Opinion

FRIDAY, JULY 14, 2017

LITTLE COACHING NEEDED AT THE TOP

Newly appointed Indian cricket team coach Ravi Shastri

At the highest level, cricketers are more or less settled. So, it is more to do with working on their mental strength ... not about 'tutoring' them about everything ... There's very little coaching at the highest level

RationalExpectations

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Forget yoga, think IndiaStack

If yoga was once the essence of Indian softpower, the IndiaStack innovations are a more powerful tool today

TILL SOME TIME back, India had done just around 18 million digital signatures based on the conventional way of using dongles. Over the past two years, however, India has done 21 million digital signatures using e-signatures and, by the end of this year, GST alone will take this up to 300 million (8 million businesses into 37 annual returns). India did a total of 3.2 billion transactions with debit/credit cards in FY17—this year, it will do 3.7 billion transactions using UPI/BHIM/AEPS, up from 0.4 billion in FY17.

So what, is the obvious retort. If an eSign replaces a, say, DocuSign or a UPI replaces a Master/Visa, it's really all the same, isn't it? Well, not quite. For one, the costs of an eSign or a UPI are a fraction of the systems they are replacing. While a DocuSign has packages ranging from $50 per month, an eSign costs around ₹2 per signature. And while debit/credit card costs range from 1-2% of transaction values, UPI costs—when they are finalised—are likely to be free for transactions below ₹1,000 and 45 paise per transaction beyond that.

All of this, and more, has been made possible by the group of innovations collectively known as the IndiaStack, all of which have been built upon the Aadhaar platform. While Aadhaar itself is a database of biometrics, even as it was being rolled out, Nandan Nilekani was working on all manner of uses to which it could be put to. UPI and eSign are two such, and others include flow-based lending, eKYC and DigiLocker.

Flow-based lending allows users, based on their unique Aadhaar number, to get loans based on their income flow—SME merchants selling on Amazon can generate such flows as can poor people getting regular Direct Benefit Transfers from the government. While just around ₹6,000 crore of such loans have been disbursed so far, iSPIRT estimates this will rise to ₹100,000 crore next year—there are already 47 companies offering flow-based lending solutions.

DigiLocker looks like a combination of a DropBox and a DocuSign, but it is the combination that is deadly. Anyone with an Aadhaar number can have a free DigiLocker and can get digitally-signed documents from government departments in their locker—once a school-leaving certificate is digitally signed and in your locker, anyone using this later knows the certificate is genuine. While over 175 crore documents like driving licenses are already ready to be delivered into your Aadhaar-enabled DigiLocker, in a country where fake certificates abound and where getting such certificates from government departments is time-consuming, the importance of this can never be overstated.

Replicating an Aadhaar and apps around it, from eKYC to DigiLocker will be a big boost to many countries and could be a diplomatic tool

What makes the IndiaStack and Aadhaar different from most existing solutions is that they are not proprietary—that means anyone can build upon them—and, because they are publicly-owned, they tend to be very low cost. A UPI solution, because it is an open one, can be offered by both banks and non-banks and that keeps the transaction costs low; the fact that eSign is easy under an Aadhaar system means there can be many providers and that has kept the tariffs very low.

This, keep in mind, is based on what the IndiaStack has achieved so far, but the potential is enormous. Theoretically, it can replicate a lot of what closed systems like Ola/Uber or an UrbanClap do. Apart from being a market-place, one of the reasons people use these services is that the drivers or carpenters/plumbers/masons get ranked by users and, in a sense, this tells potential users how good they are—if a driver consistently gets poor marks, he will be forced to quit. But imagine if someone built an app that allowed users to simply rank drivers/ carpenters/plumbers and this was linked to their Aadhaar numbers; they could then develop a profile independent of an Ola/Uber/UrbanClap—this could either give rise to several platforms that take a lower share of their earnings or even in their existing platforms giving them a better deal.

Now imagine the possibility of the government—the ministry of external affairs is toying with such an idea right now—offering such technology solutions to various countries as a solution to some of their problems; or to use India's brain-power to come up with tailored solutions to specific problems. Keep in mind the Jaipur-foot probably did more for India's image in Afghanistan than the aid India may have given.

