Housing for All as India Urbanises Fast

Anticipate large-scale migration to new towns

The Prime Minister's Office has reportedly asked government departments to identify unused land, especially in developed government colonies, to plan affordable housing projects. This is fine when there is scope for high density as basic amenities are already available in such places. Small plots can be consolidated to build vertically and create parking and other amenities. But it would be a mistake to plan housing for all ignoring the economic imperative of urbanisation and the inevitable migration of large numbers of Indians from villages to towns, often new towns. Even if, by some miracle of planning, subsidy and directed lending by state-owned banks, homelessness were to be abolished next year, migration would create new homelessness.

As services and industry grow much faster than agriculture, creating new jobs, people will move from village to town, to take up the new jobs. These numbers would be huge. If half of India is to become urban over the next couple of decades, that would mean about 25 crore people migrating from village to town. They cannot crowd into existing towns. New ones have to be built: over some 20,000 sq km, if the density of new towns is to be around 12,000 people per sq km. India should take a page from China. Over the last few years, China has built dozens of new areas as part of a massive urbanisation drive. It now plans to build a new city Xiongan near Beijing — the special economic zone will reportedly cover an area nearly three times that of New York — to ease congestion in its capital. The need is for India to plan well ahead and manage the process of urbanisation in a way that suits our needs. The type of town planning that is envisioned will have a bearing how efficient and secure are our new cities.

Housing for all should focus on instruments that produce a plentiful stock of affordable housing units, to rent, if not quite to own, in the new towns that have to crop up to fuel India's future growth. Overinvesting in existing habitats and providing people with titles would be politically attractive but not of much use.

Rise of an Elected Sultan in Turkey

Victory for Turkey's President Recep Tayyip Erdogan in Sunday's referendum, albeit a narrow one with 51.3% voting for his proposal for a new presidential form of government, is an example of how democratic processes can, at times, throw up undemocratic results. People voted for or against a new Constitution that abolishes the prime minister's office, centralises all executive power in the president, and empowers the president to issue decrees and appoint judges and officials without the need for ratification by any other body.

The president would be limited to two five-year terms, with the option of a third term in case of early elections. It divides power between the parliament, which legislates, and the president, who implements. This division is in keeping with the French and US models. However, the Turkish Parliament will not control details of spending or have a say over presidential appointments. In effect, the people of Turkey have voted for enthroning the president as a term-limited sultan where the parliament serves as his court. Turkey's referendum, like the Brexit vote and the US presidential elections, reflects a deep urban-rural divide: three major cities — Ankara, Izmir and Istanbul — voted "no". The narrow yes majority is under challenge by its opponents, but is likely to prevail. Turkey's membership of the European Union recedes further into a hazy future, in consequence.

Referendums are flawed, as it requires voters to decide on a very narrow question without comprehending or any scope of registering opinion on the broader implications. Erdogan has progressively centralised power, partly by force and partly by tapping into an anti-elite sentiment of those left behind. Turkey's referendum should be a wake-up call for democratic governments around the world.

Little Rashtrapati and Pradhan Mantri getting the job could make it confusing

Smart Names, Smart Futures!

Raja, Rani and Yuvraj arguably have no place in a democracy. So, it stands to reason that some parents of Rajasthan's Bundi district, aware of the new power hierarchies of independent India, choose to name their children Rashtrapati, Pradhan Mantri or Rajyapal instead. Pranab and Narendra do not pack the same punch without that official prefix. Time was when Jarnails, Karnails and Kaptans called the shots, and Indira, Sonia and Priyanka denoted girl power. But many parents prefer their offspring to have an international connect now, so Gionee, Samsung and Android are smart choices, trademark worries notwithstanding. Hopefully, though, Miss Call is not a Mister, Smartphone will not have any hang-ups, SIM Card won't need a recharge and Chip won't have to look over his shoulder at advancing Technology.

Indians have already immortalised many a landmark endeavour by naming children Skylab and Apple, and the Bundi villagers' choices sound less bizarre than celebrity progeny such as Blue Ivy and Petal Blossom Rainbow. Whether any future Aadhaars, Ujjwalas, Nitis and Bhims will hark back to government initiatives remains to be seen. However, if Rashtrapati and Pradhan Mantri ever realise their parents' ambition of attaining high office inherent in their names, it may get a trifle confusing.

Much rests on the recovery and robustness of our banking sector. India's economy, for one

How to Unrob Our Banks

Rana Kapoor

The banking sector is the bulwark of the economy. It plays a crucial role in the latter's overall growth and development. So, a robust and resilient banking sector becomes critical to ensuring continued growth, as well as to avoiding the cascading impact on the economy due to protracted stress in this sector.

