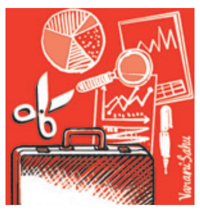
Fiscal Prudence: Not by Rigid Targets

Stress credibility of macroeconomic management

The committee headed by N K Singh to review India's fiscal management has produced an illuminating report. However, it is difficult to concur with its specific targets for period from this fiscal to 2022-23. Easiest to disagree with are the targets for the revenue deficit. The revenue deficit is not really the gap between current receipts and consumption expenditure. Spending on healthcare and education is treated as revenue expenditure but represents vital investment in human resources, without nurturing which no economy can compete effectively in the emerging, knowledge-intensive world. Only if it is possible to take such items of expenditure out of the revenue account would it make sense to set a specific target for reducing the revenue deficit.

General government debt, of both the Centre and the states, is to be brought down to 60% of GDP by 2022-23. This would appear to be quite arbitrary. The reality is that the discussions of the committee take place in a framework



of taxation prior to the implementation of the goods and services tax (GST). If the tax is rolled out as it has been envisaged, the result would be little short of a revolution. India is an outlier in its ability to administer a tax system at a particular level of income. The key differentiator is extensive telecommunications and the ability to deploy information technology for tax administration. Hitherto, this capability has been minimally tapped. It would be utilised fully, for implementing GST. The result would be to derive precise estimates about value added in the economy, leading to efficient collection of direct and indirect taxes. A bounty of tax revenue would make a serious dent on debt and deficit requirements.

Credibility of macroeconomic management is what counts, not any given set of fiscal targets. If a credible fiscal council elucidates the evolving contours of macroeconomic health, and the rationale for fiscal expansion or contraction, that is likely to inspire confidence among investors, domestic and foreign, rather than meeting or missing some preset numerical targets.

Sexual Harassment Out in the Open

Reports of women employees reporting instances of sexual harassment by their bosses are becoming relatively more frequent. That men in authority prey on their subordinates without fear is worrisome. At the same time, it is welcome that their victims are finding the courage to stand up and seek legal remedy with increasing regularity. This tendency deserves to be encouraged, with active support and follow-up action by the police, corporate managements and society at large.

The 2013 Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act provides a legal basis for tackling the problem. However, countering sexual harassment has been tough. Many women would rather move on

than complain. A recent survey by the Indian Bar Association found that 70% of women did not report sexual harassment by their superiors because they feared an adverse impact on their career prospects. The institutional mechanism to address sexual harassment is not always in place. Though it is mandatory for all establishments with 10 or more employees to set up an internal complaints committee (ICC), some 36% of Indian companies and 25% of MNCs do not have one. Startups, with their evolving organisational structures, get away with giving low priority to sexual harassment policies. There is no clarity who can be held responsible for failure to comply with the Act. The ICC is too focused on investigation, at the expense of prevention.

Organisations must make it easier for women to speak out, and authorising a larger number of employees to receive complaints is an option. Proactive clarity is needed on the boundaries of acceptable conduct and speech. There needs to be proportionate consequences for the harassers, regardless of how good they are at their job otherwise.

We are being told not just what we can eat but how much we can eat

The Sarkar is Watching Your Waste Line

The oral police — those adjudicators who decide what you may or may not put inside your mouth, the latter including animal protein of the bovine kind and all alcoholic beverages — are set to get new teeth. In his latest radio chat show, the PM raised the issue of food wastage being caused by restaurants serving overly large portions that their patrons are unable to finish and that get thrown away. Having digested these ruminations, the sarkar is now reportedly considering putting a limit on the food portions served by hotels and restaurants, particularly those of the upscale variety.

Those concerned not only with the national waste line but also their personal waistlines might well welcome a policy based on the axiom which suggests that that caterer caters best who caters the least. However, those who feel that this is yet another case of the powers-that-be putting the heat on what we eat could claim that the interests of food security would be better served by the sarkar providing better irrigational facilities rather than loan waivers to distressed agriculturists. Such nitpicking, however, misses the point that it is the rightful duty of a mai-baap government used to spoon-feeding the populace to be more mindful of what's on — or not on — our plate than of what's on — or not on — its own plate of policy priorities.

