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Not By Unaffordable Farm Loan Waivers

Farm distress calls for short, long-term sense

Farmers are in distress, angry and on the warpath in different parts of the country. Peace has been bought in Maharashtra, with a promise to waive farm loans. These amount to ₹1.34 lakh crore in the state and the state government would be hard put to bear the burden on its own. If the Centre helps out, it would have to open its purses to other states as well. Fiscal discipline would go for a toss. Writing off bank loans does not address the debt owed to moneylenders either. We need solutions better than loan waivers, to address farm distress.

The immediate problem is low prices, far below the minimum support prices (MSP) stipulated by the government and below the seasonal level for commodities that do not have an MSP. Disruption of traditional financing chains in rural markets by demonetisation is a large part of the explanation. The short-term solution is two-fold. The government must ensure procurement at the MSP/seasonal price, remove stockholding limits on private trade, sell what it cannot store or process to private traders at the market price, even if at a loss. Simultaneously, it must give farmers a one-year breather on debt servicing, and make good the deficit on the banks' books this would cause. Simultaneously, it must move on long-term solutions. These comprise infrastructure for storage, transport and processing of farm produce and a range of policies to make markets work for farmers, starting with the removal of curbs on marketing freedom and extending to replacement of ad hoc restrictions on external trade with a stable, liberal policy buttressed with tariffs that move within a predefined band. Farmers need to be organised into large producers' companies or cooperatives, to give them economies of scale and bargaining clout vis-à-vis their organised buyers, industry and retail.

Instead of hobbling farmers with inefficient subsidy, the government should invest in irrigation, transport and storage infrastructure, R&D and environmental regulation while allowing markets to function in insurance, price discovery and boosting productivity.

Independent Directors Must Be Sackable

Sebi's wants the government to tighten rules relating to the removal of independent directors in companies. This is not a good idea. Tougher exit rules — replacing an ordinary resolution, which calls for a simple majority, with a special resolution, which calls for 75% support, to remove an independent director — will tilt selection towards pliant individuals guaranteed to make no trouble. This would defeat the very purpose of having an independent director, which is to look after the interests of all classses, and not just minority shareholders.

The debate over the actual role of independent directors has raged for long, and has come into focus again after the boardroom coup at Tata Sons. Both the Naresh Chandra and the Narayana Murthy panels had envisaged a greater role for independent directors. Nevertheless, there is a perception that many independent directors assume a passive role, merely reacting to ideas conceived by controlling shareholder or their appointees. This is not misplaced. Sebi reckons that the remedy is to align rules for removal of an independent director with those for reappointment — a special resolution is needed for a second term. But this ignores existing protection: removal of a director would have to be explained to shareholders.

Former Sebi chairman M Damodaran warns against the assuption that all managements are scheming manipulators and independent directors, zealous guardians of the public good. Things could be the other way round, too. Making it impossible to remove a rogue independent director would help no one. Having empowered independent directors under the Companies Act, the need is to initiate steps to make independent directors more effective, both through better remuneration for good work and mechanisms to hold them to account..

It's a little too late for AI to try a riff on American Airlines' 1987 gambit

Cutting Out Salads to Fly High Again?

Considering India's national carrier is saddled with debts of ₹50,000 crore, cost-cutting measures are long overdue and probably futile too. However, Air India's staff is clearly well versed in the lore of the industry when it comes to cutbacks as is evident from their suggestions to deprive economy class passengers — always the unfortunate primary targets of such drives — of salads in their meal trays, and also take less inflight magazines on board to reduce weight, to save fuel costs. No doubt American Airlines did indeed save $40,000 in 1987 by removing the single olive in its salads, but even cutting out salads altogether 30 years later will not do Air India much good. In 2011, Northwest Airlines saved a more significant $500,000 annually by cutting limes into 16 pieces, but had to fall in with Delta's more expensive 10 segments per lime ratio when they merged; money was then saved by loading fewer limes on each flight.

American Airlines also went in for its distinctive bare metal body look because removing paint reduced aircraft weight; hopefully Air India will not impose such ignominy on its famously bashful Maharaja mascot. Hiring slimmer crew has also been tried by other airlines but Air India must have realised by now that nothing lightens loads as much as poor quality service, leading to less passengers over all.

Farmer agitations point to a deeper problem in our agri system. It needs to be torn up from its roots

Reap Between the Lines

Prakash Bakshi

With loan waivers granted on Sunday to farmers in Maharashtra, and to farmers in Uttar Pradesh in April, Madhya Pradesh's agriculturalists continue to demand waivers and the revision of the minimum support price even after protesting farmers in Mandsaur were shot dead by the police. While such turmoil appears to have immediate causes, their sources are rooted in problems that lie deeper.

