment destination compared to other emerging market peers. The government's decision to stick to the fiscal consolidation agenda, despite numerous competing challenges, is also encouraging. It also helps complement the RBI's objective of preserving the hard-earned macro stability since mid-2013. The continuation of prudent fiscal and monetary stance should improve the medium-term growth narrative for India.

The overall macro outlook of the Indian economy looks positive. India has embarked on a journey to transform itself into a STAR — simple, transparent, affluent and resilient — economy, and the progress so far has been impressive.

Despite what has been achieved in the last few years, there is scope for incremental improvement, both in terms of India's own potential and also in comparison to other emerging market peers.

One hopes the authorities push harder in the coming years to ensure that most of the medium-term objectives are met.

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No need to lose our way any more

FILE PHOTO