The UK capital's prime central property market remains a solid long-term bet despite Brexit

Still Feel at Home in London

Eirini Nousia

On the face of it, Brexit has done more to boost the appeal of London's prime property to foreign buyers than to harm it. By depressing the value of the pound, it has handed buyers from abroad a welcome currency boost. For dollar buyers, for example, a prime central London home is close to 20% cheaper today than it was on the eve of the Brexit vote last June.

Throughout prime central London, meanwhile, agents report that the referendum vote provided transaction volumes with a welcome shot in the arm. Volumes in prime central London in the week following the June Brexit vote were up 29% on the same week a month before.

Realty Dawns Post Brexit

Few in this segment sell because they must. Many were holding out for offers that looked increasingly unrealistic as stamp duty changes brought the top rate of tax as high as 15%. Brexit acted as a wake-up call of sorts.

Over the longer term, several other economic factors will come into play. The high concentration of foreign buyers at London's centre will be one important support for prices.

The rating agency Moody's estimates that nearly half of London sales of more than £1 million are to foreign nationals. Central London agents estimate that the proportion in the most desirable spots — Mayfair, Belgravia, Kensington and others — is closer to 70%. Most of these buyers — 78%, according to a recent report — come from beyond Western Europe, and a good chunk of them from Asia, West Asia and Latin America.

Few in this group ever spent much time scratching their heads over what closer European integration would bring the British economy. They chose — and choose — London for its safe-haven credentials: political and economic stability, the secure legal system and an easy language in which to transact. Neither these benefits nor the appeals of London living — excellent private schools and universities and a world-leading cultural offering — are likely to be diminished by Britain's EU exit.

The resilience of central London's prime housing market to the wobbles of the British economy was demonstrated during the eurozone crisis. Mayfair provides an example. This prized central London spot has long been a favourite investment choice for the richest Asian (notably Indian) and West Asian (notably Saudi Arabian) buyers, who have helped the neighbourhood to a price premium of nearly a fifth over prime central London's average.

Between March 2009 and the end of 2012 — a period spanning the end of Britain's recession, the worst of the eurozone crisis and an unprecedented British government austerity programme — Mayfair prices gained 61%. If foreign buyers were worried what the health of the British economy would do to Mayfair apartment prices, they certainly weren't showing it.

Where London's prime market could falter following Brexit is through its exposure to Britain's capital's financial sector. If banks and asset managers have to leave London for an alternative European capital in order to protect their access to the European single market, their rich property-owning employees will have to move with them, reducing demand from this group for smart central London homes.

I say, this is not Bethnal Green. Property prices here will always be propah!

FILE PHOTO

But the City is unlikely to give up its lead in European finance without a fight. The British government has vowed to protect London's access to Europe's single market in financial services in the deal it strikes with Brussels.

Home Delivery

Besides, the formative dynamics working on high-end London home prices far predate the referendum result. The reform of stamp duty in December 2014, with the burden shifting to more expensive homes, triggered steady average price falls across prime central London. Last year's additional 3% tax on second homes has provided an additional brake.

Significantly for investors, though, some areas have bucked the trend. In the year to May 2016, the month before the referendum vote, even as stalwarts like Knightsbridge and Chelsea were falling, Mayfair and Islington were up. Since then, Mayfair has fallen slower than the rest of prime central London.

Meanwhile, a number of central London locations not traditionally considered part of the top-flight prime set are emerging as desirable spots for investors. The new pretenders include Victoria, Pimlico and Southbank in the south, Paddington in the west, King's Cross in the north and Shoreditch in the east.

Both these trends hint at the growing fragmentation of central London's property market. Uniform price gains have given way to more varied, local price moves, creating pockets of opportunity for the discerning buyer. Economic uncertainty as Britain negotiates its exit from the EU is likely to further complicate this puzzle, making it still harder to pick the best performing areas.

Investors will need a more granular, thorough and professional approach to identify them. Broadly speaking, however — and Brexit or no — London's prime central market remains a solid long-term bet.

