THE FINANCIAL EXPRESS

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J&K makes a good start

Plan to replace subsidies with UBI for poor a great idea

TAMIL Nadu is not one of India's poorest states—with a per capita income of ₹143,547 in FY16, it is actually the fifth or the sixth richest if you leave out the likes of Delhi and Chandigarh—but it is the top state when it comes to MGNREGA employment and got over 17% of the jobs generated under the scheme. Uttar Pradesh, in contrast, accounts for over 22% of the country's poor but accounted for less than 8% of the MGNREGA jobs in FY16; Bihar accounts for over 13% of the country's poor but less than 3% of the MGNREGA jobs. The same metric, unfortunately, can be multiplied across most government schemes. According to the latest Economic Survey, the most backward districts that accounted for 40% of the country's poor in FY16 got roughly 39% of the budget allocation for the Prime Minister Gram Sadak Yojana, but just 31% of the allocation on Sarva Shiksha Abhiyan, 28% in the case of MGNREGA, 24% in the Swachh Bharat Abhiyan and 20% in the case of Mid-Day Meals. Looked at another way, the poorest set of districts accounting for 20% of the poor access only 15% of the resources, 40% of the poor only 29% of the resources, and 50% of the poor about 38% of the resources from the scheme.

While there is undoubtedly a lot of leakage in most government schemes, and the government response is to make the use of Aadhaar mandatory to check the leakages, this cannot work beyond a point. What is critical in most schemes is really the ability of the state government to get its act together, to be able to run credible programmes to take advantage of what the central government is doling out—if the administration in Uttar Pradesh can't set up enough MGNREGA sites, using or not using Aadhaar is not really the issue. The best way out, naturally, is to simply distribute cash to all the poor in each state. This is where, as this newspaper reported last week, Jammu & Kashmir may just be off to a flying start. Even before the central government began talking of Universal Basic Income (UBI) for the poor, the J&K budget made a mention of it. J&K finance minister Haseeb Drabu has already made a presentation to union finance minister Arun Jaitley to assure him that, were the centre to allow the state to use the money flexibly for a UBI for the poor, J&K will not ask for more funds. Jaitley has rightly pointed out that, in India, the political class could well want existing subsidies to continue while adding UBI on top of that. Drabu has outlined the contours of a possible UBI and, were other states to follow suit and assure the centre they are looking at replacing existing subsidies with UBI, this could be the beginning of true social equity in the country, where government—centre and state—subsidies are given on the basis of poverty, not the state's superior ability to corner subsidies. The centre's 950 central sector and centrally-sponsored schemes, as the Survey points out, alone add up to over 5% of GDP. With UBI kind of targeting, this could substantially eliminate poverty across the country.

More populism from AAP

Promise to scrap residential property tax a bad idea

GIVEN the Aam Aadmi Party's (AAP) previous decisions to waive off water and electricity charges for those whose consumption was below a certain level, chances are Delhi chief minister Arvind Kejriwal will make good on his promise to waive off property taxes on residential properties if his party wins the upcoming municipal elections. Apart from the fact that such promises set off a host of me-too proposals in other states, the move makes little sense—the party's proposals on electricity resulted in other parties making similar promises in other states, and the impact of the BJP's promise to write off farm loans in the UP elections has set off similar demands in BJP-ruled states like Maharashtra. It is true, as the AAP has said before, the municipal corporations are not doing a good job in collecting property taxes from commercial and industrial users. The Delhi government had pointed out, last year, that while there were 2.8 lakh commercial electricity connections in the south Delhi municipal corporation area, there were only 60,000 commercial properties that paid taxes; in the northern area, the tax compliance was under 35%.

While ensuring commercial properties that do not pay tax are caught in the tax net, eliminating residential properties makes little sense. For one, doing so increases arbitrage with smaller commercial properties trying to disguise themselves as residential ones. More important, there is huge tax evasion by residential properties as well. Though there is no separate break-up for residential and commercial tax evasion, given the greater number of residential properties, the amount of evasion would be considerable. Right now, while OECD countries manage to average property tax collections of around 1.9% of GDP, India's is a much lower 0.2%. The Economic Survey quotes a study for Bengaluru and Jaipur that estimates how much more taxes could be collected—it found Bengaluru could collect four to seven times its current property taxes, and collection levels in Jaipur could rise by between 10 and 20 times. Based on a similar assessment of 36 cities, the Thirteenth Finance Commission had found increasing property tax compliance to even 80-85% would raise the property tax revenues from ₹4,400 crore to as much as ₹22,000 crore—it is difficult to see how this can be achieved by scrapping taxes from residential properties that make up the bulk of property in any state. While AAP may or may not be right in its criticism of how the municipal corporations are run and spending their money, there can be no doubt they need a lot more funds than they have right now to do justice to Delhi's needs—with property taxes comprising nearly 70% of Kanpur's 'own-revenue' but a mere 40% for Delhi, no responsible government should be making the kind of promises Delhi's chief minister is.