Most big powers try and harness their technical prowess and use it an instrument of state policy, and there is no reason why India should not be doing the same. Being able to carry this off, of course, will mean India will have to completely reorient the way it approaches diplomacy right now—apart from private sector entrepreneurs of traditional sectors like, say, automobiles, start-up talent should also be harnessed before strategies are developed for various countries. Getting it right will take a long time, but there is no reason why a start shouldn't be made by finding ways to offer IndiaStack solutions to a variety of countries not as well endowed as India.

RajRUN

BCCI must build on Mithali Raj's feat to inspire others, India must nurture sportswomen

INDIAN WOMEN'S CRICKET team skipper Mithali Raj has become the first woman cricketer in the world to gross 6,000 runs. She trumps Charlotte Edwards of England, who retired with a career score of 5,992, as the highest run-scorer in the history of women's cricket. And Raj did this with unshakeable elan, knocking off 69 from 114 balls in a World Cup match against Australia—the fact that India lost hardly takes the sheen off the captain's achievement. Her career so far would seem like a sprint from one milestone to another—she took 16 innings lesser than Edwards to reach the record total, with an average of 51.5. Data from Wisden shows that Raj, ever since she made her debut in 1999 at the age of 17 when she scored an unbeaten 114 against Ireland, has never let her average drop below 37. In fact, when India have won chasing, her average has been close to a mind-blowing 110.

If nothing else, the faux pas by Indian men's cricket team captain Virat Kohli—he posted a picture of Raj's team-mate in his message of congratulations for Raj—should show how little note we take of the strides the country's sportswomen have made. Sure, there are loud cheers at successes like Raj's, but then it is all quiet there on till another sportswoman shatters the glass ceiling with some remarkable achievement. Sportsmen make off with our attention. Take, for instance, the women's cricket team itself—it was only this year that BCCI accepted some of their demands for reviving enthusiasm for the game among women players. And this is how things are in cricket, easily India's most popular sport. The team is already star-packed; Jhulan Goswami has bagged the most number wickets in women's cricket so far and is also its fastest bowler, Punam Raut and Deepti Sharma hold the record for the highest partnership by runs. India must nurture women's sports if it is to field more Rajs, Goswamis and Rauts along with more Mirzas, Karmakars and Phogats.

WRITEBACK

THE GOVT MUST EXPLORE ALTERNATIVE ROUTES LIKE RESTRUCTURING, OR SALE/ REDEVELOPMENT OF SOME OF ITS REAL ESTATE ASSETS; IF NEED BE, AI'S DEBT SHOULD BE RETIRED

Why Air India shouldn't be privatised

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SUNIL JAIN, ON July 10, 2017, wrote a profound piece *(goo.gl/xQ9wkH)* on the proposed Air India sell off in this newspaper. He began by asking a question is Air India worth ₹5 lakh crore as I had indicatively valued it in my column *(goo.gl/P6u3Ck)* for *The Indian Express* or, as some others have suggested, its worth is only ₹1?

Before I deal with the valuation query there are certain other questions that the "morticians" of Air India need to answer. First, what public interest is served by privatising public assets? The global experience of the past 27 years is that it only creates oligarchs and oligarchies.

Second, where is the empirical evidence that private sector can run a better airline. For every one private airline that has been successful since the skies in India opened up in 1992, two have gone belly up. Even the *prima donna* of private airlines, Jet Airways, is a not much of an experience to write home about. Let me relate a recent experience. On the morning of July 11, I was accompanying the combined opposition candidate for president, Meira Kumar, to Jaipur for campaign. As the web-check-in had failed, I was standing in the boarding queue to collect my economy-class boarding pass, since that is the only configuration ATRs have. The check-in staff was obtuse, rude and arrogant in that order. Their behaviour could make any government *'babu'* blush with shame.

Third, if public-public partnerships can run utilities successfully across the country, the Delhi Metro Railway Corporation (DMRC) that is jointly owned by the Union government and the Delhi government being a classical example, is the "sell out" of Air India the only solution to its problems? Why can not other ways like the GSTN (Goods and Service Tax Model Network) model not be explored whereby public institutional investors hold 50% of the equity and the remaining 50% is distributed among the general public and employees of Air India? The GSTN equity structure is as follows: Union government 24.5%, state governments 24.5%, HDFC 10%, HDFC Bank 10%, ICICI Bank 10%, NSE Strategic Investment Co 10% and LIC Housing Finance Ltd 11%?