Today's level of foodgrain production is around 260 million tonnes, more than double than that 45 years ago. This may create the impression that agriculture in India has become quite profitable. A closer look points to a worrying landscape. A critical threat to this production level — and agricultural income — comes from continued fragmentation of agricultural holdings.

In 1970-71, there were 70 million holdings or farms operating across 160 million hectares of land. 49 million of these farms were small and marginal farms (SFMF), operating on land up to 2 hectares. They comprised 70% of total farms, but only 20% of the aggregate operated area was cultivated.

By 2010-11, the number of farms had almost doubled to 138 million. The number of SFMF had, however, swelled to 117 million — 85% of operating farms. Now, cultivated land was 44% of the operated area. We are now adding almost 10 million SFMFs to the agricultural system every five years. Projecting this trend, we will have 186 million farms by 2040. The average farm will then be smaller than even a hectare.

Farming Out

Among these 186 million farms, SFMFs will increase from 117 million in 2011 to 166 million, comprising 89% of total farms. They will cultivate almost 60% of the aggregate operated area, as compared to 44% in 2011 and 20% in 1971. SFMFs will have an average holding size of just 0.6 hectare or 1.5 acres. 70%, or 131 million, would be marginal farms operating an average of just 0.4 hectare or an acre of land. This will have three major impacts on agriculture:

1. With ever decreasing farm size, most SFMFs won't be able to own and maintain bullocks, farm equipment, or an irrigation system. They will have to depend on the larger farms to hire these. But the number of even these farms is shrinking, thus making every stage of agricultural production on SFMFs more uncertain, impacting yields negatively.

2. The input requirement of an SFMF is very small. This, ironically, reduces its bargaining power. The suppliers of inputs like electricity, extensions, or bank loans also find their supply costs multiplying when supplying to an increasing number of SMFS. Meanwhile, the total input quantity actually remains the same, as the aggregate operated area remains almost same. The result is that the landed input cost on the SFMF increases significantly.

PTI

Growing fire

3. The individual output of an SFMF is too small to reap the benefit of markets. This forces the farmer to sell his produce on the farm itself at discounted prices, thus reducing his revenue and income.

Agriculture on SFMFs, therefore, becomes increasingly less profitable. With incomes shrinking, when SFMF farmers are projected to operate over 60% of the operated area in 2040, the entire agricultural system could fall into a severe crisis. Most states don't allow leasing of agricultural land. So, the small farmer remains marooned on his low income farm and can't even move in search of an alternative income.

Social Implications

The social implications on farmer families facing such a scenario are immense. The agitations in various states, including Madhya Pradesh, are only indicators of this structural crisis. So what is the solution?

India must urgently rethink its agricultural land lease policy. It should ensure that land tenancy laws are immediately transformed, allowing farmers to lease out their land even for long periods without the fear of losing ownership. Easy-to-use administrative mechanisms can be used to restore the land to the owner on termination of the tenancy.

Linking land records to Aadhaar could make such mechanisms transparent and easy to administer. Once land leasing is made legal and systems easily enforceable, enterprising farmers would 'lease in' to make their 'operational' holdings larger and bring in scale economies, with the owners of the land having the comfort of retaining their land.

Also, a well thought-out programme providing alternative skills and employment to those who will no longer be active in agriculture, even if temporarily, must be chalked out. Agriculture cannot — and will never be able to — provide enough employment and sustenance to the increasing rural population. Suitable employment will have to be found for a large portion of the rural population outside agriculture.

A more definitive correction would be to ensure that farm land does not get fragmented below a certain viable minimum. The next step would have to be a change in inheritance laws, making agricultural land to be inherited by only one descendant, and not fragmented among all the siblings.

The writer is former chairman, National Bank for Agriculture and Rural Development (Nabard)

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EDUCATION POLICY

Hitch On To the Learning Curve

Amit Malviya

Education was originally in the state list of the Constitution. In 1976, the Swaran Singh Committee deliberated on matters pertaining to the Constitution, and stated that "agriculture and education are subjects of primary importance to country's rapid progress towards achieving desired socio-economic changes. The need to evolve all-India polices in relation to these two subjects cannot be overemphasised." Based on this suggestion, the 42nd Constitutional Amendment Act, 1976, transferred 'education' into the concurrent list. Since then, both Union and states are empowered to legislate and implement education policy.

At the Union level, over the last three years, GoI has implemented a range of initiatives to enhance the quality of education across the country and in various levels. For this, both inputs (teachers, courses and educational material) and outcomes (learning outcomes, competency levels, assessments etc.) are the focus. For instance, to enhance the quality of teaching inputs, pre-service and in-service teacher training is being revamped and a common evaluation test for recruiting teachers is under consideration.