ROAD MAP

CSIR-CRRI would soon come out with a manual for roads, pedestrian paths and intersections

INDIA, with 5,472,144 kilometres, had the second largest road network in the world by the end of FY16. Though the country has done remarkably well on road construction, some of it has happened with little planning. There are many examples of lax planning that one can find across India—lack of pedestrian paths across the country and Bus Rapid Transit System in Delhi are a few cases. But, a *Times of India* report highlights that India may soon be moving towards a workable solution. A constituent of Council of Scientific and Industrial Research, the Central Road Research Institute (CRRI), is going to embark on a plan to create a mapping and planning structure for roads in India. Basically the manual, which is in the draft stage, will lay down the characteristics of types of road, carrying capacity and augmentation plan, which will help build better roads, intersections and pathways.

While this is not the first attempt at creating an indigenous road plan—Indian Roads Congress had laid down rules in 1990 for mapping of roads and planning of intersections—these were seldom considered. Moreover, being directly substituted from Western countries, they were not regarded by experts as apt for Indian conditions. With growing urban population and the number of cars expected to increase—India sells approximately 2.8 million cars each year and this is expected to double to 5 million by 2020, making the country fourth largest automobile market—the country would require a well planned infrastructure. Just more roads, flyover and highways would not do the job, there is a need for a complete roadmap.

India-US & Solar

Shades of grey

The US' problems with India's solar energy plans are not limited to domestic content requirements

AMITENDU PALIT

The major solar panel producers of the world are looking closely at the Indian market for future business prospects. This is due to India's ambitious plans for solar energy production

THE WTO's dispute settlement function has been a trustworthy mechanism for settling disputes between WTO members. It has run well, since WTO members have accepted rulings of the multilateral trade body on various disputes and amended domestic policies accordingly. But this may no longer be the case if some WTO members are 'directing' changes in domestic policies of other members following WTO decisions. The India-US solar power dispute is a pertinent case.

Last year, India lost to the US at the WTO in a trade dispute where the US challenged India's decision on local content requirement in its solar power development programme. From an Indian perspective, the local content requirement was justified as it enabled domestic producers of solar power equipment to supply to a ready market thereby assuring their own growth. But from a global trade perspective, as the WTO ruled, the policy violated the 'national treatment' character of the multilateral trade framework that refrains discrimination between producers on the basis of their nationalities. Thus, India went wrong in favouring local suppliers over importers. It has accepted the WTO ruling. But it now faces a different challenge.

The US interpretation of the WTO ruling is that India should scrap all earlier tenders under the Solar Power Mission that were awarded with the 'unfair' domestic content requirement. It should tender these afresh allowing foreign suppliers to participate in the biddings. But doing so would imply going back on the work that has already begun in the Solar Power Mission, and would significantly set back the progress on the initiative. As it is, the decision to scrap domestic content has meant trouble for several power projects in the pipeline.

With the implementation of WTO ruling now turning out to be a question of 'retrospective' vs. 'prospective', the US-India solar power dispute raises issues that other WTO members would be forced to ponder. These arise from the US posturing on other members policies and its scant regard for their economic circumstances and priorities. The issues also pertain to the desperate attempt of the US to snatch markets in industries where it is finding hard to compete.

Among the top ten solar panel manufacturers for 2015, seven are from East Asia, out of which four are from China (Trina Solar, JA Solar, Jinko Solar and Yingli Solar). The US has only two among the top ten (First Solar and Sun Power). Like in most other areas of modern manufacturing, China, Taiwan and Korea have an edge over the US in low-cost solar panel production. The major solar panel producers of the world are looking closely at the Indian market for future business prospects. This is due to India's ambitious plans for solar energy production as part of its target of meeting a significant chunk of its total energy requirements from renewable non-fossil fuel sources in the medium term. Furthermore, India is leading the global effort in increasing solar power capacities by forming the International Solar Alliance (ISA), which aims to get together countries between the Tropics of Cancer and Capricorn for utilising solar power.

