

# India Needs Banks of Different Sizes

Tread cautiously on state-owned bank mergers

SBI chairman Arundhati Bhattacharya's caution on bank mergers has much merit, even as the Cabinet has given an in-principle nod for consolidation. Yes, the economy does need bigger banks to meet its growing needs. A bigger bank will be able to fund large infrastructure deals, bring more efficiency in treasury operations and trim operating costs. But the need is also to ensure that it does not lead to the creation of banks that are too big to fail or are too cumbersome. That's a fear among regulators after the financial crisis in 2008. The country's experience with mergers — New Bank of India with Punjab National Bank and Global Trust Bank with Oriental Bank of Commerce — has been either unhappy or under duress. So, the ministerial panel that will be set up to supervise proposals from bank boards must exercise caution. India needs banks of varying sizes, with intense competition among them. Banks will face a threat from fintech companies, and the debt market.

Ideally, therefore, the government should allow some state-owned banks that want to merge for valid commercial reasons to consolidate, subject to their meeting tougher loss-absorbing capacity norms. The RBI's financial stability report is candid that the risks to the banking industry's stability have worsened. Reportedly, the gross bad loan ratio is estimated to rise to 10.2% of the total loan book in March 2018 from 9.6% in 2017. For public sector banks, the gross bad loan ratio could be as high as 14.2% by March 2018, from 11.4%. A resolution of bad loans is vital for state-owned banks so that capital infusion does not end up as provisioning against bad loans post the merger.

Consolidation will benefit deposits growth. The combined entity should also be well capitalised and have the capacity to raise resources without depending unduly on the state exchequer. But there could be challenges in terms of employee integration due to the differences in the remuneration structures, and synchronisation of technology as well as accounting policies to recognise bad loans. Let there not be a tearing hurry to merge.

# Time to Play the Trump Card in Afghanistan

US President Donald Trump's recognition that India has an important role to play in Afghanistan is welcome. Washington has signalled its willingness to end its deference to Pakistan's sensitivities about India's involvement in Afghanistan. New Delhi must devise a plan, based on India's interests and one that will ensure peace, stability and progress in the region.

There has been a growing realisation in the US that Pakistan has consistently played a double game. Islamabad has successfully extracted concessions and aid from the US as a partner in the war on terror, and at the same time, it has continued to provide substantial support, including safe haven, to terrorists. Beginning from the closing months of the Clinton administration, Washington has increasingly leaned on and called out Pakistan. What sets apart Trump's calling out of Pakistan supporting terrorists is that it is more unequivocal than that of his predecessors. Given President Trump's track record, it remains to be seen if he and his administration will stay the course and follow through with concrete action. There is much that the US can do to curtail Pakistan's continued assistance to terrorists. Washington needs to follow its talk with action.

India needs to seize this moment. Pakistan will not give up its efforts to block a greater role for India in Afghanistan; it is already unsettled by New Delhi's \$1-billion investment. Washington needs to follow up with necessary action to translate Trump's words into reality. At the same time, India needs to work out its interests and those of the region to map out its participation in Afghanistan. New Delhi must seize the opportunity accorded by Trump's calling out of Pakistan for its support of terror groups. Trump's Afghanistan and South Asia policy gives India an opening, it is for New Delhi to fashion it.

On World Third Editorial Day, a little self-indulgence can never hurt

# Here's to The Third! Holding Out by Itself

On the occasion of World Third Editorial Day, one of the key lessons we have learnt — and celebrated — over the years is that it is not just important to have a light read in an otherwise gravitas-ridden section of the newspaper, but it is absolutely vital. The third editorial — by the laws decreed by those doling out gyan via the platform of the editorial, which expresses the paper's voice 'directly' to the reader — is supposed to be witty, charming, stylish, even coquettish. It is what the rest of the opinion section, or the rest of the publication, for that matter, can't dare to be. Such a special status conferred to this printed or pixelated real estate did not come automatically. Some point to the Atharvaveda, where in the Mandukya Upanishad, while discussing the nature of 'Om', the text veers into a witty strain in the middle of all that sagacity. But the Vedas not quite having the quality of a newspaper, and vice versa, one must settle for something more recent, even as there are contesting claims, the strongest coming from this paper you hold in your hand.