Fourth, if crony capitalists, carpetbaggers and scamsters who are in debt to public sector banks to the tune of ₹6 lakh crore can routinely have their debts restructured over and over again, why can't the government bite the bullet and retire Air India's debt and give it a fresh start?

Fifth, what is the deal and with whom? What happened between the end of March 2017, when the junior minister for civil aviation informed the Rajya Sabha that there is no move to privatise or disinvest in Air India, and Arun Jaitley's assertion that if private airlines can cater to 86% of the Indian traffic, it can then do 100% too? Why this sudden change of heart? Does the government's left hand not know what the right is doing, or the consummation has already been been done in the dark and only the motions of a public marriage ceremony are being gone through? These are questions that the Parliamentary Standing Committee of Civil Aviation, I hope, asked the government when it met on July 12—or, of course, these would nonetheless be agitated in the appropriate judicial forum.

Now, turning to the valuation of Air India which has a number of subsidiary companies. Except for two, all others are in profit, including Air India Express that flies the lucrative Gulf routes. That is why there is a proposal under consideration the 'good Air India' qua the 'bad Air India' paradigm whereby the profitable aspects of Air India are sold to select cronies and the government just winds up the rest of the company in the name non-profitability and cost optimisation, the euphemism of choice to sack lakhs of employees summarily in the private sector everyday.

Sunil Jain argues that it is difficult to value the prime real estate, landing slots, bilateral rights, fifth freedom rights and, of course, the 'art' that Air India possesses, and therefore, it should be sold at its 'enterprise value' that he has calculated at ₹14,000 crore. By his recommendation, if the government was to divest 51% and retain 49% to be sold at a later date, then Air India would be hawked off for around ₹7000 crore. I respectfully disagree.

A large number of AI's parking slots in international airports are not being used. Some of them would sell at a premium of millions of dollars. Then, there are fifth freedom rights that the airline could consider selling

The real value of Air India lies in its legacy inheritances. In Mumbai alone, it has the iconic building in Nariman Point, plush flats in Bandra and a sprawling complex encompassing hundreds of acres in Kalina. Forget selling them, even if all this real estate is just redeveloped at current FSI (Floor Space Index) being given by the Government of Maharashtra in conjunction with the NBCC or any other public sector construction company, that would be more than enough to retire Air India's debt. Air India has a sprawling complex in tony Vasant Vihar in Delhi and prime real estate all over the globe.

Coming to parking slots at international airports, some of them are grandfather slots dating back to JRD Tata's time. A large number of them are not being used by Air India. Some of them would sell at a premium of millions of dollars. Then, there are fifth freedom rights that Air India has on some international destinations that it does not exploit and are no longer available. Their value is simply incalculable, and if properly auctioned, the sky is the limit. Coming to the bilalterals, Sunil is right that they belong to the government, and not Air India; but as the national carrier, and if I am properly informed, Air India has the right of first refusal. Private Indian carriers started using these bilateral rights after Air India said that it did not have the capacity to optimise them in full. It can thus be safely said the whole package called Air India is worth ₹5 lakh crore, if not more.

Then, there is the larger national security argument. As government retains a toehold in the communications industry through BSNL and MTNL, and in the broadcasting space through Doordarshan and AIR, it must have its own airline also.

Air India, in the past, has come to the rescue of millions of stranded Indians from Kuwait in the first Gulf war in 1990, from Iraq in the second Gulf War in 2003, and Yemen during the current conflict and myriad other places where brave men and women of Air India have flown without fear or complaint. When volunteers were called for to fly the relief aircraft to Kandahar to negotiate with, service and bring back passengers of hijacked IC-814, the whole airline volunteered. Catch a private Airline doing it!

It is fashionable to bang Air India. Let us not throw the baby out with the bathwater. The government should find other ways of turning it around. That is why I began *The Indian Express* piece with the proverb, *"Garib ki joru, sa'ab ki bhabhi"*.

