



## Interesting, but risky

RBI's diktat to banks could spur borrowing but may pressure lenders' margins

The Reserve Bank of India (RBI) has finally decided that it needs to address the problem of inadequate interest rate transmission head on. In a circular to banks on Wednesday, it directed lenders to link all new floating rate loans given to borrowers in the personal, retail and micro, small and medium enterprise (MSME) categories to external benchmarks, including the repo rate, with effect from October 1. While giving banks the relative freedom to choose the specific external benchmark, including yields on the 3-month and 6-month Treasury Bills published by the Financial Benchmarks India Pvt. Ltd., the central bank made it clear that lenders would need to adopt a uniform benchmark within a loan category. Banks have also, crucially, been given the leeway to determine their spread over the benchmark rate with a caveat that changes to the credit risk premium can only be made when the borrower's credit assessment undergoes a substantial change. That the inadequate transmission of policy rate moves has been an abiding conundrum for the RBI is well known. In 2015, then Governor Raghuram Rajan decided that the system used by banks to price their loans needed to be changed and so introduced the Marginal Cost of Funds based Lending Rate (MCLR) regime. In October 2017, an internal study group of the RBI recommended the adoption of external benchmarks to ensure effective policy transmission, after observing that the MCLR too had failed to deliver.

Polymakers, in fact, have been so vexed with poor transmission – against a total of 75 basis points (bps) reduction in the RBI's repo rate between February and June, the weighted average lending rate on fresh rupee loans at banks eased only by 29 bps – that Monetary Policy Committee member Chetan Ghate in August cited the issue as reason to oppose the proposed 35-bps cut and instead voted for a 25-bps reduction. "By a large cut (35 bps) I feel we will be burning through monetary policy space without much to show for it. While the real economy needs some support, we should wait for more transmission to happen," he said at the MPC's rate setting meeting, the minutes show. Though the latest move will surely lower the interest cost on new floating rate loans availed by borrowers to buy cars or homes, it may force banks to start cutting the interest rate they pay deposit holders or risk seeing their margins shrink. And while the RBI wants to try and nudge an uptick in credit for beleaguered MSMEs, the success of the measure will ultimately be determined by a regaining of confidence by consumers to spend and a conviction by industry to invest.

## A weak chase

Controlling the hepatitis B virus calls for universal vaccination of newborns

On September 3, Bangladesh, Bhutan, Nepal and Thailand became the first four countries in the World Health Organization's southeast Asia region to have successfully controlled hepatitis B. The virus is said to be controlled when the disease prevalence is reduced to less than 1% among children less than five years of age. Despite the introduction of hepatitis B vaccine in the Universal Immunisation Programme in 2002 and scaling-up nationwide in 2011, about one million people in India become chronically infected with the virus every year. According to the Health Ministry, as on February 2019, an estimated 40 million people in India were infected. Hepatitis B infection at a young age turns chronic, causing over 1,00,000 premature deaths annually from liver cirrhosis or liver cancer. A study published in 2013 found lower coverage of hepatitis B vaccine in eight of the 10 districts surveyed. But the coverage has witnessed an increase with the introduction of a pentavalent vaccine on a pilot basis in Kerala and Tamil Nadu in December 2011 and national roll-out in 2014-2015. According to the WHO, the coverage of hepatitis B third dose had reached 86% in 2015. However, despite the high vaccination coverage, disease prevalence in children aged less than five years has not dropped below 1%. One of the reasons for this is the sub-optimal coverage of birth dose in all infants within 24 hours of birth.

Hepatitis B birth dose, given in the first 24 hours, helps prevent vertical transmission from the mother to child. The compulsion to increase birth dose to cut vertical transmission arises from two important reasons – about 70-90% newborns infected this way become chronic carriers of hepatitis B, and about 20-30% carriers in India are due to vertical transmission. But even seven years after the Health Ministry approved the birth dose in 2008, its coverage remained low – 45% in 2015 and 60% in 2016 – according to a 2019 Health Ministry report. What is indeed puzzling is that even in the case of institutional delivery, the birth dose vaccine coverage is low – 76.36% in 2017. Incidentally, institutional delivery accounts for about 80% of all deliveries in the country. The birth dose coverage when delivery takes place outside health-care institutions is not known. One of the reasons for the low coverage is the fear of wastage of vaccine when a 10-dose vial is used. Unfortunately, health-care workers are very often unaware of the WHO recommendation that allows hepatitis B open-vial policy. Opened vials of hepatitis B vaccine can be kept for a maximum duration of 28 days for use in other children if the vaccine meets certain conditions. There is also a need to increase public awareness about the merits of the birth dose.

