

Why This Sloppiness Over Vijay Mallya?

Conduct of the extradition affects India's image

Industrialist Vijay Mallya, whose extradition India has sought from Britain, accounts, at best, for 1% of the non-performing assets of India's banking system. But he has an outsized presence in general, as the king of good times, before he decamped to the less hot climes of Britain, and in particular, in the narrative of the government's pursuit of economic wrongdoers. When the government claims to have a strong, clinching case against Mallya, it is strange that the relevant authorities have not been able to present it to the British authorities in time for their counsel to argue effectively for the industrialist's extradition to India, before the judge who heard the case and has now postponed the hearing to December 4. Tardiness in presenting evidence in a legal system that disposes of cases, instead of stretching them out over years of uncertainty as happens in India, amounts to sloppiness.

How India marshals evidence and prosecutes its case has a bearing not just on the specific outcome that is being sought, but on foreign perceptions of India's decisionmaking and legal processes as well. As it is, India's ranking on the ability to enforce contracts, in the World Bank's 'Ease of Doing Business' ranking, is so low that India has questioned the validity of the bank's methodology. Seemingly sloppy handling of prosecuting a high-profile economic offender will do little to improve India's ability to convince foreign investors that it is easy to do business in the country. India's stake in Vijay Mallya, whether at large abroad or brought to book at home, is, in other words, way smaller than the impact sloppy handling of the pursuit of that stake can potentially have on investor confidence in the Indian economy.

The finance ministry and the RBI are working on resolving some of the key loans that have turned bad, accounting for a quarter of the total non-performing assets. It is far more important to get this right than to pursue absconding billionaires in foreign lands. If such pursuit is viable, it must be executed with assured deftness, not allowed to fail in itself and the rest of the economy, too.



Prepare Regulation for the Gig Economy

IT companies in India are embracing the "gig economy", marketing it as a great way to give workers and employers flexibility and as a pathway into the workforce for women. In this freelance economy, workers support themselves through a variety of part-time and short-term project-oriented jobs or gigs.

This move away from the traditional employment options has opened up exciting economic possibilities and innovation. Driven primarily by the young, more specifically millennials, this part-time/freelance model of employment allows workers a chance at the much vaunted work-life balance. For companies, it is an option to work around political and regulatory uncertainties in many economies. It gives companies the flexibility with regard to its workforce, contracting workers as the situation demands. There are, however, some real hard questions about workplace protections and social security benefits. The gig economy views workers as independent contractors not employees. This allows for companies not to provide long-term savings options, healthcare, paid leave and other traditional social security benefits. The gig economy presumes every contracted worker has access to a robust safety net. This is a dangerous presumption. The much vaunted freedom for workers carries within it the potential for new precariousness and inequalities laying the ground for social disruptions.

Government needs to step in, not to regulate away flexibility but to build worker and workplace protection into the system. It should mandate portable retirement savings and health insurance payments, and the contracted wage should rise to incorporate these elements. India can engage with the European Union and the United States, where discussion on protections in a gig economy is already underway.



Unless it brings special benefits, Indian villagers may not oblige this time

If there's a Carterpuri, why not a Trumpgram?

US President Donald Trump is certainly not one of those people for whom having things named after them would be a novelty. His name is literally emblazoned across his business empire. However, even he should be a little concerned if a gentleman who has earned his spurs by building low-cost toilets announces there are plans to name something in India after this POTUS. There is a US presidential village precedent - Carterpuri, previously known as Chuma Kheragaon, now engulfed by Gurugram's sprawl. But that name was adopted later after a panchayat decision, not renamed by someone else. Moreover, Carterpuri villagers are none too happy now about the name change as it did not really help them, say, get special visa quotas or any other presidential largesse they may have expected to come their way. So other Indian villagers today would be even less eager to have their hamlets morph into Trumpgram.

Of course, unlike Carter who was a peanut farmer, the current POTUS is a real estate developer, so there may be chances of a Trump resort, golf course or condominium cropping up in a future Trumpgram. But unless there is some indication that such a gesture will improve the US stand on H-1B visas and other pending bilateral issues, it is unlikely the toilet evangelist's promise will find traction in India.

Waiving farm loans is not only bad for the economy but also detrimental to interests of the farmer

The Great Indian Crop Trick



Ram Singh

Farmers, from Punjab in the north to Tamil Nadu in the south, have started agitations demanding farm loans be waived. The Uttar Pradesh and Maharashtra governments have already considered it politically expedient to write them off. Some other states may follow the suit. However, such decisions are as misguided as they are misleading.