To shift the focus of students and stakeholders towards learning outcomes, GoI recently notified benchmark competency levels to be achieved by students in each standard. Initiatives such as 'Shala Siddhi', the National Institutional Ranking Framework: India Rankings etc. target regular review and performance monitoring of schools and higher education institutions. A major reform planned is the annual census-based National Achievement Surveys for assessing student's learning achievements (all Class 1 to Class 8 students in government and government-aided schools). Through this, GoI can take corrective actions to plug learning gaps in a timely manner.

GoI is harnessing innovation as a policy tool to make education across levels up-to-date. The latest digital and information and communication technologies (ICT) are being leveraged to enhance reach and quality. Initiatives such as e-Pathsala, andthe National Digital Library, SWAYAM (Study Webs of Active learning for Young Aspiring Minds), the online repository of courses providing anytime, anywhere learning) are some prominent examples of this.

As part of the Atal Innovation Mission (AIM), the NITI Aayog is setting up Atal Tinkering Labs (ATLs) across more than 500 schools. These will provide the ideal ecosystem where young energetic minds generate, assess and test innovative solutions. In the higher education space, specific programs such as IMPRINT (Impacting Research Innovation & Technology) and UAY (Uchchatar Avishkar Yojana) are being implemented to encourage research activities on relevant issues. A plan to create 20 world-class institutions (10 in public and 10 in private spaces) in a time-bound manner is also on. Besides this, research parks and incubation centres are being established in IITs, NITs, IIMs to support innovation and start-ups.

If education is to be reformed, states must be sufficiently enthused. The HRD ministry and NITI Aayog recently launched a School Education Quality Index (Seqi), a composite index designed to measure improvements of states on key education outcomes, and rank them based on performance. This is to shift the orientation of states from inputs to outcomes, provide objective benchmarks for continuous annual improvements, encourage states to undertake necessary reforms and facilitate sharing of best practices.

FILE PHOTO

Sit down and be counted

The Centre's acceptance of 14th Finance Commission (FFC) recommendations has also helped create adequate fiscal capacity within states to fund sector programs. The overall public expenditure in states and the Union in education has increased from 2012-13 to 2016-17. In particular, post-FFC, overall state expenditure on education increased by more than 30% in 2016-17 than in 2014-15.

Along with the Swachh Bharat Mission, a separate Swachh Vidyalaya sub-mission was also launched in 2014. The target was to achieve 100% access to functional toilets across all schools. Post-demonetisation, a digital literacy campaign was also launched in which students volunteered to sensitise guardians, relatives and the public about digital payment mechanisms. A hackathon was also organised in April where engineering students collaborated to create solutions for about 600 problem statements from 30 departments. As GoI celebrates three years in office, it's important to notice the broader policy direction shaping towards 'Padhega India tho Badhega India' (India Studies, Then India Grows).

The writer is national convener, information and technology, BJP

RED HERRING

2014-17: The Wonder Years

Indrajit Hazra

Three years is a long time. And not just in politics. Political commentators just like to say that specifically about politics because it allows others with a proper life to feel nervous about not letting these pundits comment about something every three days. But the truth is, three years is a long time in anything.

By law, for instance, Scotch Whisky Regulations insist that for any amber fluid to be labelled 'Scotch', it has to be matured for a minimum of three years. Otherwise, anything matured for a shorter duration — like a Union Tax Saver Direct-G mutual fund, or Fanta — would have become the poison of choice at the Gymkhana Club, where they still utter 'Scotch' with the same reverence as the rest of us mutter 'Single malt'.

There was some such three-year rule also for boys in ancient Sparta. For three years, three-year-olds would be constantly punched and kicked in one of those ancient Greek versions of the 36th chamber of Shaolin. Only after the completion of three years would they be allowed to defend themselves and hit back. And it was only then — at age 6 — that they would be declared as men and allowed to shout 'This. Is. Sparta.' the way Gerard Butler, a Scotch, taught them in the movie, 300.

This government has completed three years. One would presume that in a five-year term it is a significant mark. It would be equivalent to the completion of 30 overs on the pitch in a one-day international. But going by the coverage — almost all in the form of report cards trotting out GoI's performance so far — one would be forgiven for thinking that the game was over and won, that too with two years and 20 overs to spare.

Which brings me to the other feature of this ongoing 'three years' fest. Kept on a slow boil, it seems to spill over well past the third anniversary of when Narendra Modi was sworn in as prime minister — well, like all PMs before him, he did the swearing-in himself — on May 26, 2014 Anno Domini.