According to the Centre for Monitoring Indian Economy (CMIE), as of December 2016, around 65% of the overall outstanding credit has been extended by public sector banks (PSBs), while private sector banks account for another 26%. A CARE Ratings study pegs the total non-performing assets (NPAs) in December 2016 of banks at ₹6,97,409 crore, of which ₹6,14,872 crore is attributed to PSBs.

So, it is imperative that PSBs are financially strong enough. While GoI has taken several steps for resolving NPAs, there is a pressing need to strengthen the guidelines through specific measures.

▶ PSBs need about ₹1,80,000 crore of equity capital by 2019 to meet various regulatory requirements under Basel 3 norms. Akin to a sovereign wealth fund, a bank investment company can be set up as a core investment holding company, under the purview of the finance ministry, to hold equity shares in PSBs, which can be permitted to raise resources from the capital markets for future capitalisation.

▶ A target is needed to reduce GoI's shareholding in PSBs to 26%, even as it continues to remain the main promoter. At the same time, it is critical to overcome the current low valuation PSBs are faced with, to help in a successful and attractively priced capital raising.

To this effect, RBI should introduce a remunerated and non-collateralised standing deposit facility to cover cash reserve ratio (CRR) balances, and also to absorb excess liquidity. More overseas branches can be allowed with tight lending norms to raise more low-cost long-term funds before global interest rates move up.

The Priority Sector Lending (PSL) requirements can be reduced from the current 40% to 25%. Further, PSL bonds, similar to the recently introduced infra or affordable housing bonds, can be expanded to generate lower-cost long-term funds for the banks.

Tip: Time to Sell

Many leading PSBs have, in the past, invested in prime real estate, and made financial investments in rating agencies, exchanges and allied businesses such as home finance and insurance. PSBs could utilise the current uptick in the capital markets to monetise these holdings and raise incremental capital.

▶ To provide impetus to the resolution of existing substandard assets, a Strategic Asset Resolution Committee should be formed. This should thoroughly review the top 50-100 NPAs across the banking system and monitor the progress of stressed asset resolution on a monthly basis.

Under this committee, several subcommittees pertaining to specific stressed sectors (iron and steel, power, roads and highways, textiles) can be constituted under the active guidance and investment of the respective ministries. These subcommittees can play an instrumental role in expediting the asset resolution by leveraging their sector expertise and drawing upon the support and inputs from the respective ministries.

FILE PHOTO

Ok, stick 'em up and fill up the banks

They should evaluate the resolution process at the sectoral level, with escalations to the parent committee to seek support or interventions, as and when needed. This direct oversight of the respective ministries would go a long way in facilitating an expedited resolution of the large stressed assets.

▶ The regulatory forbearance, with respect to provisioning moratorium for strategic debt restructuring, can also be extended over the bankruptcy resolution period, till a decision on the way forward by lenders is taken.

▶ To help streamline the multiple approvals required for effecting change in management under strategic debt restructuring, a single-window clearance should be put in place to avoid long delays for takeovers by new promoters.

While the aforementioned can expedite the resolution of existing NPAs in the banking system, it is equally important to ensure revitalisation and value preservation in assets with incipient stress. Incentivising last-mile working capital or priority financing can be a potent tool. This will require a review of existing policy guidelines.

Specific guidelines need to be framed to allow priority of claims on assets and cash flows of the borrower for the incremental priority debt provided over the claims of existing debt. The additional funding extended outside the restructuring mechanism should be classified as priority debt.

Pill for Stressed Assets

This implies that the additional funds provided to an NPA should be allowed to be classified as 'standard' for a specified period, even if funding is provided outside the restructuring package, along with allowing income recognition on an accrual basis for the specified period. This will incentivise banks to extend additional financing to support substandard assets, in case there is viability and economic value preservation in the undergoing project.

The threshold for obtaining consensus on a priority debt should also be relaxed. It could be around 60% of lenders by value, as opposed to the 75% by value required currently, which is difficult to meet and leads to significant delays.

With the economic cycle now on an upward trajectory, the banking sector's role becomes crucial to provide the necessary capital. Its robustness, thus, assumes even more importance.