The writer is managing director, Golden Venn, a London-based property consultancy firm

While several economic factors will be at play, the high concentration of foreign buyers at London's centre will be one important support for the property prices

WIT & WISDOM

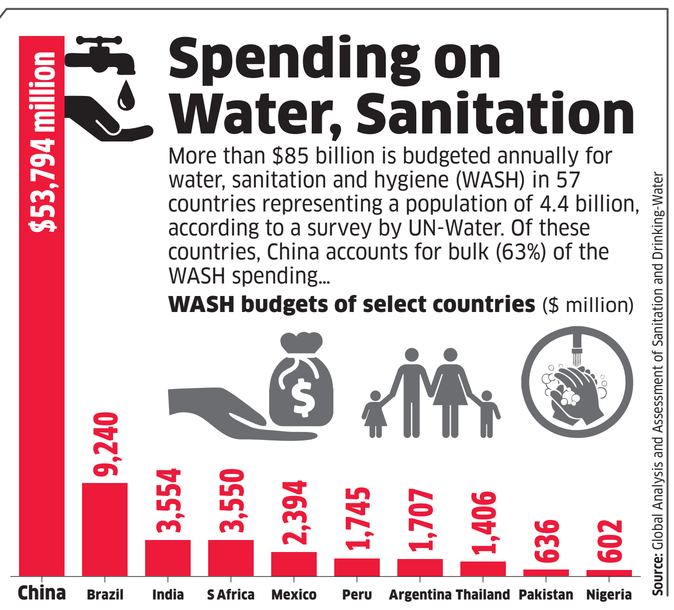
"To rule is easy, to govern difficult."

Johann Wolfgang von Goethe
Writer

Spending on Water, Sanitation

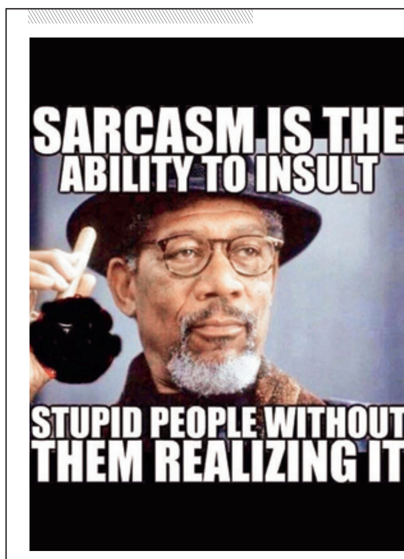
More than $85 billion is budgeted annually for water, sanitation and hygiene (WASH) in 57 countries representing a population of 4.4 billion, according to a survey by UN-Water. Of these countries, China accounts for bulk (63%) of the WASH spending...

WASH budgets of select countries ($ million)



Source: Global Analysis and Assessment of Sanitation and Drinking-Water

MEME'S THE WORD



AGRICULTURE PRICING

Farmers Need Freedom

Nidhi Nath Srinivas

Farmers are clamouring for attention. From loan waivers and suicides, to carrying human skulls, slashing wrists and protests before the PMO, they are using every trick to bring the spotlight on their angst. Unless we solve the root cause — market failure, and crop failure due to climate change — all succour will remain cosmetic and short-lived.

So, what are the policy instruments that will allow the most efficient farmers to cover their costs of production? The honest search for answers must begin by acknowledging that, unlike manufacturing and services, agricultural markets don't auto-correct the balance between demand and supply. While high prices result in higher acreage, low prices don't correct supply in the short term. As no farm gets mothballed, overall production capacity remains the same.

In such periods, we need to generate demand and ensure that farmers have sufficient capital to keep their heads above water. Right now, both are missing.

The numbers tell the story. Retail food prices rose 1.93% in March, slower than a 2.01% annual increase in February. Vegetable prices have fallen for the seventh straight month. Year-on-year wholesale food inflation measured by the wholesale price index plummeted to 1.54% in November 2016, the lowest since September 2015, due to cheaper rice, pulses, fruit and vegetables (particularly onion), oilseeds and vegetable oils.

