Teething troubles for start-ups

Agri-enterprises are finding it hard to expand due to lack of commercial guidance

FARM VIEW

SURINDER SUD

Last two years have witnessed the emergence of start-ups even in the farm sector. Their count is still quite small compared to those in other fields but given the huge scope for offering technology and innovations-based solutions to the problems faced by the farmers, these enterprises seem set to proliferate rapidly. However, many of the existing agri-enterprises, despite tasting initial success, are facing difficulties to expand their businesses beyond a point because of lack of commercial guidance. Such support is normally provided to the start-ups by the project incubators by helping them in capacity building, networking, accessing knowledge and resources, and other kinds of needed expertise. But, regrettably, not many of the existing 300-odd incubators and their advanced version called accelerators (essentially the fast-track incubators) have the expertise and competence to guide the farm-oriented enterprises. The focus of most of these accelerators is primarily on up-market sectors like information technology, health care, green technology and similar others.

The onerous task of agri-start-ups' handholding for the advancement of their commercial interests has now been taken up by the Hyderabad-based National Academy of Agricultural Research Management (NAARM). It has set up an entity at its headquarters in Hyderabad under the name of "a-IDEA" (Association for Innovation Development of Entrepreneurship in Agriculture) with the support of the department of science and technology. This unit aims to incubate and refine the business models and strategies of the innovative early-stage food and agri-business ventures to scale up and expand their commercial operations. The selected entrepreneurs are provided the opportunities to interact with subject matter experts, mentors and, most importantly, prospective investors. The ultimate objective is to help the young companies to grow to their full potential. Some of the eight start-ups, which were groomed under this programme in 2015, are said to have gained handsomely from it and are now doing very well commercially. At least three of them have managed to attract adequate investments to fund their scaling-up operations.

Inspired by this success, a-IDEA has now launched a relatively more ambitious Phase-II of this programme under an imaginative name of "Agri-Udaan" — connoting "flying" to a brighter future. The first initiative under this project is beginning form September this year after conducting six roadshows in different mega cities, starting from Delhi on August 4. Going by NAARM joint director Kalpana Sastry's assertion, it will provide a unique platform for the early-stage but operational agri-enterprises to showcase their products and services and to receive valuable inputs from experts, incubators, research and development (R&D) organisations, other industries and investors. The programme would involve intense and participatory education for the entrepreneurs to compress years' worth of learning-by-doing experience into just a few months. Those entrepreneurs who have their core teams ready with novel working prototypes and a reasonable customer base are likely to receive further grooming under this programme.

A large number of technologies capable of changing the face of Indian agriculture are being churned out regularly by the national agricultural research system, comprising nearly 100 institutes of the Indian Council of Agricultural Research (ICAR), over 650 Krishi Vigyan Kendras (KVKs) and numerous state agricultural universities. Many of these new and highly useful techniques, agronomic processes, equipment and products tend to remain unused or underutilised at the farmers' end for want of commercial interventions to convert them into conveniently usable forms and make them available to farmers through marketing channels. The start-ups can base their business initiatives on such innovations to help farmers lift their productivity, reduce costs and drudgery of farm operations, and boost their net income.

Lucrative opportunities for agri-start-ups can also be found in areas like crop improvement; waste reduction and value-addition; efficient input use; mechanisation of farm chores for higher precision and drudgery reduction; and greater use of modern information and communication technologies. The start-ups can also gainfully engage themselves in the development of value chains in agriculture and allied fields like dairy, poultry, fisheries and others. The success of Agri-Udaan can, hopefully, prove a game changer for the agriculture sector. Tribunals, some of whom have not updated their sites for months together, must follow one pattern. These are basic needs of society which is increasingly realising the power of courts and utilising it as the other arms of state are failing in their constitutional roles.

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CHINESE WHISPERS

Bad timing

The Election Commission rejected the nomination of Bikash Ranjan Bhattacharya, former Kolkata mayor and Left Front candidate for Rajya Sabha, on Monday. The Communist Party of India (Marxist) had decided to field Bhattacharya as the Left Front candidate after the party's central committee had voted against nominating party chief Sitaram Yechury with Congress support. Following this, the Congress fielded its own candidate. The Bengal unit of the CPI (M) was not in favour of fielding a candidate against the Congress as they argued it would bring the Congress and Trinamool Congress closer. In the event, Bhattacharya, a noted lawyer, found his nomination rejected as the returning officer said he submitted the papers at 3.05 pm, when the cut-off was 3 pm. The party said Bhattacharya submitted his papers at 2.58 pm. The delay in filing of the nomination was because he "forgot" to file an affidavit stating he doesn't live in a government accommodation, and hence has no pending dues to the government. The cancellation of his nomination means that the Congress candidate would be elected unopposed, something that the CPI (M)'s Bengal unit had argued for.