The US problems with India's solar energy plans are not limited to domestic content requirements. They also relate to the fact that the US is not in the ISA, which would be mobilising substantial global investments from its members for expanding solar power capacity. China already has a huge presence in India's solar power market with around two-third of India's imported solar panels coming from China. Chinese companies have also been quick to enter into collaborations with Indian firms in the renewable energy sector. All these developments are not good for the US solar industry, which is as it is not competitive with its East Asian counterparts and is banking on state subsidies. The loss of the lucrative Indian market and less access in the future market growth of the ISA is an imminent prospect for US solar panel manufacturers. It is hardly surprising that the US would want India to do its tendering for the Solar Power Mission afresh so that it can capitalise on the lost opportunities. It wouldn't refrain from lobbying its strategic influence for getting its way in the matter.

The US under President Trump has made it abundantly clear, in its Trade Policy Agenda, that it would think very seriously about changing domestic policies ordained by WTO rulings. Indeed, it would refrain from changing domestic laws if they were against the US national interests. Nonetheless, it is willing to force other WTO members to change their domestic laws following WTO rulings—India, in this case—in a manner that suits its own interests. What if India too now refuses to change domestic policies if they are against its economic interests? Never mind the WTO!

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What you can do about climate change

Though the US has just 4% of the world's population, it is responsible for 14% of man-made greenhouse gases

MICHAEL SIVAK & BRANDON SCHOETTLE

WHAT can you—just one concerned person—do about global warming?

It may feel like a more urgent problem these days, with proposed cuts to the Environmental Protection Agency and each year warmer than the previous one.

You could drive a few miles fewer a year. Reduce your speed. Turn down your thermostat in winter. Replace your incandescent light bulbs with LEDs. Reduce your meat consumption. Any one of those actions would help.

But none would come close to doing as much as driving a fuel-efficient vehicle. If vehicles averaged 31 miles per gallon, according to our research, the United States could reduce its carbon dioxide emissions by 5%.

Improving fuel economy carries particular salience after the Trump administration announced this month that it would re-examine the progressively more stringent Obama-era fuel economy standards for vehicles in model years 2022 to 2025.

This would be a big mistake as we try to slow down the warming of our planet and meet our international commitments on climate change. The simple fact is that American drivers are a significant contributor to greenhouse gas pollution, so having a vehicle fleet that burns less fuel can have an outsize impact on total emissions.

Though the United States has just 4% of the world's population, it is responsible for 14% of man-made greenhouse gases that end up in the atmosphere. Transportation accounts for 27% of those emissions. And 60% result from driving personal vehicles.

Over two years, the average American driver travels a distance equal to the circumference of the earth. The average new vehicle gets only about 25 miles per gallon, which corresponds to about three-quarters of a pound of greenhouse gas emissions for each mile driven. Each year in the United States, 214 million drivers (with 240 million registered vehicles) drive 2.7 trillion miles, emitting about 2.4 trillion pounds of carbon dioxide into the atmosphere, based on the current fleet average of 21.4 mpg.

Recently announced review of standards by the Trump administration is bad news for the prospects of reducing both transportation emissions and the country's reliance on fossil fuels. And that will make it that much harder to reduce the greenhouse gas emissions that are warming the planet to dangerous levels

Changing how much we drive is not easy; it often requires a major change in lifestyle, like moving closer to work or making more frequent use of public transportation, which often takes longer and is less convenient than driving. It is much easier to buy a more fuel-efficient vehicle; cars with fuel economy much better than the new-vehicle average of 25 mpg are widely available.

As our monthly monitoring of vehicle fuel economy shows, the average for new vehicles has increased to about 25 mpg for model year 2014 from about 21 mpg for model year 2008. Notably, however, the fuel economy of model years 2015 and 2016 vehicles did not improve.

The main reason was the drop in the price of gasoline to $2.14 in 2016 from $3.36 a gallon in 2014. Now, fuelling a less fuel-efficient but more spacious vehicle like an SUV or pickup truck costs no more than fuelling a small sedan did a few years ago. And buyers have responded by buying more of those bigger, less fuel-efficient vehicles.

This is where the role of government and its fuel-economy standards for new vehicles becomes important.

These standards have obvious direct effects on the industry in terms of what vehicles are made and sold, and their actual on-road fuel-economy performance.

Significant increases in fuel-economy standards for all vehicles, but especially for pickups and SUVs, are even more important when relatively low gas prices motivate buyers to choose larger vehicles over smaller ones.

One of the last important acts of the Obama administration was to reaffirm the more stringent fuel-economy standards for model year 2022-25 vehicles, benchmarks that were originally proposed in 2012. Those standards would have ensured that the improvements in fuel economy that have stalled in recent years would resume.

But the recently announced review of those standards by the Trump administration is bad news for the prospects of reducing both transportation emissions and the country's reliance on fossil fuels. And that will make it that much harder to reduce the greenhouse gas emissions that are warming the planet to dangerous levels.

Michael Sivak is a research professor and Brandon Schoettle is a project manager at the University of Michigan Transportation Research Institute.