Nonetheless, it will be a mistake to treat the agitations as a domino effect of the UP government's decision to waive loans worth ₹36,359 crore. It is a manifestation of an agrarian crisis that has been in the offing for several years now.

After two years of drought-like conditions in Maharashtra and several other parts of the country, the monsoon last year was normal. Farmers responded to the rain and official announcements by increasing the sowing of lentils, oilseeds and coarse cereal, which traditionally used to be in short supply. However, the governments did not keep their end of the bargain. Neither procurement facilities nor remunerative prices were provided as promised.

On top of that, due to the cyclical nature of global food prices, imports have become cheap. Consequently, the wholesale prices of lentils have declined drastically. For example, price of tur has declined from ₹110 per kg in 2015 to less than ₹40 per kg in 2016. Mandi prices of fruits and vegetables crashed in the aftermath of demonetisation.

Farmers could not sell tomatoes even at ₹1 a kg. More recently, the bo-

untiful production of onions and potatoes has sent their prices literally through the floor. All this has had some dampening effect on the consumer price index (CPI), even though gains to the consumer have been modest due to large number of intermediaries and wastage.

Farm Inputs

In contrast, the prices of farm inputs have increased sharply. The official estimates reported in this paper ('Farmers' ire not about loans alone', goo.gl/1WiqZu, June 10) suggest that for several widely cultivated crops farmers are suffering substantial losses. In Madhya Pradesh, wheat has fetched a meagre profit of just 2% while paddy inflicted a loss of 15%.

These numbers are not surprising. During the last three years, the minimum support prices (MSP) for most crops have been raised negligibly, especially when compared to the previous three years (see table). The combination of high costs and low MSP have eroded the viability of agriculture.

An ongoing study shows that in Haryana, the average rent (price demanded on leased out land) has decreased from about ₹37,000 per acre per year in 2014 to ₹24,000 this year. The vagaries of weather and volatility in paddy prices have made the situation worse. Many panchayats failed to rent out their land, even after several attempts.

The crisis in agriculture has caused distress to the entire rural economy. However, the waiving of farm loans is not only bad for the economy but is also detrimental to the long-term interests of the farmer.

It incentivises even debtors capable of repaying loans to default. Unsurprisingly, the recent waiver announced by the Maharashtra government is expected to cost ₹30,500 crore, almost four times the loans waived in the 2008-09 scheme of the UPA government.

Waiving farm loans was a bad decision then. It is a bad idea even now.



It is a burning question

Just like the 2008-09 scheme, the latest round cannot improve conditions of farmers. However, it will eat into investments in infrastructure and public goods.

Provide Credit

If the Centre is serious about doubling farm income, it should focus on increasing the availability of institutional credit in rural areas. According to the latest RBI data, the average value of credit advanced by scheduled commercial banks in rural areas is only ₹1.28 lakh per borrower. The average credit advanced to small borrowers - small and marginal farmers, artisans etc - is a mere ₹49,681.

According to recent reports, the rate of growth for lending to agriculture has come down to 2.5%. In such a scenario, small and marginal farmers are forced to raise 40-60% of their debt from non-institutional lenders at usurious rates. Saving them from the clutches of the moneylender should be a high priority. Since most farmers have bank accounts now, such an objective is attainable. Farming can become viable only by supplementing it with activities like animal husbandry.

Besides, the Pradhan Mantri Fasal Bima Yojana (crop insurance scheme) should extend insurance coverage to partially damaged crops. It should target at the farm-household level, and extend the time horizon of coverage up to five years so as to cover both normal and bad years. Also, there is a need to increase productivity of agricul-

Increase in Minimum Support Price (in %)

CROP	2011-12 to 2013-14	2014-15 to 2016-17
Paddy Common	21.30	8.09
Coarse Cereals	33.67	4.20
Moong	12.50	13.59
Urad	13.16	14.94
Sugarcane	44.83	4.55
Cotton	21.21	2.72
Jute	37.31	33.33
Groundnut	48.15	5.50
Soyabean Black	51.52	11.00
Soyabean Yellow	51.48	8.40
Sunflower seed	32.14	5.33

Source: RBI

ture by improving irrigation facilities, water harvesting and soil conservation technologies.