So, here's to 'The Third', which like Richard bearing the numerical — and unlike the Reich — is happy to make glorious summer in this winter of media content. The fact that you should take it with a pinch, nay, fist of salt also bears repetition on this happy commemorative day.

# STATE OF PLAY | A Dokalam solution will emerge from where India and China want to be Not Confined to Borders



Pranab Dhal Samanta

The Dokalam stand-off has entered a delicate phase leading up to the Xiamen Brics (Brazil, Russia, India, China, South Africa) Summit in the first week of September. What happens from now on will largely determine whether or not this boundary contest escalates into a full-blown India-China crisis impacting all key aspects of the relationship.

Television and video wars apart, the bottom line is that the substantive elements of this relationship are built on the working principle that differences over the boundary will not impede progress in other spheres of bilateral interaction. It was, in fact, this distilled Chinese wisdom that made it possible to elaborate on a more expansive agenda.

This umbrella framework always found a way to deal with difficult moments on the contested boundary. And there were quite a few in the last decade. But for the first time, the tenor and shrillness of a classic border dispute has dominated the interaction to a point that there's now visible stress on other dimensions of the India-China conversation.

Let's start with Brics itself. The forum is an important stage for China, far more vital today when the US has begun looking inward under President Donald Trump. If the G20 and the World Economic Forum were key platforms for articulating a refresh-

ed Chinese view on open trade and anti-protectionism, then Brics is the forum for complete expression of solidarity alongside other key emerging economies.

An overhang like the Dokalam dispute helps none. While China, as both host and the leading economic power in the grouping, will be looking to drive the agenda on its terms, an intransigent India is the last thing it wants on its hands.

More significantly, it might just push New Delhi to weigh options for a bilateral deal with the US. Let's not forget that the first shale oil deal came through in the past week, followed by Trump's positive play on India in his South Asia vision.

The revival of a security-conscious mindset towards China, coupled with the fear of actual conflict, will soon undo all the recent work on easing barriers for Chinese investments. Already, there's a cloud over Shanghai Fosun's \$1.3-billion proposed acquisition of Indian drugmaker Gland Pharma, a deal that requires the Cabinet's nod.

### All on Fast Burner

In the past year, over 20 Chinese companies were given security clearances, the fastest rate ever in the recent past. And that's because a time bar was put to the process, so that security and intelligence agencies could not squat on a proposal for long. Similarly, many visa categories for China were removed from the Prior Referral Category — a sort of a blacklist of about half-a-dozen countries like Pakistan, North Korea and Iraq.

Like in any government system, the choke on China was a result of a deep-seated suspicion of Chinese intent, strengthened by past events, which prevented India from looking at Chinese investment more objectively.



Avoid net losses

That today, there is relatively a more predictable environment for Chinese business is due to a shift in emphasis on letting opportunities, not intractable problems like the boundary, decide the course of the relationship.

It would indeed be a major setback to progressive elements on both sides if the security clamp were to be reintroduced. In any case, there's enough chatter on the imbalance favouring China in the mammoth \$70-billion trade between both countries.

The fact is, India also needs Chinese investment, and any such reversal accompanied by an anti-China nationalist fervour is detrimental even for New Delhi, which is pursuing a policy of building multiple global partnerships than be counted in one camp or the other.

The problem in dealing with the Dokalam crisis is the tendency to frame it in classic balance-of-power terms, where authority is expressed by deployment and use of force. So, theoretically, China can balance India by getting Pakistan into the picture, or make any such kind of a move.

But conventional global power politics has moved on. The world today is a more interconnected, interdependent network of supplies, services, goods and knowledge where boundaries matter less and less in determining power.

What matters is perception. So, for those gaming military combat, here's a question: how will such a skirmish rub off on both sides? Not good. It may even look impetuous, like the Pango-Tso face-off video. And regardless of who gets the better of whom, reputations on both sides will suffer a costly damage.

India must understand that China is a global power, not the diffident neighbour that Jawaharlal Nehru once took to Bandung.

### Great Bridge, Not Great Wall

Beijing, on its part, must figure out a way to build mutually benefiting stakes in its relationship with neighbours. Else, its growth will breed insecurity, with imminent fear of escalation whenever there is a difference or dispute.

To that end, Xiamen could even be an opportunity, just like Xiamen was in 2011, the last Brics summit in China, when both sides found a way around the issue of China giving stapled visas to residents of Jammu and Kashmir.