NYT

LETTERS TO THE EDITOR

Anti-Romeo drive

Romeo as a Shakespearean character is an idealist lover who stands for chivalry. But the name—otherwise synonymous for a passionate male lover—has come to acquire a different connotation in the Indian context—a sexual predator on the prowl. The formation of anti-Romeo squads by the Yogi Adityanath government, in addition to the shutdown of abattoirs, has given us an inkling of the kind of governance Uttar Pradesh is set to get for the next five years. Of course, the state government's priorities should be commensurate with the Sangh Parivar's conception of morality! Reports have shown that the UP police were having a field day with their new assignment. Young men and women are now left to fear that they can be taken to task by the ant-Romeo squads and end up as the helpless victims of moral policing. Their foremost thought is how to escape the dragnet laid by the police. Couples are subjected to all sorts of probing questions and given lessons on 'moral behaviour'. The deployment of high-handed anti-Romeo squads in the streets of UP seems to be having the opposite effect. Youngsters are denied their space for togetherness. Socialising has come under surveillance like never before. For the police sans discernment it is always easier to target lovers and companions than eve-teasers, stalkers and molesters. The worst fear, not quite unfounded, is that the prejudiced cops can misuse the powers vested in them to act against Romeos and swoop down on Muslim youth in the name of preventing "love jihad". The spirited anti-Romeo drive should not become a tool to prevent inter-religious and inter-caste marriages which go into the making of a more integrated and unified India.

G David Milton
Maruthancode, Tamil Nadu

PAN-Aadhaar linkage

Sadly, whatever Supreme Court decides if it is not in the political interest of the ruling government is superceded by an act of legislation. Aadhaar's use, especially, on Income Tax Act-return filing is one such case. Linking of Aadhaar compulsorily with PAN on the plea of eradication of black money does not hold good in a wider sense. It is an absurd idea to force Aadhaar against Supreme Court's decision. Passwords are enough safeguard for ensuring security. And, when the whole net-banking/financial transactions are based on password, then how I-T returns cannot be treated safe with passwords. The misuse of password, if any, is more dangerous for financial/net banking transactions than I-T returns filing. Personal finances of every citizen are at risk due to this decision. No doubt income tax department can vouch for financial transactions, Aadhaar in no case required necessarily for it.

Mahesh Kumar
New Delhi

Food wastage *ki baat*

Apropos PM Modi's *Mann Ki Baat*, where he urged people not to waste food. It is said India is a rich country with poor people. Though we discuss technological advancement and identify with spirituality, yet it is difficult to digest that millions go hungry. Let us pledge that if we can't feed hundred people, at least feed one.

TS Karthik
Chennai

PLEASE SEND YOUR LETTERS TO:

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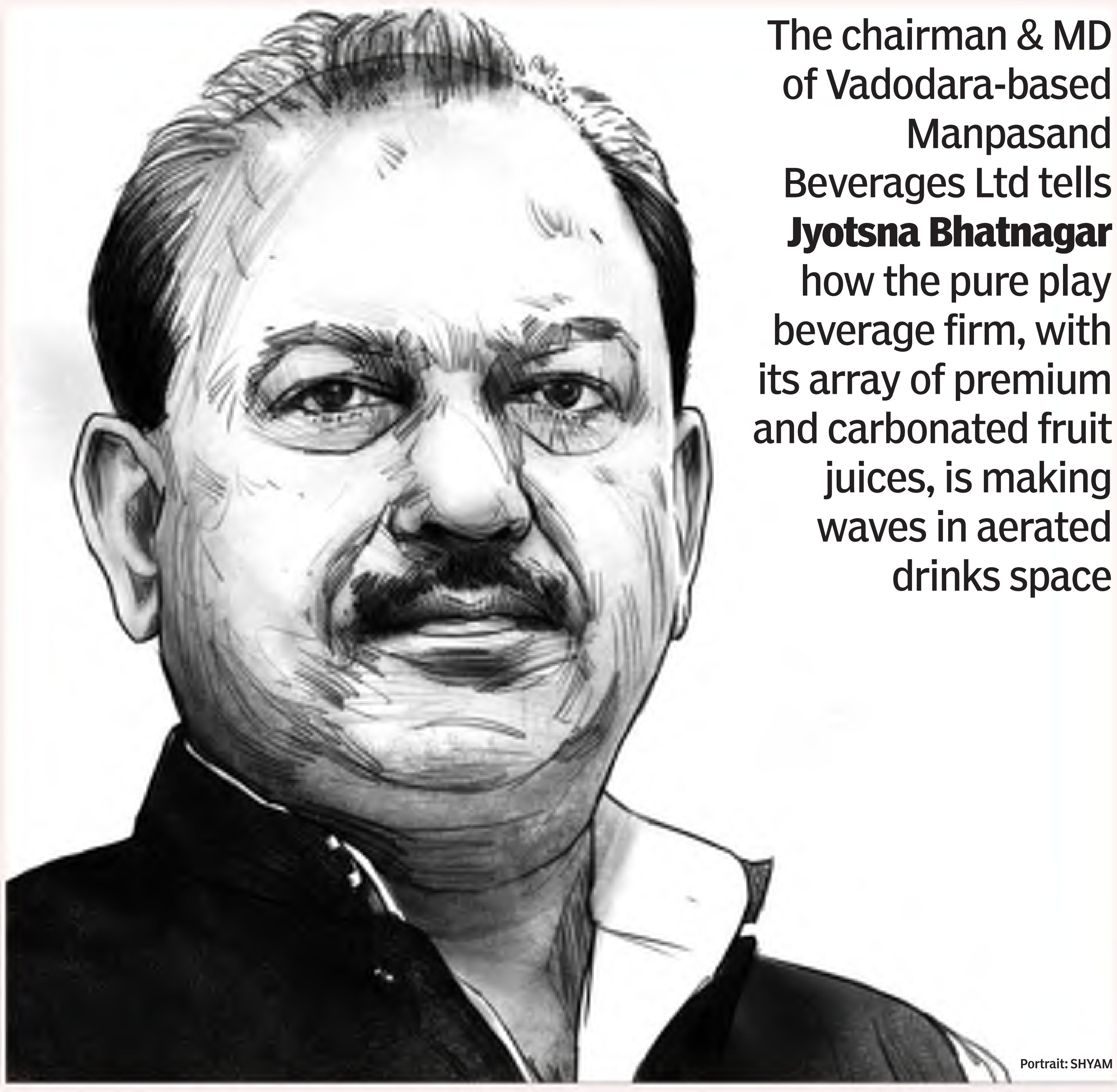
Juicing up the cola market


Portrait: SHYAM

The chairman & MD of Vadodara-based Manpasand Beverages Ltd tells **Jyotsna Bhatnagar** how the pure play beverage firm, with its array of premium and carbonated fruit juices, is making waves in aerated drinks space

WHEN trade associations in Tamil Nadu called for a ban on cola giants Pepsi and Coca-Cola in the wake of Jallikattu protests and a resurgence of *swadeshi* sentiments in January last, it was a nimble-footed David which moved in with lightning speed to take advantage of the vacuum being created in the retail cold drinks space by the Goliaths.

Vadodara-based Manpasand Beverages Ltd (MANB)—which has been making waves over the recent past with its array of premium and carbonated fruit juices at a time when health consciousness is pushing down sales of aerated synthetic colas—has recently unveiled its aggressive expansion outreach into south Indian states. This includes the setting up of a ₹150 crore manufacturing facility in Sri City, a border town between Andhra Pradesh and Tamil Nadu, to cater to the burgeoning demand for home-grown cold drinks in key southern states.

A pure play beverage major which clocked net sales turnover of ₹560 crore last fiscal in the ₹25,000 crore soft drinks market, MANB had so far been concentrating on consolidating its presence in the North and the West, with a strategy focused towards customers in semi-urban and rural markets. With opportunities in the South, MANB is set to double its production capacity over 12-18 months, by adding four new manufacturing facilities to the four it has.

The venue for my luncheon meeting with Dhirendra Hansraj Singh, the chairman & MD of MANB, is his farmhouse adjacent to the company's new facility at Savli near Vadodara in Gujarat. Summers are setting in and by the time I reach my destination, a two-hour drive from Ahmedabad, my throat is parched.

I am chaperoned to a landscaped hamlet-like enclosure with small cottages and a solitary cow grazing a short distance away to authenticate the surreal rustic setting. My host, the 55-year-old sportsperson-turned-government employee-turned entrepreneur Singh, I am told, is a bit of a maverick and the central cottage with its red terracotta shingle roof is his office.

I climb the wooden steps leading up to the office, taken by surprise at the simplicity of the interiors. There's none of the opulence one would associate with the office of the owner of a company that has the unique distinction of being the sole listed company in the beverage space. Instead, it reminds me of a spartan roadside kiosk, with the umpteen products of MANB adorning the glass shelves, alongside the rough-hewn wooden table and three chairs.