The next net neutrality debate

Without two-tier pricing, telephone companies might not have ushered in mass communications more than a century ago

RICHARD JOHN
Bloomberg

Since the early 2000s, a small but influential cohort of policy wonks and pundits has argued that the Federal Communications Commission should prohibit internet service providers such as Verizon, AT&T and Comcast from charging different rates for high-speed connections to digital content (or "edge") companies such as Amazon, Netflix and Google. Rallying around the banner of "net neutrality," these activists believe that the ISPs, as they are known, should treat all content on the internet equally, charging everyone the same amount of money for equally fast (or slow) access to all websites. The ISPs contend, in response, that they have a right to experiment with differential pricing.

Now, the net neutrality debate is entering a new phase. The FCC is poised to reclassify the ISPs as information providers rather than common carriers, an administrative decision that will limit its ability to regulate their operations. Today's debate is shaped by competing visions not only of the future but also of the past.

One intriguing historical analogy is the impediment to innovation in the US telephone business in the 1890s that was posed by flat-rate pricing. Only when municipal authorities permitted operating-company managers to experiment with differential pricing (then known as "measured service") was the new medium transformed from a niche service for an exclusive clientele into a mass service for the entire population. Consumers, it turned out, were perfectly able to differentiate among high-speed, medium-speed and low-speed telephone access, and to choose whichever calling plan suited their needs.

Unlike messaging today, telephone service was synchronous: A key selling point for operating-company managers a century ago was the length of time it took to make a connection. The longer the on-line wait time, the cheaper the service.

High-powered businesspeople clamoured for virtually instantaneous hookups, while residential users favoured the lower rates—and readily acquiesced in the lower quality of service. Had lawmakers forced phone companies to stick with flat rates, telephone service would have remained the prerogative of the few. In the telephone business, differential pricing promoted the public good.

While the analogy is hardly perfect, differential pricing might well bring comparable results today. Glib assumptions about competition should not be permitted to obscure the positive disruptive potential of innovations impossible under current regulations.

Challenged by differential pricing, edge providers such as Google, Amazon and Netflix could find themselves obliged to experiment with new genres of digital media, creating employment opportunities for a new generation of content providers.

Yes, all of this is speculation. But we need to abandon inaccurate assumptions that have made it virtually impossible to have an honest discussion about how the digital economy works.

Common carriage, the time-honoured civic ideal enshrined in Title II of the 1934 Communications Act, remains an indispensable civic ideal. Yet, it was never intended as a one-size-fits-all solution, and is by no means the only regulatory tool in US policymakers' toolkit.

Net neutrality is predicated on a cartoonish caricature of the history of American communications that has long exaggerated the importance of garage-based start-ups, while discounting the innovative potential of the digital behemoths that dominate cyberspace today. Innovation is too important to be left to the lawyers or the economists.

Now, that it looks as if the Title II designation for ISPs is history, it is time to explore other options. What do to?

To begin with, acknowledge that the current legal regime is anything but neutral and stop demonising the ISPs. Amazon, Netflix and Alphabet, the parent of Google, have benefited hugely from the status quo without having channelled more than a trickle of their enormous profits into the maintenance and improvement of the existing information infrastructure. They are free-riding on a network that the ISPs built.

Lawmakers should strike down existing laws that discourage innovation in municipal broadband, increase government spending on network expansion for thinly-settled regions, and institute tax incentives to nudge existing content providers to fund high-quality local journalism and investigative reporting.

In this way, they can foster the civic ideal of common carriage without resting their argument on shopworn shibboleths that rely on faulty historical analogies about innovation and consumer preferences.

The Title II designation for ISPs was a patchwork solution to an ongoing challenge. Differential pricing is not a panacea, but it worked for the late 19th-century telephone business, and it deserves a chance today.

LETTERS TO THE EDITOR

SC must not give contradictory verdicts

This refers to the Supreme Court decision to hear a review-petition by a murderer awarded life-sentence on the plea that another accused in the same case with the same charge-sheet was sentenced to just ten-year imprisonment, but by a different bench of the apex court. This episode reminds one of the apex court verdict just three days prior to infamous Delhi gang-rape of December 16, 2012—the court had held that rape-cum-murder after consuming liquor was not rarest of rare because it was a crime committed in drunken state of mind. It is common knowledge that for such a convict, drinking before rape is a part of such composite crime. Evidently, the said verdict would never have been endorsed by many other judges of the Supreme Court. To end such contradictory verdicts, a tradition may be inculcated at the court for discussion amongst all the judges in cases of crimes attracting death or life sentence before delivery of the verdict. It will also enable deciding judges to refer to earlier verdicts on similar crimes. Supreme Court judges should unanimously pass a resolution for not admitting any review-petition after rejection of mercy-petition by the president.