Finally, it is equally important to protect consumers' interests while making farming remunerative. This requires amending the Agricultural Produce Market Committee Act and augmenting storage facilities to reduce wastage of fruits and vegetables. These last two issues fall under the domain of the states. But the ruling coalition at the Centre also rules several key states, making it very much viable.

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Atheistic Roots

MAHESH DAGA

The core of Hindu scriptural tradition, it is commonly thought, is all about theism or belief in God. But that is a huge misconception. Even disregarding the 'heterodox' streams like the Charvaks, with their underlying message of materialist hedonism, or Buddhism, the philosophical canon - call it higher Hinduism - leaves plenty of room for dissent even on a question as central as the existence of God.

Indeed, the reason why some schools of darshana - Purva and Uttara Mimamsa, Sankhya and Yoga, Nyaya and Vaisheshika - are regarded as 'orthodox' and others such as Jainism, Buddhism and Charvaks are not, has little or nothing to do with a belief in God. The real point of departure is whether or not a particular system of thought accepts the Vedas as the ultimate source of philosophical authority. While the astikas believe in the veracity and infallibility of the Vedas, the nastikas clearly don't.

Among the astikas, the two oldest schools - Sankhya and Purva Mimamsa - strongly refute the theory of God.

Interestingly, atheism in the Indian tradition is not necessarily premised on a prior acceptance of materialism, either in the philosophical or everyday sense. All the atheistic schools mentioned above, even when they reject God, accept the existence of a permanent soul (atman), which is quite distinct from corporeal or physical reality. If anything, Indian atheism - except in the case of the Charvaks - is strongly anti-materialistic in character.

Chat Room

Create Health Information

Apropos 'Showing a Healthy Interest' (Jun 14). The article paints a rosy picture of healthcare initiatives contemplated by the government, but this calls for substantially raising the total healthcare expenditure as a proportion of GDP. It is equally important to streamline the process of creating and securely storing patient data, both in public and private healthcare centres. Increasing the availability of doctors, vastly improving medical education and putting in place a health management system are all vital for holistic healthcare.

PM GOPALAN
Chennai

Building A New India

Apropos 'Finders, Not Yet Keepers' (Jun 14). The hallmark of good governance is openness and transparency, accountability, adherence to the rule of law, respect for all institutions and

constitutional posts, and above all trust and love for the people transcending caste, class and religious differences.

The Constitution guarantees certain fundamental rights and freedoms, which protect the enormous diversity that marks India's large population. We need diversity of ideas to flourish as a democracy, and protect people and the social fabric that keeps India together.

PARTHASARATHY SEN
New Delhi

Catch The Big Fish

This refers to recent developments relating to former liquor baron Vijay Mallya. It is unfortunate that a UK judge has passed a sarcastic remark about the delay in evidence arriving from the government of India. The government should swiftly provide the documents required for his extradition to build a fool-proof case. Else, it would be setting a wrong precedent. Bad loans are already crippling the banking system and a lax approach is wholly avoidable.

BAL GOVIND
Mumbai

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

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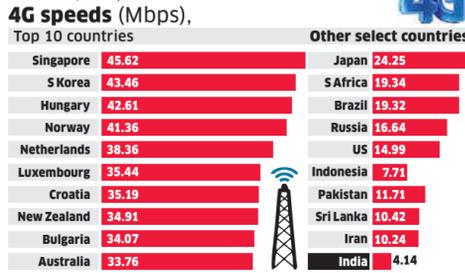
WIT & WISDOM

"Whenever you find yourself on the side of the majority, it is time to pause and reflect."

Mark Twain
Writer

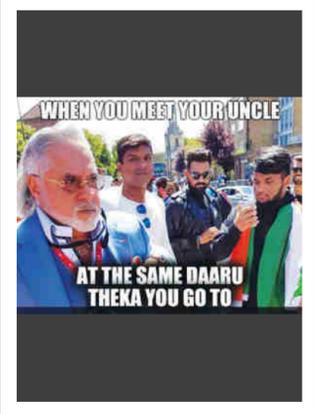
4G Speeds

LTE availability and speeds are improving globally, finds a report by OpenSignal. Although India has made a tremendous improvement in LTE availability thanks to Jio's nationwide launch, 4G speeds in the country are still much below the global average. Here's a look at 4G/LTE speeds in select countries...



Note: OpenSignal's availability metric tracks the proportion of time users have access to an LTE (long-term evolution, a first-gen 4G tech) signal of a particular network.