Either way, the short point is that a solution to the Dokalam stand-off will emerge from the bigger India-China picture, from where India and China want to be, rather than from where they are.

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## WIT & WISDOM

"I shut my eyes in order to see."

Paul Gauguin Artist



Vivekananda

## Bond Market

British actor Daniel Craig has confirmed he will reprise the role of James Bond one last time. And that film is due to be released in November 2019, says Eon Productions, the Bond franchise owner. While Roger Moore starred in the most number of Bond films, Sean Connery's outings have made the most money at the US box office, if the figures are adjusted for inflation...

James Bond: Who is the biggest hit...	Films	US Box Office*, \$ million	Age at last performance
Sean Connery	6	2,214	41
George Lazenby	1	142	30
Roger Moore	7	1,206	57
Timothy Dalton	2	194	43
Pierce Brosnan	4	922	49
Daniel Craig	4	975	47

\*Figures in 2017 values. The list counts official Eon-produced Bond films only, so does not include the original Casino Royale and Never Say Never Again

## MEME'S THE WORD



Source: BBC, Reuters

## SEN & SENSIBILITY

# The Live-Ins are Coming!



Rajyasree Sen

Are you an adult in love with another adult? Do you want to spend time together, but not get married? Go directly to jail, do not pass go, do not collect \$200. Because not only are you a sinner, you are a "social terrorist"... Doing the unthinkable, consensually living with another adult. Infecting society one live-in relationship at a time.

What could be wrong with two consenting adults wanting to live together without breaking any law, you ask? A lot, according to Prakash Tatia, Rajasthan Human Rights Commission chairperson, who has decided to take his job very seriously, and do what he must to protect the rights of humans — including those of you who are living in sin.

According to Tatia, retired chief justice of Jharkhand High Court and former judge of Rajasthan High Court, no less, live-in relationships are 'social terrorism'. "What sort of freedom is this... without notice, (people) start living in with someone else, then a third person... this is infecting the society." Why is Tatia so concerned? He feels that if our children are to meet someone in a live-in relationship, they will also immediately start craving one.

Tatia seems to be a man easily frightened. According to him, live-in couples bring a "sense of insecurity" where they live, creating a "sense of fear, which virtually creates terror...". There may be fights. I am not saying the people who are fighting are right, but it's the reality... The question is whether it's a better alternative to marriage? What is the control of society... who will intervene when things go wrong?" He has a point, because it has been a while since the government or the courts started peeping into our homes

and bedrooms and telling us whom to marry or have sex with. The 'control of society' is of paramount importance in our country.

Keeping things topical, Tatia also claimed that live-in relationships are more detrimental to women than even triple talaq. The status of women 'abandoned' from a live-in relationship was "worse than divorced women". A statement that in one fell swoop makes women into victims and makes divorce a permanent scar marring only women.

"Two consenting adults don't have the right to end the dignity of the entire society... live-in relationships need to be registered like a marriage... terminating the marriage also should go through a legal process."

If Tatia is talking about palimony, that precedent was set in India in 2015, when the Supreme Court ruled that if an unmarried couple was living together as 'husband' and 'wife', they would be considered to be legally married. The apex court had said that the woman would be eligible to inherit her part-

ner's property after the latter's death.

In 2013, the Supreme Court had also requested that Parliament should amend the Domestic Violence Act to protect the interests of women and children in live-in relationships. Registering our live-in relationships legally will make it tantamount to marriage. Clever Tatia.

In February, Tatia had asked people to share their opinion on live-in relationships. Based on which he would make recommendations to the government. Because "what is the status of their children? We have to bear in mind that society has yet to accept live-in relationships... such children are not accepted in schools or in society." I would strongly advise Tatia to step out of his ivory, prejudiced little tower and see that the world has changed.

And it's not just Tatia. The Rajasthan State Women's Commission is supposed to launch a campaign against live-in relationships. Not a good advert for Rajasthan. Commission chairperson Suman Sharma has said that such relationships were "against our culture" that women "suffered the most when such relationships ended" and "that there was no provision to help women in such a case".