About lunching and lynching

The Lok Sabha on Monday took up a discussion on the recent atrocities on minorities and Dalits and alleged mob lynchings by cow vigilantes. Biju Janata Dal leader Tathagata Satpathy (*pictured*) said, "By this lynching movement…you will eventually kill Hindu farmers." He suggested each MP should take care of two pairs of bullocks, and tell farmers in his constituency how they should take their old cows and bullocks to the homes of Bharatiya Janata Party workers. Satpathy said he was amused when he was told by the office staff of a politician that their boss was away for "lynching", when the employee meant "lunching".

Twitter debate

Television debates are passé. Karnataka politicians are debating public policy on Twitter. After the Congress hijacked the Kannada card to score over Bharatiya Janata Party as the election fever hots up in the state, BJP leader C T Ravi used his handle to question the government on its plan to teach Arabic in Karnataka schools while alleging that the central government was foisting Hindi on the state. Education Minister Tanveer Sait was quick to retort on the microblogging platform: such a decision was taken in 2009 under a BJP government, and a letter to that effect was sent to the Department of State Educational Research and Training in Bengaluru, he said. Sait followed up saying no aid was to given to any madrassas from the government. Over to Ravi.

Earnings management in stressed firms

Most early warning systems (EWS) tend to focus almost exclusively on reported financials. However, if the financials themselves are manipulated, such corporates will bypass most EWS, currently in use

ASHOK BANERJEE, JAYANTA MANDI & DEEP N MUKHERJEE

The Reserve Bank of India's (RBI) expanded mandate for faster resolution of non-performing assets (NPA), correctly or incorrectly, requires it to provide guidance to banks at very granular level. These guidance ranges from deciding which of the defaulted corporates are sustainable, thus the bank must take a haircut with or without change of the company management, to identifying the subset of corporates to be referred for insolvency proceedings under the new bankruptcy code. Another equally disturbing area that concerns our central bank is "wilful defaults" which are difficult to identify. As such, the RBI has advised all banks to design early warning signals to identify bad debt including those due to wilful default. Most early warning systems (EWS) tend to focus almost exclusively on reported financials. However, if the financials themselves are manipulated, such corporates will bypass most EWS, currently in use. It is in these instances that a novel earnings management score (EMS) developed by this team could help. In fact retrospectively running the EMS may help the stakeholders in identifying corporates that have been "managing" their financials all along.

It is well known that capital markets hate earnings surprise. While the intention of the regulator in seeking frequent financial information from listed firms was to protect investors, markets have become increasingly unforgiving of companies that miss their estimates. For example, annual earnings (profits) of Dr. Reddy's Laboratories Ltd. (DRL) for 2016-17 was reported on May 12, 2017, at ₹72.61 per share compared to an estimate of ₹82.88 for the same period, resulting in an earnings surprise of -12.4 per cent. Market reaction was severe — the share price tumbled from ₹3,097 in early February 2017 to ₹2,414 on May 26, 2017 — a fall of 22 per cent. This kind of market reaction may create undue pressure on the management to "perform".

A popular way to avoid such severe market reaction is to manage earnings in such a way that the earnings surprise is limited and at the same time disclosures are within regulatory limits.

The market's undue focus on quarterly earnings pushes some firms to manage earnings apart from inducing strategic myopia in management.

Earnings a matter of opinion, cash a fact

Earnings management, per se, is not illegal. Accounting principles allow a firm's management to use its discretion in financial reporting. Historically, accountants have argued that reporting earnings on accrual basis enables a firm to report financials, which are a more realistic representation of their economic performance. Specifically it refers to the management's discretion to recognise earnings, which may not be in sync with actual cash flows. However, some firms tend to abuse this discretion by reporting earnings that have very limited, if any, synchronicity with their underlying cash flows. Globally regulators are worried about earnings management. For example, the Securities and Exchange Commission (SEC), USA, periodically reviews companies' filings and monitors compliance with regulatory disclosure and accounting requirements.

Look beyond window-dressing

Despite the shortcomings of the reported earnings number (PAT, PBT or EBITDA) equity investors and lenders tend to focus on such accrual earnings or ratios such as price-to-earnings or debt-to-EBITDA. A slippage on these numbers or on these ratios will either create an adverse stock movement or will cause the company to breach a loan covenant such as leverage level. Clearly there is ample motivation for firms to manipulate so that the earnings remain in line, or help them avoid loan covenant breaches.

The EMS as the one proposed by us can help regulators, investors and lenders identify companies that are managing their earnings. It is easy to define the concept of earnings management. But it is extremely difficult to identify a suitable proxy for it. Experts have so far used total accrual or more popularly, discretionary accrual, as a proxy for earnings management.