The writer is CEO, Yes Bank

The Priority Sector Lending requirements can be reduced to 25%. Further, PSL bonds can be expanded to generate lower-cost long-term funds for PSBs

WIT & WISDOM

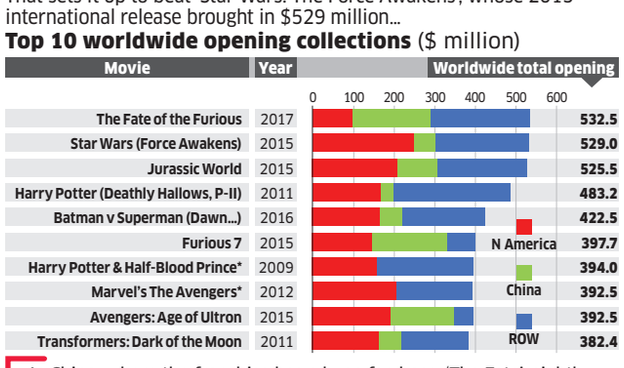
"Love thou the rose, yet leave it on its stem."

Edward G Bulwer-Lytton
Writer

'Furious' Opening

'The Fate of the Furious' is on track to be the biggest global movie opening of all time. The movie was released in 63 countries this weekend, bringing its worldwide total to an estimated $532.5 million. That sets it up to beat 'Star Wars: The Force Awakens', whose 2015 international release brought in $529 million...

Top 10 worldwide opening collections ($ million)



...In China, where the franchise has a huge fan base, 'The Fate', eighth instalment of the series, fetched the highest-ever three-day opening weekend, grossing $190 m, almost double the size of N America opening

*China figures not available, included in ROW, **ROW**: Rest Of World

Source: Bloomberg, Box Office Mojo

MEME'S THE WORD

DIGITAL INDIA

We Need to Get Smarter

Samir Saran

Long at the margins of the telecom and internet revolutions, India is today moving towards pole position on data consumption. The recently released Boston Consulting Group-The Indus Entrepreneurs (BCG-TiE) report on India's internet economy suggests the country is the 'second highest' in terms of mobile internet adoption, clocking at 391 million users.

India's digital economy is expected to double its value to $250 billion, and contribute to 7.5% of the GDP in three years. The projected data consumption per average user: 7-10 GB a month by 2020.

Contrast this to the findings of the 2016 Ericsson Mobility Report that suggested data usage in India is slated to increase five-fold by 2021, rising to 1.4 GB per active smartphone. The five to seven times difference in projected data consumption between the 2016 Ericsson and the 2017 BCG-TiE one can be attributed to a disruptive intervention and a data-hungry consumer.

Jio, Reliance Industries Ltd's technology startup, provided that disruptive intervention. It is perhaps the most influential driver behind the new numbers, which are, however, only the tip of the iceberg. There are deeper transformations that await the digital sector.

Three such transformations will prompt traditional telecom companies to compete and create new revenue streams that can't rely on connectivity alone:

❶ The Death of Voice: Telecom companies should acknowledge the reality that traditional voice-based communication is now a market utility, not a luxury. 'Voice-based' communication companies will be pressed to invest in new infrastructure and ecosystems that meet the demand for videos and data-driven apps.

In practice, this means investing in infrastructure, and a new cadre of experts who can not only build platforms but respond agilely to disruptive innovation. Unless they can create this new technology ecosystem, they will perish.

❷ An Internet of People: Unprecedented data connectivity in the hands of half-a-billion (and growing) Indians will create an 'Internet of People', with each user signifying multiple opportunities to generate value for the platform economy. GoI's flagship Digital India programme is, perhaps, the biggest public sector effort in the world to create such an ecosystem.

The 'Internet of People', in turn, gives rise to a major challenge: will the innovations for Indians be created and hosted in India? Or will the biggest platforms all be based abroad, leaving little room for the Indian platform economy to grow?

As custodians of data, Indian businesses should build capacities for Big Data analytics, create tailored services and products for local consumers in local languages and, in the process, generate employment, unleash entrepreneurial spirits, and catalyse technology-driven social transformation. So, the individual is the biggest driver of India's platform economy.

❸ Policies for the Platform Economy:

One day in late 2017 India

As India moves to a $10 trillion GDP by the early 2030s, the fuel of choice will be 'bits and bytes'. If data is indeed the new oil, how is India prepared to secure this valued commodity? Regulatory questions around cyber security and data protection, as these relate to civilian networks in India, remain woefully unaddressed.

Policy debates in this space have been 'principle-heavy', seeking a golden median for regulation — say, for encryption or net neutrality — that can be emulated nationally. Instead, digital economy regulation should be 'function-heavy', prescribing rules of conduct for businesses and governments based on the end uses that data is deployed for.