— SC Agrawal, Delhi

Land of the unfree?

India's "cultural landscape" cannot have become worse than now. Pahlaj Nihalani-led CBFC refused to give clearance to a documentary on Nobel Laureate Amartya Sen entitled The Argumentative Indian" citing its objection to the use of words like 'cow', 'Gujarat', 'Hindutva' and 'Hindu Rashtra' until they are either expunged or beeped out. It is a sad day when an intellectual of Prof Sen's stature cannot speak his mind.

— G David Milton, Maruthancode

Regd. No: DL -21048/03-05. R.N.I. No.26750/74. Printed and Published by R.C. Malhotra on behalf of The Indian Express (P) Limited and printed at The Indian Express (P) Limited Press, A-8, Sector-7, Noida - 201301 and published at The Indian Express (P) Limited, Mezzanine Floor, Express Building, 9 & 10, Bahadur Shah Zafar Marg, New Delhi-110002. Phone: 0120-6651500, Fax: 0120-4367933. (Cover price: Patna: Mon-Fri ₹6, Sat ₹9, Sun ₹11; Raipur: Mon-Fri ₹7, Sat ₹10, Sun ₹10)
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ILLUSTRATION: ROHNIT PHORE

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Is repo rate cut imminent?

Cut in the repo rate may bring down at least short-term rates, which, in turn, may help firms depend on domestic markets for working capital requirement rather than look towards overseas funds

IN JUNE 2017, the Monetary Policy Committee (MPC) decided to hold the repo rate unchanged with neutral monetary policy stance due to prevailing uncertainties. However, there was no consensus among the MPC members, as one Member suggested a 50 basis points (bps) cut for the repo rate.

The decision of the MPC to hold the policy rate in June 2017 was not well received by the stakeholders. The government was pitching for a rate cut well before the MPC meeting. Even expert like former RBI governor YV Reddy gave 'benefit of doubt' to the MPC for keeping the repo rate unchanged. Nobel Laureate, Paul Krugman in a recent interview indicated that India's monetary policy is tight.

The defence to keep the repo rate unchanged is weakening by all counts. Uncertainty about the onset of south-west monsoon is over. India Meteorological Department (IMD) predicts a fairly good monsoon this year, which augurs well for the agricultural sector.

The central bank has already revised its inflation projection downward—2 to 3.5% in the first half and 3.5-4.5% in the second half of FY2018. Model-based inflation projections have upward bias in a declining phase of commodity prices and vice versa. Survey-based inflation expectations in India are mostly adaptive, and hence lack precision. The CPI data for May and June 2017, available after the last policy announcement, indicate further decline in inflation with the June CPI inflation being the lowest at 1.54% since its inception.

The CPI inflation is now below the lower bound of the inflation target. If another bumper crop is assured by the normal monsoon, price situation may soften further, much lower than RBI's revised projection by March 2018. Moreover, certain segments of the economy like food and beverage, particularly pulses, oilseeds, vegetables, spices, eggs, etc, are suffering from deflationary pressures. The farmers' unrest in many states is partly attributed to unremunerated prices of their products, well below the level of minimum support price (MSP).

As expected, a hike in the Fed Rate, which followed the announcement of RBI's June policy, went off well without any disruption in global financial markets. The fear of capital outflow from emerging economies due to normalisation of the US monetary policy is diminishing.

India is currently a bright spot and attracts large capital inflows due to strong medium-term fundamentals. Encouraging debt flows through maintaining interest rate differential between India and the US is undesirable, at least at the current juncture. On the contrary, one can argue that India should refrain from encouraging arbitrage-driven portfolio flows as these inflows are volatile.

Crude oil prices have softened during the recent period notwithstanding sustained global recovery. At least, there is no threat to domestic inflation from abroad. The goods and services tax (GST) is a big-bang reform, which is under implementation. It has been acknowledged by RBI that the GST may not be inflationary despite possible glitches surrounding its implementation. Domestic prices may even soften in certain sectors, at least at the wholesale level, due to GST implementation.