MEME'S THE WORD



DIGITAL MONEY

Bitcoin, the New Hawala



Atanu Biswas & Bimal Roy

Hawala is a system of transferring money and property in a parallel arrangement avoiding the traditional banking system. It is a simple way of money laundering and is banned in India. But a new hi-tech form of hawala has appeared: the digital currency, bitcoin. As a result of GoI's demonetisation initiative, today, there is a flood of such digital transactions in the country.

Bitcoins are a kind of cryptocurrency, in the sense of them being conceptual. They are manufactured using software, by solving complex mathematical problems, and cryptology having market values. By solving one such problem nearly 12-and-a-half bitcoins are generated.

The idea of bitcoin emerged in October 2008 from a research paper by someone or someones by the name of Satoshi Nakamoto. The purchase process using bitcoin is so secure that it isn't possible to hack the system. Only a money transfer can be seen, but nothing can be known about the sender and the recipient. This type of anonymity, with its strong cryptographic security, is ensured by those dealing with bitcoins.

According to the US treasury, the bitcoin is a 'decentralised virtual currency'. There are some exchanges, which may be treated as mints or a central bank, which are mainly located in China, Hong Kong and

Russia. There are various companies called 'miners' under each exchange. The bitcoin ecosystem uses a function called the 'hash function'. A 'hash' is given for every transaction, along with a 'public key' and a 'private key'. Each of these keys is inverse to each other, but it is never easy to derive one from the other. The 'public keys' are openly available in the public domain.

The details of each transaction report are available in a ledger called 'blockchain'. From this open source, anybody can tell how many bitcoins are traded at some specified public key. But nobody can know the owner of those bitcoins, as the security of the ledger cannot be easily broken, making the system's character of anonymity and privacy also its drawback.

The bitcoin's popularity in India has grown after demonetisation. At the time of its announcement in November, the price of one bitcoin in India was \$757. It was lingering between \$866 and \$896 during the early days of demonetisation. It reached \$1,020.18 days after Prime Minister Narendra Modi announced demonetisation on



Now to get the password

November 8, 2016. The bitcoin was valued at around \$770 in the US the same day.

On May 27, 2017, the market price of bitcoin in India reached \$2,096.68. There has been a clear surge in bitcoin transactions after demonetisation. So is this a purely temporary phenomenon? Should the government need to control this market?

The digital economy may well be the future. Transactions through bitcoins have been legalised in the US, the EU, Japan and Singapore, but there is enough effort being made to control the bitcoin economy. In this context, there is no law yet in India.

The bitcoin's shadow was evident in the supply of money for the 2015 Paris terrorist attacks. The EU is keen to bring the bitcoin under control. The intergovernmental Financial Action Task Force in Paris reported in 2015 that some terrorist websites encouraged sympathisers to donate in bitcoins.

US anti-terrorism officials are also reportedly anxious about the way how the Islamic State is accumulating millions of dollars through bitcoins. The New York state government has already passed a Bill prohibiting bitcoin. Countries like Canada and Australia have brought the bitcoin under the purview of anti-money laundering and anti-terrorism laws.

Controlling terrorist funding was one major reason for GoI's demonetisation initiative. If India fails to regulate bitcoin, this new hawala may ironically become the easy way of funding terrorism. The government should have proper control over bitcoin in the interest of the economy and the security of the country.

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Citings

Banking on Growth

ADITYA SHARMA

India's banking sector is a study in contrasts: it supports the world's fastest-growing large economy but is grappling with challenges that test its strength and resilience. Primary among them is the burden of distressed loans. According to Reserve Bank data, the value of banks' gross non-performing assets (GNPA) and restructured assets reached \$150 billion in April 2016 and has been growing by almost 25% year on year since 2013.

State-owned banks account for more than three-fourths of the stressed-asset load, which is now far higher than their net worth. Provision levels are inadequate because these banks hold only 28% of GNPA and restructured assets as provisions. There is a gap of close to \$10 billion between the system's stressed assets and the provisions made. These problems are considerably less severe for private banks.

Yet headline numbers do not tell the entire story. Even as legacy banks continue to be under pressure from stressed assets and stagnant loan growth, the sector as a whole represents one of the world's biggest opportunities to create value in banking.

Macroeconomic fundamentals continue to be strong, the country is in the midst of a digital revolution, and the ongoing disruptive changes point to possibilities for both new entrants and incumbent banks.

From: Mastering the new realities of India's banking sector