> Singh's winning formula is "choosing clean highways to avoid collision with rivals." That's by focusing on categories and price bands where there is virtually no competition

Singh, a diminutive figure clad in a crisp white *kurta pyjama* and a tan linen jacket, is an earthy son-of-the-soil. Soon, I am served a fizzy black drink which looks, tastes and smells suspiciously like Pepsi or Coke, but with a subtle difference. Noticing my confusion, Singh exultantly declares the drink to be one of MANB's latest offerings—a fizzy black grape juice with "cola *ka maaza*" from its basket of Fruits Up carbonated fruit juices. The product, a runaway hit, has entered the exalted ₹100 crore club, and is giving cola majors sleepless nights. Overtures have been made to buy out the brand already, Singh informs me.

Talking about his latest southern foray, Singh admits that the timing of his entry, fortuitously coinciding with the ban on the colas, has been a stroke of good luck. He chuckles, recalling how he used his agility as a "small" player to leverage the move. "It would take an MNC like Coca-Cola or Pepsi a year to just launch a new product, as all approvals would have to be sought from their US headquarters. In contrast, my entire team flew to Tamil Nadu overnight following the cola ban to stitch the strategy for setting up a new plant."

By this time, we have been served an array of popular Gujarati starters. There's the ubiquitous khaman, dhokla, patra, and bite-sized kachoris served with tangy green chutney and spicy kachumber. Hailing from Varanasi, Singh confesses he didn't relish Gujarati cuisine when he came to the state as an employee of ONGC in the early 1980s, as almost all dishes had gur and imli. "I was a plain graduate and bagged a job through sports quota as I was an excellent volleyball player." But while in Gujarat, he did as the Gujaratis do—not only did he acquire a taste for Gujarati food, but acquired an appetite for business as well, setting up Manpasand in the mid 1990s after a brief dalliance with real estate.

Here, too, it was a chance meeting with a Tetra Pak executive that gave him the idea of utilising their surplus capacity at Mumbai's Mahanand Dairy to package and sell juices. "I ventured into packaging mango juice in Tetra Pak packages and sent the first consignment of five truckloads of MANB's first product, Mango Sip, from Mumbai to Gorakhpur in eastern Uttar Pradesh. It was my test market as I was only familiar with markets in my native state," Singh reminisces. The consignment of Mango Sip, priced aggressively at ₹5 a piece, was a stupendous success, getting him an order for 25 truckloads. "Since then, the demand for our products has always outstripped supply," he states with obvious pride.

The juices segment that time had two big players—Parle Frooti and Godrej Jumpin. "When we introduced Mango Sip, most people bought it thinking this too was the product of a big company as the packaging was the same," he laughs.

The main course arrives—aromatic vegetable pulao, paneer in thick red spicy gravy and daal tadka with butter rotis and salad. Singh confesses he likes to keep his food basic, simple UP fare.

What was the strategy he adopted to grab the market from right under the nose of the established players? "Being a novice in the world of business, I gathered knowledge by travelling extensively by road to the interiors of the country. I would just sit at roadside kiosks for hours, observing the mindset of shopkeepers and consumers. I realised the small shopkeeper has no lofty ambitions. All he wants is to sell goods which give him more commission. I paid more commission—₹1 against the 50 paise which was being paid by the biggies, established personal relationships with small traders in towns and *kasbas*, and soon these traders became my salesmen, promoting my products in a big way." Today MANB's beverage brands are present in 24 states through more than 2 lakh traders, over 2,000 distributors and 200-plus super stockists.

On the road to success, Singh also adopted the winning formula of "choosing clean highways to avoid collision with rivals." That's by focusing on categories and price bands where there is virtually no competition. One of MANB's largest selling offerings is the 160ml Fruits Up bottled fruit juices. At ₹10 a bottle, the size is a runaway hit in rural belts, as are 125ml size bottles. Almost 60% of company's sales come from these sizes. Not surprising, then, that Singh intends to keep "small my mainstay as I believe not so much in the valuations game but the volume game."

The meal is over. We skip the dessert as we've been binging on MANB juices alongside.

Keeping a close eye on the shift to health drinks, MANB has introduced packaged coconut water Coco Sip and ORS initially in the Northeast. Plans are afoot to enter the market for vegetable and fruit pulp mixes as well as healthy snacks. "But I would never market my products as good for health or they'll end up in chemist shops," is the parting shot of a now seasoned businessman who can teach his rivals a thing or two about a market he has now mastered.

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Minimising tax evasion and fraud

Aadhaar will soon get a status similar to the Social Security number in the US

CHETAN CHANDAK

The government has been promoting the use of Aadhaar for a host of services, including passport application, booking concessional railway tickets, pensions and LPG connection, etc.

To take it to the next level, in the recent amendments to the Finance Bill, the government on March 21 proposed to make the Aadhaar card mandatory for PAN application as well as for filing income-tax returns. This move will be applicable from July 1. Earlier, the Aadhaar card was optional for both. The above proposal was a part of the 40 amendments proposed in the legislation.