We have developed a proprietary earnings management score (EMS) where a higher number indicates greater earnings management. The score is calculated using six variables for each firm — balance sheet and cash flow total accruals, balance sheet and cash flow discretionary accruals, the correlation between net income (profit after tax) and balance sheet and cash flow total accruals. Our study uses data of 1,691 non-financial companies, covering 37 industries, for which complete information is available from 2005-06 through 2015-16. EMS above 2000 indicates high earnings management and more than 50 per cent of firms in our sample have an EMS of greater than 2000 (**see table: Keeping track**). Thus, earnings management is rampant in India.

KEEPING TRACK

Frequency distribution of EMS

EMS range	Number of companies	Cumulative frequency (in %)
0-100	120	7.09
100-1000	221	20.16
1000-2000	364	41.69
2000-3000	348	62.27
3000-4000	248	76.93
4000-5000	188	88.05
>5000	202	100
TOTAL	1,691	

Bad business manage more

Some firms with higher debt levels and low cash generation ability have often stated higher accrual earnings (EBITDA, PBT, PAT) using extensive earnings management so as to "delay" the violation of their leverage levels stated in debt covenants.

Our EMS clearly distinguishes financially distressed companies from the healthy ones. Median EMS of AAA rated firms in our sample is 1450 while median EMS of D rated firms is 2340. Corporates identified as stressed but not yet tagged NPA tend to have score above 3000. There appears to be a case where some corporates used earnings management techniques to continue hiding their inability to generate cash. Remember, servicing debt requires cash and not mere accounting entries, which accrual earnings such as PBT/PAT reflect.

(This is an abridged version of an article that appeared in Artha, an IIM Calcutta e-zine)

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CONSUMER LIFE

Consumer sentiments improve in rural India

MAHESH VYAS

The index of consumer sentiments improved during the week ended July 30. It rose by 0.9 per cent. Both constituents, the current economic conditions and consumer expectations, improved.

The improvement reflects buoyancy in the rural sector. The rural index of consumer sentiments improved by 1.5 per cent. This is significant improvement compared to the declining trend in rural sentiments seen since mid-June.

Rural sentiments have moved in response to the progress, albeit somewhat uncertain, of the southwest monsoon. Kharif sowing data suggest that farmers are cautiously optimistic.

Area sown under kharif crops was 3.3 per cent higher this year till July-end compared to the progress in sowing in the corresponding period last year. Most of the increase comes from an increase in the area under cotton, sugarcane, *bajra* and *urad*. The major disappointments are soyabean and *arhar*. Cotton and sugarcane are cash crops. These are likely to help the farm sector gain substantially.

The southwest monsoon was aggressive during the week ended July 26. Overall precipitation during the week was 22 per cent higher than the norm. But the spatial distribution was very highly skewed. Gujarat region received rains that were 271 per cent higher than the norm. It suffered a double whammy as excessive rains of west Rajasthan (a massive 267 per cent higher than the norm) also flooded the state. The probability of rains being in such excess during a week is less than five per cent.

Such excessive rains have caused some damage to standing crops in Gujarat. About 25 to 30 per cent of the cotton areas in Gujarat has been damaged by excessive rains. The loss in groundnut could be 15-17 per cent.

Rains were similarly excessive in neighbouring states of Gangetic West Bengal (+293 per cent) and Jharkhand (+262 per cent).

The overall precipitation seems to have raised the spirits of the rural gentry somewhat by the end of July

REUTERS

The southern peninsula, which has been deficient in rains this year, continued to receive very little rains.

Damages caused by such excessive rains are not uncommon every season. The benefits of a heavy downpour often outweigh the losses they sometimes cause. The poor temporal and spatial distribution of rainfall notwithstanding, the overall precipitation seems to have raised the spirits of the rural gentry somewhat by the end of July. The rural index of consumer sentiments, however, continues to remain lower than its level before the monsoon season set in. During the week ending May 28, the index was at 107.3. By the end of the week ending July 30 it was 100.

Urban consumer sentiments in July are turning out to be better than they were in the preceding months. The urban consumer sentiments index is likely to be a shade above 97 during July. This would be substantially higher than its level in the preceding six months.

While consumer sentiments have improved during July, labour markets are still weak.

Labour participation has been falling. It fell from over 48 per cent in early 2016 to 44 per cent by April 2017. Since then, the ratio had stabilised at just below 44 per cent. However, during the week ended July 30, the labour participation rate (LPR) fell to 43.5 per cent.

This specific fall may not mean much because weekly estimates do bounce a bit. It is possible that the LPR will bounce back in the coming weeks. But what is worrying is the continued weakness in the ratio. This is its third consecutive weekly fall. Further, save for one unusual fall to 42.6 per cent a few weeks ago, the latest fall in the LPR to 43.5 per cent is to its lowest level.

The LPR had started improving in urban areas from June. For six weeks, it remained above 41 per cent, giving indications that the fall witnessed in the ratio till May had been arrested. The last week of July was a disappointment as the ratio fell to 40.7 per cent. Similar weakness was seen in the rural LPR in the last two weeks of July.