The three-way contract between the user, service provider and app provider will determine questions like: who shares access to data? Can service providers innovate as nimbly as small startups providing applications on their platforms? How should applications be priced? And should this be reflected in data tariffs?

Jio is only one example of the disruption that is set to reverberate across the digital sector in India. That a company like Reliance can bring its considerable resources to bear on a digital enterprise definitely sets Jio apart from others. But the reality is that its digital infrastructure will generate little to no value for Jio, its nearest competitor or the next entrant into this sector. Innovation at the top, at the level of the platform, will expand the digital economy pie in India.

Already, Jio has emerged as a big contributor to Facebook's latest quarterly revenues from Asia. How can Indian platforms avail the same benefits? It is crucial that India's businesses, entrepreneurs and regulators train their sights on the application of data, rather than the tubes that deliver them to consumers.

The writer is vice-president, Observer Research Foundation. He has worked with Reliance Industries Ltd since 1994

Citings

Market Savvy

ITAY GOLDSTEIN

First of all, what we note is that speculators in financial markets are more likely to produce information when they think that investments are going to be undertaken. For example, let's say that the CEO announced that they are considering an investment. Now, speculators will have to start producing information and trade on the information.

Clearly for them, if they think that this investment is not going to be undertaken, there is no reason to produce information, because then the information becomes obsolete. So, they will be more likely to produce information when investments are actually likely to be undertaken, to be pursued through the final line. The more interesting thing that happens as a result of that is there is an amplification effect of profitability on firm value.

And this basically has two layers. One layer is the one that I just mentioned. When investment opportunities are more likely to be undertaken, then there will be more information. So, by and large, in good times, when investments are more likely to happen, there will be more information in financial markets.

The second layer is that information in financial markets raises the value of firms. Because when there is more information in financial markets, managers, directors, employees and so on can make more informed decisions, which will raise the firm's value. When there is more information produced, firms benefit from it.

From "How the Stock Market Affects Corporate Decision-Making"

the speaking tree

Options for Viable Life

ANIL K RAJVANSHI

Too many choices sometimes create conflicts and problems, and lead to unhappiness. Recent scientific and sociological studies done on a large number of subjects show that there seems to be a direct correlation between unhappiness and the number of choices available.

These studies reveal that increased choices have put a tremendous demand on the brain to make the correct decision. However, modern lifestyle based on information overload results in short attention span and makes it difficult for people to think deeply about the choices. The fear of "missing out" on something is very high and this creates internal insecurity, producing a lingering feeling of not having made the right decision. It produces regret and unhappiness, and sometimes leads to impulsive choice-making.

Spirituality can help keep greed in check. Once on the path of spirituality, our priorities change. The focus of life shifts more towards getting personal happiness through mental peace and less on material needs and desires and, hence, towards sustainability. Yoga and other spiritual practices can help the brain become more powerful and nimble.

Thus fortified, the brain can learn to process information very effectively, automatically limiting choice, simplifying the arduous task of having to sift and choose amongst a whole array of choices. Spirituality also helps make a person internally secure and humble. Our spiritual progress gives us the direction and mechanism to live a sustainable and happy life.

Chat Room

Do Persist With the Good Work

Apropos 'The Party, With a Difference' by Pranab Dhal Samanta (Apr 17), two important factors need to be underlined. One, the clarity of thought and purity of intention of PM Modi that propels him to accelerate Indian journey on the path of inclusive growth and development. Two, his agility in decision-making and getting the work done towards the larger goal of 'sabka saath sabka vikas'. This is a great opportunity for the BJP to stay the course of the good work for all Indians and achieve a developed country with a decade of persistent political efforts.

RAMAN AGRAWALLA
By email

Decontrol Oil Product Prices

This refers to the Edit, 'Open Up Petroleum Marketing As Well' (Apr 17). Every time petro-products' retail price is changed, it is as per the desire of the powers that be. All the petroleum companies uniformly maintain the same price level, which amounts to cartelisation. Petroleum companies should function independently. The prices of petrol and diesel may be based on the efficiency of the company and the quality of fuel. The periodicity of revision can also be left to individual companies and this also need not be uniform.

S KALYANASUNDARAM
By email

Right Intent But Bad Execution

The PM expressing concern over 'social evils' like Triple Talaq is laudable. There are other 'social evils' too that need to be addressed. However, the method and the institutions that are to be involved should not be objectionable. We have been hearing the cases of cow vigilantes going berserk, and self-styled moral policing that is eroding the personal freedom of individuals. The development that our PM has been planning will be lost if non-government zealots are not checked in time.

P S S MURTHY
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