According to this amendment, existing taxpayers will have to link their PAN cards with Aadhaar numbers by a certain date, to be specified later. And new PAN applicants will be required to declare their Aadhaar numbers in the PAN application itself.

Now Aadhaar has become mandatory for tax filing as well for existing taxpayers—who don't have Aadhaar allotted in their name will have to enrol themselves immediately. Meanwhile, they can file their tax returns using this enrolment number until they get the Aadhaar allotted in their names. Those who fail to disclose their Aadhaar number, their PAN and income-tax return will be deemed invalid.

> With Aadhaar mandatory for income-tax return filing and PAN card application, it will be easier to identify tax evaders and people with multiple PAN cards

The only challenge is for foreigners and non-resident Indians who have to file tax returns in India for any reason, or are required to quote the PAN in respect of certain financial transactions, in case if it is deemed invalid due to non-linking to Aadhaar. However, the government is expected to provide relief in reasonable cases, by putting certain exceptions for this mandatory Aadhaar rule. This decision of the government is going to have a huge impact across the socio-economic spectrum.

Earlier, the Supreme Court had stated in its judgment that Aadhaar should not be mandatory for availing direct benefits transfer of domestic LPG subsidy or for any other government scheme. However, in the aftermath of this Bill becoming a law, one will be left with no option than to follow it.

The Aadhaar, or the 12-digit Unique ID, is backed by biometrics including fingerprints and iris scans stored in a central repository. The government is of the view that since Aadhaar contains biometric details, hence the possibilities of misuse can be minimised.

The government intends to minimise tax evasion and fraud. This move will serve the purpose by identifying tax evaders and people with multiple PAN cards. In the past, there were cases where the same person filed taxes against multiple PAN cards. The government is of the opinion that linking Aadhaar to PAN and income-tax returns will cater to the need of the hour, i.e. strengthening the rules governing cash transactions after demonetisation.

If Aadhaar gets linked to PAN, the tax department will be successful in obtaining all the information related to taxpayers' financial transactions and belongings. This will also help the government to relate a particular transaction to a real identifiable person, ultimately eliminating *benami* transactions. The tax department will compare those transactions with the income reported on the tax return of the identified person, and in the instance of any discrepancy, it can immediately be furnished for further investigation. Therefore, it will provide a boost to the government's drive against black money.

As per the mission statement of the UIDAI (Unique Identification Authority of India), Aadhaar was introduced for providing every resident Indian with a unique identity. The penetration of Aadhaar has been much higher—close to 111 crore—compared to PAN card holders (only 25 crore). The current government definitely wants to leverage this for unearthing black money, tracing benami transactions and increasing the overall base of taxpayers.

Slowly, the government is trying to give Aadhaar the status similar to the Social Security number in the US. Therefore, possibilities are that Aadhaar may totally replace PAN and taxpayers may be able to file income-tax returns using just the Aadhaar card. Apart from this, the other possibility is that a majority of your tax-related details will be auto populated in your tax-return form, and you may just be required to either approve or deny it. However, this is a long time bet.

Now, with this move, many people have raised questions about the privacy and security of the confidential personal information, as private agencies handle the same. In this regard, the UIDAI has already clarified that each device that uses Aadhaar authentication will have to follow its new encryption standards starting June 1. It effectively means adding another layer of security to the hardware. In addition, the UIDAI has come out with new specifications and has asked manufacturers and vendors to go for Standardisation, Testing and Quality Certification (STQC) certification in accordance with the new standards. It also mandated that all existing devices should be upgraded according to new norms.

The most important question that arises is, whether we should undermine this move just on the ground that it may raise issues relating to privacy and security of confidential personal information?

The author is head of tax research, H&R Block (India), the income-tax filing company

Remembering Sukhamoy Chakravarty

He is one of the greatest economists India has produced and was noted for his work at the Planning Commission

YOGINDER K ALAGH

PROF SUKHAMOY Chakravarty was a giant amongst intellectuals, who had a brief and yet very influential stint in policy-making. His influence is in ideas which persist, sometimes in a form, with those who cannot think better. His classic, *Capital and Development Planning*, was according to Paul Samuelson a book by the economists' economist. His work on development modelling is well-known as well as the review paper on development theory. This article is on his leadership in Indian policy-making.