The low LPR continues to help keep the unemployment artificially low. As of the week ended July 2017, the unemployment rate was 3.1 per cent. This is the lowest unemployment rate recorded. Urban unemployment rate at 3.6 per cent was close to its lowest rate of 3.3 per cent recorded in the first week of July. Rural unemployment was also very low at 2.8 per cent.

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LETTERS

Behavioural change

With reference to "Toilet mystery: Blaming and shaming not the way" (July 31), Sunita Narayan is right in appealing for providing incentives in order to effect a behavioural change in renouncing open defecation and switching to the use of toilets. However, it would be even better if this incentive also addressed the aspect of sustainable sanitation, which is the need of the hour given the scarcity of water. The Swachh Bharat Mission should aim to build eco-friendly toilets like the urine-diverting dry toilet (UDDT) or alternatively bio-toilets which use little water and also do not contaminate groundwater.

The UDDT, unlike the conventional toilet, does not flush urine, excreta and wash water but rather has separate chambers to collect the same which can be recycled, composted and reused (for agriculture) by the user, which also obviates manual scavenging. Such toilets are in use in villages across several districts of India, with some in Tamil Nadu being enthusiastically built by the Scientific Committee on Problems of the Environment in collaboration with Unicef. At some places "use toilet and get paid" incentive operates to encourage the use of these toilets. Ecological sanitation presents a great opportunity to enlist the public in the success of Swachh Bharat at the grassroots.

C V Krishna Manoj Hyderabad

Verbal restraint

With reference to the news report "Jethmalani to Kejriwal: You used worse abuses than 'crook' for Arun Jaitley" (July 29), though counsels do enjoy the privilege of free speech inside courtrooms, they are expected to exercise the same judiciously. Surely, it is not Ram Jethmalani's (*pictured*) contention that he is justified in using any unparliamentary word against a plaintiff, in open court, at the behest of his client! It also makes one wonder if his outburst against Kejriwal is due to the latter's refusal or inability to pay the astronomical fees quoted by him. There was originally a move for the Delhi government to foot the bill, which was reportedly dropped after the hue and cry over it in the media.

Not long ago, when Justice C S Karnan made scurrilous corruption charges against brother judges of the Supreme Court and high courts, Jethmalani wrote to him an open letter questioning his mental balance. One expects the eminent jurist to follow his own advice and practise some restraint in speech, in and out of court, now that he is "sitting in the departure lounge of God's airport" (to quote his own words).

V Jayaraman Chennai

Adding to NPA pain

It has been reported in a section of press that non-performing assets (NPA) are growing with an increase in default cases in repayment of education loan. It has been estimated that the total NPAs in education loans has shot up to 140 per cent in the last three years. According to disclosure made by the Reserve Bank of India (RBI), borrowers failing to make repayments for more than the stipulated 90 days reportedly stood at ₹6,336 crore at the end of December 2016 as against ₹2,615 crore in March 2013. This means, in 45 months, the NPAs rose by 242.29 per cent due to non-payment of education loans.

It is not bad to disburse education loans at nominal rates of interest. Those in need must be financially supported to get education. The unfortunate aspect is that the students who have availed themselves of loan are reluctant to return the amount soon after they get a job. The financial resources are draining due to the policy of waiver of loan on the one hand and due to the borrowers not repaying the amount on the other. This has been resulting in the drastic cut in interest rates. At one point of time, the banks used to give a maximum of 12.5 per interest on fixed deposits. Now, the interest rate is hovering around seven-eight per cent.

The hackneyed policy of the banks is putting a premium on dishonesty. People who depend on interest income are the worst sufferers. Added to the paltry rate of interest, a part of the interest income should be earmarked for payment of income tax. If this aspect is also taken into consideration, the present rate of interest on fixed deposits is equal to savings bank interest at the contemporary period of interest at 12.5 per cent on fixed assets. The fall in interest rates on deposits threatens that one day or the other the depositors will have to be prepared to pay for keeping the amount in banks safe.

K V Seetharamaiah Hassan

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HAMBONE BY MIKE FLANAGAN

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The 8% growth mirage

NITI Aayog vice-chairman's estimate fails to convince

The vice-chairman of the NITI Aayog, Arvind Panagariya, said last week that India was on its way to 8 per cent growth and would likely clock 7.5 per cent growth over the course of 2017-18. While he acknowledged job creation was a challenge, he said that as the last quarter of the year approached, the economy would begin to touch 8 per cent growth. This evaluation seems to be unduly optimistic, given the multiple shock-waves the economy has been exposed to in the recent past.

Consider, first, the impact of agriculture. Growth numbers in the second half of 2016-17 were better than otherwise because agricultural output grew handsomely. This came after two successive years of drought. This year, too, the monsoon seems like it may be normal in the aggregate, though there will be regional variations in the pattern that may cause distress and alter farm output unpredictably. Yet, what is worth noting is that the high base effect means that year-on-year growth numbers will not be as flattering as they were in the previous fiscal year.