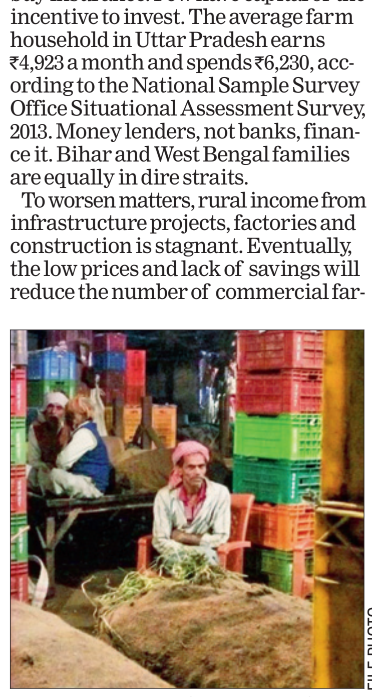
Though pulses are India's primary source of protein, the pent-up demand was too inelastic to mop up supply last summer, giving farmers an income shock. Ditto after the fire sales in onion and potato. A bumper chickpeas harvest is expected to flood the market shortly. In storable crops, such as potato, oilseeds, spices and grains, the overhang of excess supply gets further prolonged.

Simultaneously, farmers are grappling with crop failure that further affects income. Cumulative rainfall during the post-monsoon season up to December 21, 2016, was 43% below the long-term average, the highest deficiency in recent years. Although most winter crops, particularly wheat, are largely irrigated, northeast monsoon and winter rains are crucial for rice, maize and pulses in the south.

Overall, rainfall patterns have become more irregular over the last decade. Extreme rainfall events in central India, the core of the monsoon system, are increasing.

Small and marginal farmers need to invest in climate-smart growing practices for sustainable agriculture, and buy insurance. Few have capital or the incentive to invest. The average farm household in Uttar Pradesh earns ₹4,923 a month and spends ₹6,230, according to the National Sample Survey Office Situational Assessment Survey, 2013. Money lenders, not banks, finance it. Bihar and West Bengal families are equally in dire straits.

To worsen matters, rural income from infrastructure projects, factories and construction is stagnant. Eventually, the low prices and lack of savings will reduce the number of commercial farmers as banks curtail lending in the name of credit discipline. In short, everyday low prices, though great for consumers, are sinking India's nine crore farming-dependent families further into poverty, malnutrition and illiteracy.



Let the markets decide the mandi

FILE PHOTO

We have deliberately ignored this tragedy. Instead, we focus on keeping food inflation low, an indicator keenly watched by consumers, media and investors. Even now, stock limits remain on pulses.

India's farm price and income problem is not unique. Other nations use direct payments, revenue insurance, buffer stocking and loan deficiency payments to tide over. The US diverted excess corn into fuel ethanol.

We can start by recognising that, all along, we have coerced the farmer to accept lower profits in the 'national interest' when supply is low, and abandoned him when prices are low. That leaves him with no capital and savings to cope. Companies use profits from the good times to survive times of oversupply. Farming needs the same business freedom. Consumers can be protected by more targeted actions.

Reducing the overall cultivation and marketing costs through better market access will cut losses. An enhanced push to exports, seed supply and solar-powered drip irrigation, livestock farming and dynamic buffer stocking, will further bulwark incomes. Private sector will do the heavy-lifting.

Farmers are belligerent for a reason. They have been forced to subsidise consumers for too long. Agrarian distress is the direct outcome. It is true that not every cropping season will be profitable. But it need not end in tears. Agriculture needs a new intellectual paradigm that empowers farmers to cope with the inevitable long periods of demand-supply mismatch by freeing them to maximise profits in the good years.

Farmers don't need subsidies, they need capital. For that, price is the best fertiliser.

The writer is chief marketing officer, National Commodities and Derivatives Exchange (NCDEX)

Citings

Marketing Digitally

SHITAL CHHEDA ET AL

Digital is reshaping customer experience in almost every sector. Digital-first attackers are entering markets with radically new offers, disrupting the ways that companies and customers interact and setting a high bar for simplicity, personalisation and interactivity.