Prof Chakravarty showed initially in a very brief dense paper that the Mahalanobis model had to be placed in a historical context, and he set these as disguised unemployment and shadow wage rates for labour, non-substitutability of capital between sectors and questioning the validity of the small country assumption for international trade for an economy of India's size, particularly with its exportable basket in the mid-1950s (S Chakravarty, 1969). This dense argument forms the core of some of the later literature on development planning. A detailed treatment is in one of the more influential books on development theory and planning of the period written by Jati Sengupta and Karl A Fox in 1969 on optimisation techniques in economic models.

Chakravarty was not satisfied with the empirical work in the Fourth Plan Period which seemingly "proved" some of these assumptions, since in terms of inter-industry flows the mining, metals and machinery sector was shown to be independent from the food and fibre sectors (Manne and Rudra, 1965). Plan models postulated that the two groups of sectors could grow at very different rates, as long as the 'appropriate' fiscal policy was followed. However, it was shown that if wage-consumption flows were considered, such planning could soon run into inflationary (Rudra, 1967) and wage good (Alagh, 1967) barriers.

To Chakravarty, the simple wage goods constraint was a no-brainer. As a successor to the iconic Pitambar Pant who would mark the PPD files I inherited from, I saw that he would mark them from Pitambar to Indu. Indira Gandhi was a shocked when she saw that Pitambar's successor was a '*kal ka chokra*', but she had confidence in India's youth and charged me with the first objective of our plans to 'feed my people'. When I produced a work plan for agriculture, by now the well-known JNU-PPD studies on sources of agricultural growth, Prof Chakravarty was happy but wanted us to see it in the larger historical perspective beginning with the Scissors Crisis in the Soviet plans and the battles between Trotsky and Stalin, and the difficult task to maintain growth with oscillating terms of trade between sectors. His ASCI lecture has contemporary relevance as shown in Munish Alagh's book on agricultural price policy.

In terms of the methodology of planning, the Fifth Plan was the major break. To begin with, the Plan was elaborate with a detailed set of models, which in its main essentials continued to the end of the century. Second, the Fifth Plan saw a conscientious attempt at sectoral planning strategies elaborated in considerable detail, which became a part of the planning method. This methodology for the energy sector was derived from the Fuel Policy Report of 1972 (Government of India, Planning Commission, 1974). Subsequently, an agricultural sub-model was developed from detailed studies (see Government of India, 1978, 1979; and YK Alagh, 1992, for elaboration of the methodology of sub-modelling). Third, great advances were made in the formulation and implementation of project selection procedures as part of the Plan.

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Analytically, Chakravarty was interested in introducing behavioural consumption parameters more elaborate than the log normal distribution, to model prices as a part of the system, and a task force was set up under my supervision which developed income and price elasticities for the rich and poor in rural and urban areas. It did so using complete demand system. His early push has not received the attention it deserved, although there was considerable global recognition as shown in the *Festschrift* to Jan Tinbergen edited by Cohen, Cornillise, Teekens and Thorbecke (1984) and the paper by YK Alagh, *et al*, in it; also the appreciation by Lance Taylor (1991) of their use in policy reform in transitional regimes.

I met Prof Chakravarty in the early 1970s because he had developed an interest in multi-level planning. Apart from inviting scholars like Janos Kornai to the Planning Commission, he was interested in the deficiency of command planning. The fact that the Soviets used his book for their planning models was not enough to him and he marvelled at the inflexibility of their systems. We had, in Ahmedabad, prepared a model for the Long-Term Perspective Plan of Gujarat. He came to see our work and was happy. The fact that the first regional input output system used for planning in India also showed that the economy was suffering on account of its colonial heritage, inter-industry linkages were few and the systems that were block diagonal had profound implications for multi-sectoral multi-regional models, and this provoked him. His longish paper on multi-level planning was the result and it is still a refreshing reading for those who believe in strategic planning rather than detailed controls or policy as a tool of giving equal market opportunities to unequal areas and disadvantaged people.

When Jan Tinbergen retired, his most illustrious student Chakravarty was the first recipient of the Tinbergen Chair. When I attended the seminar in Tinbergen's honour which led to the Cornillise book, I could see the esteem Chakravarty was held in. Jan Pronk was the second recipient of the Chair, following Chakravarty. He was hesitant to go since the Sixth Plan work was important to him, but we told him he must accept that great honour and we will hold the fort in his absence. He had a heart attack on the journey back, and Vijay Kelkar and me, waiting at the airport, whisked him away to AIIMS. His wife Lolita*ji* was relieved to see that he was with his friends again. He used to come to my home in RK Puram when he would come later for his tests and we would reminisce. He chaired the Prime Minister's Economic Advisory Council, but alas briefly. Those whom the Gods love die young, and he was taken away when he could have done so much.

(Based on an invited speech at the naming of the RIS Library in the name of Sukhomoy Chakravarty by Manmohan Singh on March 18, 2017)

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