What of the other sectors of the economy? The industrial side of the economy continues to suffer from low investment. Growth – and in some quarters, impressive growth – was managed by this sector in the past nevertheless, thanks mainly to cost-cutting and the consequent effect on value added. But in the absence of an investment pick-up, sustained industrial growth is too much to ask for. This should be clear from the June 2017 growth in eight core industrial sectors, which, according to data released on Monday, stood at 0.4 per cent year-on-year. The Index of Industrial Production has a reputation for being limited and volatile, but the fact that the last IIP print showed year-on-year growth of 1.7 per cent can hardly be a sign of a robust and recovering industrial sector. And this is the new IIP series, which has shown more upward sensitivity overall than the previous series. Whatever the view on the IIP being used as a high-frequency indicator, the fact is that it has stayed at low levels for a considerable period of time, particularly the sub-indices dealing with consumer durables and capital goods. This tells its own story of an industrial sector that will struggle to be the engine of growth.

As for the services sector, it is far from clear how the economy – which is barely emerging from the trauma of demonetisation – will react in the medium term to the introduction of the goods and services tax (GST). While there is every reason to hope and expect that the GST will be growth-positive in the long run, few expect that the transition will be costless and friction-free. These costs might well show up in growth numbers in the coming quarters. Given the complexity of the economy, and the wide-ranging and unpredictable effects of a transition as deep as that required by the GST, making short- or medium-term predictions of its effect on a services sector that still has a large informal component is a chancy business. This increases the uncertainty as the services sector has always been the fastest growing segment of the economy. So at this point, hopes of a recovery to 8 per cent growth towards the end of the fiscal year may not find many takers.

A presidency in disarray

A defensive Donald Trump is bad news for the world

If it took 10 days to shake the world with the Russian revolution in November 1917, it may have taken five days of serial disasters in the last week of July for US President Donald Trump to precipitate a global crisis in 2017. Cornered by an aggressive pushback from Congress, the military and mavens within his own party, and battling historically low popularity ratings, it is possible that the maverick president may be dangerously attracted to a diversionary confrontation with China over North Korean missile tests. Many presidents face problems in their initial days in office, but last week's developments have been exceptional in post-World War II US history.

The opening act of the bizarre reality show that is 1600 Pennsylvania Avenue began mid-week with a virtuoso performance by the new Communications Director Anthony Scaramucci. "The Mooch", Wall Street financier and one-time Democrat supporter, betrayed stunning ignorance of the rules of engagement with the media or, indeed, any rules at all, after he regaled a *New Yorker* staff writer with expletives against colleagues Reince Priebus, then presidential chief of staff, and Steve Bannon, chief strategist, and resolved to have the Federal Bureau of Investigation spy on staff to identify leakers — a constitutional impossibility. The simultaneous replacement of the staunchly loyal Mr Priebus with Homeland Security Secretary John Kelly, a former general and enthusiastic supporter of a restrictive immigration doctrine, has added to the turmoil among White House aides.

Mr Priebus' replacement closely follows the president's criticism and threats of dismissal, communicated through *The New York Times*, against Attorney-General Jeff Sessions, the former Alabama senator whose 2016 endorsement boosted Mr Trump's campaign, and Robert Mueller, who heads the investigation into Russian interference in the US elections. Mr Sessions' "offence" was recusing himself from the Russian investigation for non-disclosure during confirmation hearings of meeting Russian officials. These revelations prompted avowed pro-Trump Republicans to openly warn the president of a revolt if he acted on his threats. Mr Trump compounded these ructions by gratuitously tweeting about a ban on transgender people serving in the military. He had discussed this with his generals, he said, but the Pentagon swiftly clarified that the policy had not been changed.

Rounding off a disastrous week, Mr Trump suffered a double whammy in a Congress controlled, ironically, by his own party. First came the overwhelming House vote for a bill blocking the president from weakening sanctions against Russia. Then came the bigger setback: The "skinny repeal" of the Affordable Care Act failed to pass the Senate with three Republicans voting against it, marking the third defeat of a key campaign promise. As Congress heads for the summer recess, a maverick Supreme Leader across the Pacific, client of the rising and bellicose superpower China, seems determined to provoke a combustible American president's mettle by firing test missiles with capabilities of reaching the US mainland. Saner incumbents before Mr Trump have leveraged overseas threats to distract from domestic crises — for instance, in the throes of a sex scandal, Bill Clinton famously bombed Iraq in 1998. But a war between nuclear-armed superpowers is the last thing the world can afford as it emerges from the long winter of global recession.

ILLUSTRATION BY AJAY MOHANTY

Will Xi, won't Xi?