Implementation of house rent allowance as recommended by the Seventh Central Pay Commission is under progress by the central government. State governments may have to implement these recommendations without further delay within fiscal discipline committed by them. Hike in the house rent allowance alone may raise the CPI inflation considerably. Even accounting for CPI inflation due to hike in house rent, the headline CPI inflation may remain well below the 4% target by March 2018. The relationship between government house rent allowance and the market rent is weak, particularly in the context of a large inventory build-up of unsold houses during the recent period. Policy makers can afford to see through some rise in CPI inflation for a while as it is a statistical artefact rather than true inflationary pressure.

Output gap continues to remain negative in India. It may not close so soon as capacity utilisation is much below 75% at the all-India level. Private investment is not forthcoming due to prevailing slack in the economy. On the other hand, the government has been spending large amount in developing infrastructure besides pursuing transformational reforms like GST, digitisation, etc. Foreign direct investment is sustained at an elevated level, which augurs well in improving potential output going forward.

India could not get maximum benefit arising out of yield compression in the post-global financial crisis period. Domestic yields of fixed income securities remained at an elevated level compared to many countries of the world. Recent narrowing of the policy corridor has further supported short-term rates at an elevated level. This has deprived the corporate sector from raising funds at cheaper rates by issuing commercial papers and other debt instruments.

Notwithstanding neutral monetary policy stance, liquidity conditions remain highly comfortable. Surge in deposits was mostly due to demonetisation vis-a-vis historically low credit growth. Large capital flows also contributed to comfortable liquidity condition. Easy liquidity condition suggests that switching over to easy monetary policy shall be seamless.

Big corporates prefer to borrow from abroad through ECB and issuance of masala bonds. This is not a healthy proposal as global interest rate cycle is due for a turnaround. As most of the external commercial borrowings are contracted at variable rates, corporates, exposed to large external borrowings, may have to face serious debt servicing problem if global interest rates pick up quickly. Corporates without natural hedge are more vulnerable going forward.

Cut in the repo rate may bring down at least short-term rates, which in turn may help firms depend on domestic markets for working capital requirement rather than look towards overseas funds. All eyes are on MPC Members if they can oblige by cutting the repo rate in August policy.

● RARE DISEASES

Prioritising fund allocation

MANJIT SINGH
President, Lysosomal Storage Disorders Support Society (LSDSS)

To make it more efficient, the process should be centralised and not be spread across different states

RECENTLY, THE REALM of rare diseases has come to the fore with the National Policy for Treatment of Rare Diseases being approved by the ministry of health & family welfare. Considering a consistent rise in population and the burden of healthcare infrastructure, treatment and management of rare diseases has remained one of the lesser explored subjects in public health domain in India. However, with the increasing role of patient support groups and awareness around the treatment and their outcomes, fortunately, things have started to change.

Rare diseases basically comprise of health conditions that are relatively low in a population as compared to other prevalent diseases. But given the huge population of the country, the incidence of rare diseases is likely to be higher in India. While having any rare disease means an extremely painful life, patients suffering from a particular segment of rare diseases called Lysosomal Storage Disorders (LSDs) like MPS (type I, II, III, IV & VI), Gaucher, Pompe, Fabry, etc, are more likely to lead a incapacitating life. The treatment being available for only a handful of LSDs are out of reach for most patients due to its cost which makes the situation much worse. However, the good news is that the treatment available has proved to be very successful and has positively impacted the life of a patient.

This is what makes it important to have a focused and channelised discourse on the various aspects pertaining to its diagnosis, treatment, availability of patient support in public health domain and initiatives at policy levels to improve access to better and affordable treatment options. The recommendation of setting up of a ₹100 crore corpus is of particular importance, and would definitely help in making the treatment more accessible and affordable for patients. As of now, 60% of the contribution in this fund would be made by the central government and 40% by individual state governments. The policy is yet to have more defined guidelines in terms of eligibility criteria for the patient, coordination between centre and state at the implementation level and strategies which could ensure smooth patient care.

With increasing incidences of Lysosomal storage diseases, the government has committed a ₹100 crore corpus which is sure to give a boost to their treatment

The need of the hour is for the governments to start the process of setting up this fund. Efforts need to be directed in forming separate account in the MoH&FW itself. A committee consisting of officials from medical and finance departments would help in the process of monitoring, allocating and transferring requisite funds to a government hospital like AIIMS.