FILE PHOTO

Smells like teen spirit

It's mid-June now, and like a baraati that lingers for weeks, this 'three years of the Modi government' seems have stretched out quite flexibly like a centre-spread featuring someone clad in Rajinder da Dhaba's rumali roti. It may not be totally surprising to find that we will still be hearing about the Great Leaps Forward made in these three years after the completion of this government's first term in another two years. Which could be unfortunate, since one can be sure that GoI will be achieving much from tomorrow till the midnight of mid-June 2019.

Then there is the matter of the advertisements on 'Three years of Modi Sarkar' itself. For instance, a letter dated June 2 from the office of a Union minister (independent charge) and signed off by the minister's assistant private secretary, notes that the "Hon'ble Minister desires 'Outdoor Billboards (large enough and prominently placed) on three years' achievements of Government of India to be displayed outside every office… of each organisation" under the ministry. The creatives for the billboards have also been helpfully provided (http://bharatnirman-davp.gov.in/op_files/alllangcreative1718.htm). These billboards were supposed to be planted all across by June 7. In this heat, frankly, I haven't checked.

Now, India isn't Lichtenstein. Which means that there are a whole lotta offices (including "representative offices") under this particular ministry dotted across the length and breadth (and considering this ministry, 'depth' too) of this noble land. There could be other ministries having the same directive. Which, in turn, means a whole lotta billboards to commemorate three years of this government.

One could — never would — assume that, with all this effort put into putting them up, these billboards will be displayed for some time. Perhaps even after the 2019 general elections, like one of those Congress posters that still remain stuck on the wall of a telephone exchange box in Rajinder Nagar partially under the poster of a massage parlour.

So if a three-year anniversary is the new Five-Year Plan, I don't see anything wrong in taking out the trumpet myself from the drawer and blowing it a bit. With no one minding a bit of bragging these days, I'm going to indulge in some Louis Armstronging myself to mark my completion this month of working for three years with the paper you hold in your hand.

Except in my case, I'll confine myself to remembering, and reminding people of, my last three wonder years here till the end of this month. I will have to look busy again from July.

the speaking tree

Tracking Ego to its Source

AR NATARAJAN

The vision of the self and awareness of it as the abidance in the heart — where the unbroken awareness of one's existence can be felt spontaneously as the 'I-I' — has been described by Ramana Maharshi.

What obstructs one's awareness of the fullness of existence is the ego — the mind's wrong identification with a particular body, mistaking it to be the 'I' or the subject. Hence the destruction of ego, or its merging with the source, the only way to experience the joyous and uninterrupted throb of 'I-I'.

Like the diver diving deep, searching for pearls on the ocean floor, Ramana says we have to explore within, with keen intellect as one would do to recover a thing that has fallen into a deep well. "The ego falls, crestfallen,/ when one searches and/ enters the Heart/ Then another 'I-I', throbs/ Unceasingly, by itself,/ It is not the ego but the self/ Itself, the whole."

This absorption of the mind in its source — or its subsistence in it — is as natural as it is for a salt doll placed in the ocean to be absorbed into it. This is because the essence of both the salt doll and the ocean is saline.

Similarly, the core of the mind, too, is only consciousness; it is the false notion resulting in its identification with a particular body that has caused the limitation. If one searches for the source of the mind with vigilance and diligence, this false notion drops off. This happens gradually as the mind comes closer to its source.

Chat Room

Work Culture Must Change

Apropos 'Steel Frame Bent to Shape (Jun 12). We do need a strong bureaucracy that is protected from the arbitrary whims of the political class. The 360-degree system to appraise top officers can work effectively only when there is a fundamental change in the work culture in government. The present system is heavily hierarchy driven. The need is for reform in civil service to hold officers to account, incentivise performers including those who are innovative and can think out of the box. Civil servants must also have room for legitimate use of discretion without attracting charges of mala fide over the results.

YG CHOUKSEY
Pune

Bankers Need Solid Backing

Apropos 'Press Freedom, Growth Go Hand in Hand' (Jun 12). The government must reiterate its commitment to press freedom to help improve the country's investment climate. A general view also is that a more pragmatic and practical approach is necessary to deal with non-performing loans of banks. Even the recent amendment to the Banking Regulation Act can work only when initiatives are forthcoming from the bankers themselves. The government should assuage bankers' who worry about any subsequent charge of wrongdoing while resolving bad loans.

SRINIVASAN UMASHANKAR
Nagpur

Ensure GST Preparedness

The GST Council has done well to cut tax rates on essential items. The need is to ensure that small and medium businesses are prepared for the transition, and businesses do not face inventory, logistics, budgeting and working capital issues. Intensive interactive sessions with central and state governments will certainly help.

KIRTAN PANDYA
Ahmedabad

Letters to the editor may be addressed to
editet@timesgroup.com