As China escalates tensions with neighbours, including India, it must remember grievance-based nationalism is a double-edged sword

BROADSWORD

AJAI SHUKLA

Those wishing to sense the contemporary public mood in China should watch the classic propaganda documentary, *Triumph des Willens* (*Triumph of the Will*), made on Adolf Hitler's orders by German actress-turned-filmmaker, Leni Riefenstahl. This enduring record of the euphoric 1934 Nazi Party rally at Nuremberg is on YouTube. It starts dramatically, referencing a resurgent Germany shrugging off the humiliation of World War I. In successive screens, set to a Wagnerian score, German angst plays out: "On 5th September 1934... 20 years after the outbreak of the World War... 16 years after the start of German suffering (the Treaty of Versailles)... 19 months after the start of Germany's rebirth (Hitler's appointment as Chancellor)... Adolf Hitler flew once again to Nuremberg to hold a military display."

A similar Chinese Communist Party propaganda film, were one to be made about General Secretary Xi Jinping's review on Sunday of a massive People's Liberation Army (PLA) display at the Zhurihe training base, would echo a similar mood of historical grievance: "On 30th July, 2017... 177 years after the start of China's 'Century of Humiliation' (the First Opium War)... 68 years after China's rebirth (the capture of power by the Chinese Communist Party)... five years after he began realising the 'Chinese Dream' ... Xi Jinping flew to Zhurihe to hold a military display."

Riefenstahl's films, and the cheering German throngs they capture, convey the same giddy ambiance of vindication, renaissance and unstoppable rise that pervades China today. Just as a uniformed Hitler snapped off Nazi Party salutes to jackbooted German soldiers, paramilitaries and an adoring public in 1934; a camouflage-clad Xi Jinping yelled out "Hello Comrades" and "Comrades, you are working hard", through a portable microphone on the open vehicle in which he reviewed troops in Zhurihe. And just as the euphoric Germans roared back "Sieg Hail", the serried ranks of the PLA chorused: "Serve the People!", "Follow the Party!" and "Fight to Win!"

Just as Hitler subordinated Germany's military to the Nazi Party, Mr Xi exhorted the PLA on Sunday to "always listen to and follow the Party's orders, and march to wherever the Party points to." This faithfully echoed Mao Zedong's 1938 dictum: "Political power grows out of the barrel of a gun. Our principle is that the Party commands the gun, and the gun must never be allowed to command the Party."

Beyond similarities in the political symbolism and vocabularies of the Chinese and German dictators lies the crucial question: Will their views on military power also inevitably align? Hitler had famously declared: "Armies do not exist for peace. They exist solely for triumphant exertion in war". On Sunday, a bellicose Mr Xi declared: "The world is not all at peace and peace must be safeguarded... Today we are closer to the goal of the great rejuvenation of the Chinese nation than any other time in history, and we need to build a strong people's military more than any other time in history." The moth-eaten narrative of "China's peaceful rise" is receding into the mist, but will Beijing's growing sense of its power also demand the PLA be put to triumphal use?

On Sunday, Mr Xi threatened that the PLA would strike down "all invading enemies" — a careful choice of words that apparently urges only defensive use against external aggression. In fact, China's maximalist definition of its security interests allows it to mask even blatant aggression as legitimate defence — such as its military occupation of disputed islands in the South China Sea. As it has done in Doklam, Beijing is adept at dressing up one-sided rationales to claim "indisputable ownership" of disputed territory, and them treating competing claims as territorial aggression. With Indian troops facing off against Chinese border guards on Bhutanese-claimed territory at the border tri-junction where India, China and Bhutan come together, what can New Delhi anticipate?

Until China escalates, India must proceed on the assumption that Beijing has triggered the Doklam crisis not to create a flashpoint for armed confrontation at a time of deteriorating relations; but calculating that India would not retaliate as decisively as it has done — interceding on behalf of a third country and creating a new normal. Under way now is a contest in coercive diplomacy — which is the simultaneous employment of threats or limited military action and diplomatic efforts designed to persuade a target state to change its policies or behaviour. The aggressive use of media and displays of nationalistic fervour are an essential part of this. India must not back down.

Sensible Indian military planners would not be unduly rattled by Chinese threats of war and menacing reminders of the 1962 debacle — mainly from the state-controlled Chinese media, but also from government spokespersons. The pitfalls of drawing parallels from that war should be obvious, given that 1962 was a highly limited operation. Barely two Indian divisions fought the Chinese, while more than 80 per cent of the army sat out the war. Today, 12 Indian divisions would come into action from Day One of a war, while another 25 divisions guard the western and northern borders with Pakistan. Depending upon the operational situation there, at least five of those could be switched to Ladakh, Sikkim or Arunachal Pradesh, becoming effective in 10-15 days. Adding to India's advantage would be the Indian Air Force, which was inexplicably left out of combat in 1962. With Indian military aircraft operating from bases in Assam and helicopter operations mounted from a string of advanced landing grounds in the hills, the air force would be a significant force multiplier. Meanwhile, China's air force would be constrained by having to operate from high-altitude bases in Tibet.