We, women, should really be touched by the concern shown for us by the judiciary and the legislature. These comments follow the ruling of the Kerala High Court last week nullifying an alleged 'love jihad' marriage by stating, "Marriage being the most important decision in her [Akhila's] life can only be taken with the active involvement of her parents... The marriage, which is alleged to have taken place, is a sham and is of no consequence in the eye of law. Her husband has no authority to act as the guardian." And Akhila has no free choice.

Moving. Especially since all these absurd decisions underline the fact that the be all and end all is that a woman must marry — someone whom her parents choose. And that even as an adult, she has no rights. With protectors like this, who needs enemies?

## Citings

# Railways and Finance

RICHARD BOOKSTABER

The railroad was the disruptive technology. It reached into every aspect of industry, commerce and daily life, a complex network emanating from the centre of the largest city to remote countryside. Railroads led to, in Karl Marx's words, "the annihilation of space by time" and the transformation of product into commodity.

A product was no longer defined by where it was produced, but instead by the market to which the railroad transported it. The railroad cut through the natural terrain, with embankments, tunnels and viaducts marking a course through the landscape that changed perceptions of nature. For passengers, the "railway journey" filled 19th-century novels as an event of adventure and social encounters. Railroads were also the source of repeated crises.

Then as now, there was more capital chasing the dreams of the new technology than there were solid places to put it to work. Many of the railroad schemes were imprudent, sometimes insane projects, the investments often disappearing without a trace. The term railway was to Victorian England what atomic or aerodynamic were to be after World War II, and network and virtual are today.

When it came to investments, the romantic appeal of being a party to this technological revolution dominated profit considerations. Baron Rothschild quipped, there are "three principal ways to lose your money: wine, women and engineers".

From "The End of Theory: Financial Crises, the Failure of Economics, and the Sweep of Human Interaction"



# Tragedies Happen

AZIM JAMAL

In life, tragedies happen that are very hard to explain. They can destroy families; and life for some is never the same. Tragedies make you question the mercy of the Creator. It shakes your faith. How can the Creator be the most merciful if such tragedies are allowed to take place? Prophet Jesus was crucified, Prophet Muhammed was an orphan. How can Prophets go through this when they are so close to the Creator? These are complex questions that philosophers have grappled with throughout history.

If one looks 200 years ahead, everything in our life will perish because 100% of the current population will be dead by then. When you look that far ahead, it makes you realise that everything in life is temporary. Everything we have been given in life — family, wealth, health, respect — are all given to us in trust for a given time. Once that time is up, it is taken away from us, and that includes our own life.

One thing that cannot be taken from us is our memories. Khalid Gibran said, "To live in the hearts of others is not to die." When you lose someone, which will happen sooner or later, the memories are yours to keep. The only consolation is that what you lost was really never yours — it was just given to you in trust for a certain period of your life.

It's very hard to digest when you have lost someone, but ultimately, that is the only truth. All we really have is this moment to cherish and savour; everything else is uncertain.

## Chat Room

# Equality for All in a Democracy

Appropos the Edit, 'Good Riddance to an Unequal Practice' (Aug 23), yes, the will of the majority cannot be forced on the minorities. However, religion should not be allowed to suppress a section within the community. When polygamy is disallowed, how can polygamy be permitted? When a wife cannot divorce in the same way as a husband can do, where is the equality? We need a complete rethink on civil laws and the country must move towards a uniform civil code, which will be good for society.

S KALYANASUNDARAM  
By email

# Safety Only in Tech Train

This refers to 'Unacceptable Rise in Rail Accidents' (Aug 22). The Railways should replace old tracks and set up a statutory regulator to oversee routine safety and maintenance, with a ₹1-lakh-crore safety fund. We should follow UK's model of upgrading of the London-Glasgow rail link: mechanised system for prefabricated units and railwaying operations, advanced signalling system, and central computerised system to detect faults and stop trains automatically. Only by incorporating modern technologies can we make train travel safe in India.

DINKAR NAIK  
Mumbai

# More Important Issues to Face

The leading IT giants have bigger issues to deal with — stagnant operating margins, rising competition from peer vendor companies, Brexit and declining revenues as a result of optimisation and automation of bread-and-butter business processes, among others — than focus on boardroom fights. While the challenges beg more attention than ever, it is only a matter of time before alleged poor corporate governance brings more mudslinging to the centre stage. For a long-term investor, the return on equity matters the most, and corporate strategies, buybacks at a low acceptance ratio and a change-of-guard ceremony don't move the stock market.

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