Moreover, the patients to get treatment can be recommended by another sub-committee set by the health ministry. One of the aspects in the National policy is the creation of a web portal wherein patients can apply to receive treatment. A swifter way can be to collect patient data which is already available from different hospitals, centers, and physicians. Post this, the medical committee can review each case according to the severity of the disease or priority of need of treatment according to a patient's medical papers and recommend patients without bias.

To make it more efficient, the process should be centralised and not be spread across different states. Besides, the states' contribution to the corpus fund can be deducted from their individual health budgets at the time of the allocation itself. It is true that there would be many teething issues for the setting up of the corpus, but within a year of being created, the implementation would be much smoother and easier. Gradually, the centre can transfer its 60% share to the state and thereon, it can work independently with its nodal government hospital.

For a country like India, grappling with a significant burden of rare diseases, the ₹100 crore fund is a huge and laudable step. To ensure the effectiveness of the initiative, it is important to identify and plug the gaps across policy landscape right at the beginning. The idea is to have a patient-friendly programme wherein despite having the involvement of centre and the state governments, patient care remains a priority.

How independent is the FBI?

"THE FBI IS honest, the FBI is strong and the FBI is and always will be independent," declared James Comey, a former director of the agency, at a recent congressional testimony. Comey, who was sacked by Donald Trump in May, acknowledged that the head of the FBI can be fired for any reason or for no reason at all. Yet conflicting explanations offered by the White House for his removal caused many to conclude that the decision was politically motivated: Mr Comey was leading the agency's investigation into links between Mr Trump's close advisers and the Russian state. How independent is the FBI?

The Federal Bureau of Investigation was born in 1908 during the presidency of Theodore Roosevelt, as a force of special agents. In 1935 it adopted its motto: Fidelity, Bravery, Integrity. Over the years it became the world's mightiest domestic intelligence and security service. Its priorities are to fight violent and white-collar crime and to protect the domestic territory from terrorist attacks and espionage. The agency's budget is authorised by Congress. It falls under the jurisdiction of the Department of Justice and reports to the attorney-general, but operates largely independently.

The FBI was at its most independent under J Edgar Hoover, who was the FBI's boss for 48 years and built an empire for himself, using his own network of relationships with members of Congress. He became so powerful that, after his departure, the term in office of FBI bosses was limited to ten years. Mr Hoover's successors were without exception much less influential than he had been. In 1993 Bill Clinton fired William Sessions as boss of the FBI because of ethical breaches (making him the only FBI boss prior to Comey to have gotten the sack). Most often wiser presidents kept their distance from the head of the FBI, to avoid the impression of meddling in law enforcement—and wise FBI bosses stayed away from the White House as much as possible. This created the image of an agency independent of grubby politics, which is one the reasons why the FBI remains one of the most respected institutions in the country.

Sacking the boss of a cherished agency carries considerable risk for any president. Both Harry Truman and John Kennedy were said to have shied away from firing Hoover because they feared the impact that his dismissal might have on their popularity—repercussions Mr Trump discovered to his dismay when he fired Mr Comey. When he announced last month that he had picked Christopher Wray, a former federal prosecutor and assistant attorney-general as next FBI boss, his choice attracted more scepticism than is traditional. The tough grilling Mr Wray received at his confirmation hearing in front of the senate judiciary committee on July 12th was a reflection of that. He will have to prove that he is not pulling punches when it comes to protecting his agency's independence from the White House—particularly if Mr Trump makes good on a particular promise he made earlier this year: to review the role of all the intelligence services.

THE ECONOMIST

Banking off retail

Aggregate retail loans constitute less than 10% of GDP in India, compared to nearly 35% in other Asian economies such as South Korea (55%) and Taiwan (52%)

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THE INDIAN ECONOMY witnessed a decline in credit to the industrial sector from 12.8% in 2014 to 2.7% in 2016, on account of economic slowdown due to supply-side constraints. The poor growth of credit to this sector continued in FY17 as well. On the contrary, credit to retail sector has witnessed a rising trend in the last few years from 12.5% in 2014 to 19.36% in 2016. In 2017, this trend continued. This is mainly because, corporate loans are directly affected by industrial slowdown and policy level structural issues, the retail credit has not been severely hit. Further, lending to retail has some comparative advantage vis-à-vis corporate lending. These are (i) higher yield of retail loan as compared to corporate loans (ii) distribution of risk among large number of retail customers (iii) pre-qualified data bank for multi product sales including low cost deposits (iv) limited value at risk in view of lower size of the retail loan as compared with corporate loan, leading to lower quantum of NPAs and stressed assets in general.