Much is rightly made of China's road and rail infrastructure in Tibet, but it remains to be seen how much of that survives the Indian Air Force's attentions. Despite India's deplorable lag in building forward road infrastructure – only 22 border roads have been completed out of 73 planned – the army enjoys far greater battlefield mobility today than in 1962. Equipment shortages remain a worry, but the military is far better poised today – a pre-deployed, fully acclimatised, operationally inoculated military – than it was when China last came knocking.

Since China knows this, large-scale military retaliation to Doklam appears unlikely, at least for now. What India should anticipate is small-to-medium retaliatory incursions by Chinese troops, perhaps in tri-junction areas for political messaging, aimed at building pressure on India. In dealing with these, army planners would do well to seal and localise Chinese incursions and retaliate in kind elsewhere on the border, escalating horizontally rather than vertically.

Leni Riefenstahl lived to be 101 and her films will survive far longer. But a decade on from Nuremberg, the Third Reich lay in ruins. As Beijing ratchets up tension with its East and Southeast Asian neighbours, and now with India, it would do well to remember that grievance-based nationalism is a double-edged sword.

Twitter: @ajaishukla

Think in India, for India

TESSELLATUM

NEELKANTH MISHRA

That 70 years after Independence, with more or less continuous democratic rule, we are still far from providing basic services such as drinking water, health, education, housing, electricity and all-weather roads to large chunks of our population cannot just be blamed on faulty execution or political intransigence. Economic prescriptions have been at fault too: After all, if the patient struggles to comply with a treatment regime and fails to get cured, the doctor must share the blame. A root-cause analysis may point to deeper issues with lack of data availability coming out tops. But one wonders if over-reliance on imported economic policies was not a factor too.

A simple example illustrates this point: For decades, there had been considerable discomfort about the size of the government being too large, not just among foreign commentators, but also Indian administrators. Excessive government borrowing undoubtedly crowded out private investment, keeping cost of capital high, and government monopolies in several economically important sectors indeed kept them stunted. However, perhaps because of this discomfort, in critical areas such as law and order and education, the government has remained too small for too long. For example, as Uttar Pradesh (UP) embarks on a near doubling of its police force, hiring 30,000 new recruits each year for five years, it is only now correcting what many see as a critical flaw that should have been addressed long back. Even after these additions, the ratio of police strength to population in UP will only just cross the national average, which itself is among the lowest in the world. One cannot have a healthy economy without good law and order, and more police may not be a sufficient condition for good law and order, but are a necessary one.

In the early years after Independence, as the education system in India was underdeveloped, it was perhaps important to import experts from western universities, who then came with economic frameworks they had been trained in. Even if these may have worked where they were developed (and that can be debated too), it is questionable whether they were adapted to India. Forgotten in the debate around free markets was the fact that basic infrastructure was missing: Freeing up markets or controlling them isn't much use if the arteries for movement of goods and services are clogged. Thereafter, the high reliance on the World Bank and the International Monetary Fund (IMF) funding possibly made it necessary to follow their framework and evaluation metrics, even if those were not necessarily the best for India.

But both of these are not constraints anymore. Private capital flows abound, and not only do we have top-class institutes staffed with brilliant researchers, there are centres in western universities dedicated to the study of India or the Indian economy. Yet, we do not seem to be doing much better on economic analysis and policy prescriptions that are developed for India. Two experiences I had in the past month reinforced this view.

Speaking at the India Policy Forum earlier in July, the Chief Economic Advisor, Arvind Subramanian, lamented the lack of suitable economic research available for policymaking. He felt that not enough research was being conducted on problems that India needed to solve, and also that the expertise of the best of Indian economists in academia was not available to the government when needed at short notice. Then, last week, at my alma mater, IIT-Kanpur, an informal chat with a professor of civil engineering threw some light on an important reason why this may be happening. He was narrating the difficulty of defining quality standards for affordable housing: There were established standards for materials (say cement or steel), and for components (say blocks), both of which were used for all types of constructions. However, there were none for finished systems in affordable housing, as this was not a problem researched well in the west. Indian researchers were not incentivised, as international journals would not be as interested in the problem. So long as our academics are evaluated on the number of publications in such journals, there is no motivation to research India-specific problems. Indian journals are perceived to be of inferior quality, and therefore there is less reward associated with publishing in them.

It is not surprising therefore that there is not enough research happening outside the government or government-sponsored institutes and think tanks on issues that can and should affect policy-making. The best of India's brains are instead busy solving the world's problems (I deliberately exaggerate a bit to drive home the point), as our policies incentivise them to do so.