To not only stay in the game but capture new sources of value, incumbents will need to reinvent their customer experience. That begins with bringing in data and analytics-based insights about what really matters to customers and how best to deliver it to them. Some companies fail to capture the full benefits of their improvement efforts because they concentrate on optimising individual touch points rather than tackling the customer experience as customers actually experience it — a complete journey that cuts across multiple functions and channels.

The other imperative for companies is to tie the reinvented customer experience to their operations. If they focus only on the front-end experience and don't change the back-end operations that support it, the new experience is unlikely to be sustainable. Across industries, satisfied customers spend more and stay more loyal over time.

In banking, customers are seven times more likely to increase their deposits and twice as likely to open an additional account if they rate a bank as excellent (with a customer-satisfaction score of nine or 10 out of 10) rather than average (six to eight out of 10).

From "Putting Customer Experience at the Heart of Next-Generation Operating Models"

the speaking tree

It's Sacred and Secular

PRANAV KHULLAR

The traditional festivals of the Indian diaspora all reflect the ancient concept of the Utsav Mela, which encouraged everyone to congregate, meet and mix amid festivity and pageantry. The word 'mela' is derived from the word 'mil' (to meet).

Baisakhi epitomises the mela notion of convergence for it brings together people of all castes and communities on the first day of Vaisakha, the beginning of the traditional Indian New Year. A harvest festival, Baisakhi marks the ripening of the rabi harvest, especially in the Punjab. It is called the Naba Barsha celebrations in Bengal, Rongali Bihu in Assam, Puthandu in Tamil Nadu and Pooram (Vishu) in Kerala.

The Baisakhi mela is, at its simplest, a time to rise above prejudices and join in the unique celebration of life. It embodies, at a deeper level, the concept of cyclical regeneration as in all harvest festivals. Dressed in tahmids, and exotic headgear, menfolk dance the Bhangra and women, the Gidda, both axiomatic of the vitality and energy of the people of Punjab. The traditional love ballads, poetry symposia and traditional sports create an ambience of unrestrained joy and ebullience.

Baisakhi is a time to resurrect the ancient contract of man with nature. This is a time for renewal and fresh hope that the traditional New Year brings in. Baisakhi is also inextricably linked with the Sikh tradition. It was on the auspicious day of Baisakhi in 1699 that Guru Gobind Singh instituted the Khalsa Panth at Keshgarh Sahib near Anandpur.

Chat Room

A Thought for Food

Why do I have to inform the restaurant how much I will eat? I don't think my family ever wasted food. Last Ramadan we went out for dinner, and we had a half butter chicken left uneaten. My father asked the waiter to pack the leftover, and rumali rotis, so that I could eat it for Sehri (morning food before dawn during Ramadan). On our way back home, my sister spotted a poor lady with two kids having chapati and dal, and exclaimed, "Dad, can we give this packet to them?" I too was thinking the same. I felt a sense of satisfaction as daddy handed the packet to the family. Isn't this a better way than asking how much I will eat even before I have taken a bite?

MAISHA SYED, CLASS VI
Vashi

Brace for More Chappal Attacks

Apropos 'Let the Law Loose on Us' by Swaminathan S Anklesaria Aiyar (Apr 13), by simply mentioning the word 'regret', the aviation ministry exonerating the much-maligned MP Ravindra Gaikwad is travesty

of justice. Shiv Sena lives and leads by questionable undemocratic ways, but the Centre should have understood the pain of a senior civil officer who was thrashed by a chappal 25 times, and the MP confessed it. The government has set a bad precedent and they should be prepared for more such attacks.

ASHOK GOSWAMI
Chennai

Opportunity Lost for Govt

This refers to 'Let the Law Loose on Us'. The government has failed to initiate criminal action against the Shiv Sena MP, in spite of the luxury of a full majority. The justice delivery system is in a shambles because the criminals know how to manipulate the system. It is also curious that none in the opposition demanded action against the MP. The BJP has lost a golden opportunity to display its intentions in maintaining law and order.

ANTHONY HENRIQUES
By email

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