Though retail lending has some advantages, there are challenges too. The major challenge is "customer retention". Due to ample source of easy finance availability, retail customers are in general very vulnerable to shift. Thus, maintaining loyalty of customers is considered to be the most critical challenge. As per a research study by Reicheld and Sasser in the Harvard Business Review, a mere 5% increase in customer retention can increase profitability by 35% in the banking business, 50% in insurance and brokerage, and 125% in consumer credit-card market. Thus, banks need to put more emphasis on retaining their customers in order to increase profitability. As retention of customer is key to success in retail, banks need to adopt some exclusive strategies:

◗ Customer segmentation: Banks need to first bifurcate all the retail customers into two segments—"mass-retail banking" and "class-retail banking". The mass retail banking is the stage in which bank provides standardised banking products and services to its customers. While satisfying these types of customers by offering basic services at comparatively lower prices with minimum customer complaints, banks can generate stable flow of income. However, in order to maximise income, banks need to give more attention on its class-retail banking customers, by focusing solely all its niche customers though various innovative products and personalised services. Banks need to design and innovate financial products which are easy to understand and simultaneously meet the financial goal of its target customers. Through the data analytics, banks need to capture all their target customers' consumption pattern based on consumer behavior analysis. Accordingly, they need to device some lifecycle-lifestyle product approach, which needs to be offered at various stages of customer life cycle. These measures will keep customer engaged and always loyal to the bank.

◗ Cost-effective delivery mechanism: As retail is a volume game, where banks need to serve a large number of small value customer on pan-India basis, a cost-effective delivery mechanism needs to be developed. Though e-banking has already picked up in India, it is pertinent to note that amongst all the e-channels, "mobile banking" is the most cost-effective, fastest and widely covered delivery channel. Banks need to constantly renovate various customer-friendly mobile applications for fast, cheap and convenient mode of delivery to their customers.

◗ Robust risk management system: As retail banking is mainly transaction and volume oriented, where banks need to deal with huge number of customers on daily basis, retail banking would be obviously prone to operational risk in the form of transaction error, accounting error, processing error, mis-selling, AML, business disruption and system failure, etc, to retain customer loyalty, banks need to improve their operational efficiency by mitigating operational risk through robust risk management system and processes where customer grievances have to be resolved through fast track customer grievances mechanism system. Apart from this, in order to select the target customers, banks need to customise their own scoring model, where more weightage should be given on primary information about the borrower, viz, past-track record, sources and nature of income, frequency of purchases, type of purchases, loan default history (if any), nature of liability vis-a-vis assets and degree of cash, collateral security offered for the loan.

◗ Though retail lending has increased significantly in the past, however, the future of this sector still looks brighter considering the factors like (i) increasing per capita income (ii) growing consumerism on account of higher marginal propensity to consume (iii) demographic changes in favour of younger population (around 70% population in under 35 years of age) leading to more demand for retail loan and (iv) facilitating measures such as fiscal incentives for housing, easy access to personal loans, flexible repayment schedule of loan, increasing number of shopping malls, retail outlets and widespread eye catching innovative advertising. It is interesting to note that still aggregate retail loans constitute less than 10% of GDP in India, compared to nearly 35% in other Asian economies such as South Korea (55%), Taiwan (52%), Malaysia (33%) and Thailand (18%). There is huge untapped potential of retail lending in India. Further, the latest report also says that the outlook for 2017-18 has been brightened due to various factors like accelerated pace of re-monetisation and reduction of lending rates by banks, improvement in consumer confidence index. All these will have a favourable impact on disposable income on India's mass population, which will boost consumption expenditure and thereby further scope for retail lending for banks. Though opportunities are ample, the competition is also stiff especially in Tier 1 locations where concentration of more banks are there.