In the last few years Make in India has made headlines, and some have added Make for India to address where demand may come from. A "Think for India" campaign would require less publicity than Make in India (it need only address institutes and journals), and may yet be highly impactful. "Think in India" may help as proximity to the problems may help find solutions, although this is not always necessary (i.e. foreign-based academics can also help).

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Commentary for managers

BOOK REVIEW

DHRUV MUNJAL

Harsha Bhogle is Indian cricket's ultimate outsider. He never played the game at any reputable level; he didn't expediently inherit any known cricketing legacies either. Yet, in a rarity for cricket in India, he is bestowed with a supreme sense of reverence — seldom is any doubt cast over his status as the country's premier cricket expert. A part of that adulation comes from the fact that he is seriously good. So much so that his presence in the commentary box undeniably elevates the quality of broadcasting. That there is a dreadful dearth of quality Indian broadcasters perhaps sometimes amplifies his brilliance.

The other bit that spawns such veneration is sagacious marketing. Over the years, Mr Bhogle has made sure he's never escaped the public eye for too long. In 2003, he penned a biography of Mohammad Azharuddin – minus the scandalous details, though – and has authored a few other books since. After he was left out of the 2016 Indian Premier League commentary roster, he spent some of his time helping Sachin Tendulkar promote his new biopic. When Google CEO Sundar Pichai came calling to the capital two years ago, it was Mr Bhogle who mediated a Q&A session with students at the Shri Ram College of Commerce.

Mr Bhogle's latest departure from doing commentary comes in the form of *The Winning Way 2.0: Learnings From Sport For Managers*, co-authored by his wife, Anita, an advertising and communication consultant. Both were classmates at Indian Institute of Management, Ahmedabad.

Six years after *The Winning Way*, the two continue to fuse lessons from sport with managerial thinking in this partially absorbing sequel. The examples applied to infuse among the readers that winning mentality are multifarious: The imperious Australian cricket team of the new millennium, the arrival of Mesut Özil at Arsenal, the media-created antipathy between Magic Johnson and Kareem Abdul-Jabbar, and Dick Fosbury's revolutionary technique that forever changed the art of high jump, to just name a few. Even Guru Dutt and *Pyaasa*, and Harry Potter find some space.

In a few cases, the collocation of sport and business makes perfect sense. While emphasising how pivotal it is for companies to handle retirements and exits smoothly, the authors point to former Australian wicket-keeper Ian Healy, who was denied an elaborate, fanfare-filled send-off from the game simply because an impeccably groomed Adam Gilchrist was already waiting in the wings. Mr Healy's departure, as they correctly point out, was what HR managers now call "positive attrition".

Some other explanations warrant a deeper discussion. Further elaborating on how companies mustn't fear blooding in talented youngsters, Mr and Ms Bhogle mention how the arrival of Cristiano Ronaldo and Wayne Rooney at Manchester United forced Ruud van Nistelrooy out of the club and relegated Ryan Giggs to the bench. A couple of minor corrections here would help. Mr Van Nistelrooy, in fact, flourished during Mr Rooney's first two seasons at United, and left for Real Madrid two years later only because of an apparent falling out with manager Alex Ferguson. As for Mr Giggs, despite being crippled by hamstring problems around the same time, he regained his place in the starting lineup after rediscovering his old form.

The book's best dissection comes in the chapter, "The Business of Winning", where the authors attempt to deduce how certain teams end up losing despite being handsomely poised to win. "Teams that don't win very often invariably don't know what to do when placed in a winning position. They freeze. They choke," they write. The paradoxical nature of it – how will you know what winning is if you never win? – aside, the statement is most relevant in our times because of the abject plight of the South African cricket team. Often hyped up as favourites in the run-up to a major tournament, the Proteas have made an excruciating habit of capitulating in difficult situations.

Mr and Ms Bhogle must be given be credit for carefully avoiding the use of infuriating jargon, a malady that encumbers management books of most kinds. What undoes *The Winning Way 2.0*, however, is its blatant oversimplification. Recalling the 2006 Johannesburg one-day international between Australia and South Africa, they write: "When, for example, Australia had made a world record 434... the immediate reaction would've been to sit in the dressing room with drooping heads. Instead, Jacques Kallis suggested that given the weather and pitch conditions... Australia were probably 15 short." South Africa did go on to the win the game, but such facile roadmaps for victory rarely prove to be successful.

Other prosaic assertions such as "Talent alone is not enough" are brazenly obvious assessments that are too well known, and shouldn't ideally be finding mention in any book. Moreover, the use of famed examples – such as Mr Tendulkar studiously practising for Shane Warne in 1998 – fails to add any newness to the book.

While we appreciate his knowledge and wit in the commentary box, Mr Bhogle's attempt at inspiring managers, although backed by sizeable research, falls short of being a winner.

THE WINNING WAY 2.0
Learnings from Sport for Managers
Anita Bhogle and Harsha Bhogle
Westland
278 pages; ₹299