# Teaching in the time of consumerism

Changes in social ethos and state policy have pushed the once-venerated Indian teacher to the margins of public life



KRISHNA KUMAR

Like many other topics, teaching and those who earn a living by teaching are subjects of a highly polarised debate in our country. Public perception of schoolteachers is quite negative in many parts of the country. If you ask a young urban audience: 'Who wants to be a schoolteacher?', the answer will come with so much hesitation that you will be right to summarise it as: 'No one, really.' You can verify this by asking freshly enrolled students at a teacher-training course: 'Was teaching your first preference?' Very few will say, 'yes.' Among young men, there will probably be no one answering in the affirmative.

This low popularity of school teaching can be linked to several changes that social ethos and state policy have gone through over the last three decades or so. In a consumption-oriented environment, the kind of idealism school teaching requires is not easy for a young person to cultivate and sustain. The working conditions and ethos at their respective schools erode the stamina of the few who start with a sense of dedication.

I hardly need to add that this macro picture conceals the tales of several thousand teachers who battle on and remain committed to their duty against all odds. Some of them do get appreciation from parents of the students, but more often than not, parents remain dissatisfied. Many parents now treat their progeny's school life as an 'investment' for which they demand the best 'value', often by relentlessly criticising the teacher and the principal. They don't know the burden teachers carry on their fragile, ill-equipped pro-

fessional shoulders. This burden includes the weight of family and community life, and the pressure coming from officialdom.

On their part, children bring to schools the psychological bruises incurred at home where the adults are too preoccupied with their own lives. Further, as recent surveys in both urban and rural habitations show, technology is a dominant player in child upbringing. A schoolteacher must cope with the impact that these drastic changes have made on the inner world of children.

### Weak professional training

Speaking of training, the vast majority of teachers being hired today have had their professional training in poorly equipped institutions. Weak professional preparation is not a recent woe, but it has certainly worsened under the 'licensing raj' of the National Council of Teacher Education (NCTE). There was a time when teacher training had no licensing authority. The NCTE was an advisory body then, with no statutory powers. It acquired legal teeth as a result of the NCTE Act, 1993. The new, empowered NCTE came into being two years later.

The mid-1990s marked a period of tumultuous change in the landscape of public education. The impact of market-friendly policies was spreading across the system, but it was the most palpable in professional education. Private enterprise in medical, engineering and management education had already set in. Compared to these areas, teacher training was both cheap and highly profitable.

Demand for qualified teachers rode the wave of rapid growth in primary education. In response to this demand, teacher-education institutes and correspondence courses mushroomed. The NCTE had a difficult mandate to fulfil and had to maintain standards by regulating a bullish market of enrol-



ment providers. Initially, it seemed as if the NCTE's regulatory role would succeed in imposing quality norms. However, before long, the body's failure to control the flood of commercial private interests started looking inevitable.

Teacher training was, of course, not the only area of professional education to be corrupted by the new licensing regime. The system of education was in general battling hard to find ways to regulate the swelling, strong current of privatisation.

The teacher-training sector became so afflicted by fraudulent institutions and practices that internal mechanisms of correction proved inadequate. Hundreds of cases against bogus institutions reached the Supreme Court, which appointed a commission chaired by late Justice J.S. Verma. For a few years after 2012, when its report was published, an attempt was made to implement its recommendations, but the momentum slowed down before long. Several recommendations required substantial state funding, but the NCTE had already taken the self-financing route. Its institutional capacity to provide academic leadership to teacher training was already limited. Its further decline coincided with the rise of technological gimmickry. However, it would be wrong to hold the NCTE alone responsible. The wider pro-

blems of higher education have also made their contribution to the decline of teacher training. This is not hard to explain. Graduates whose college education is of poor quality cannot be expected to overcome their learning backlog at a training institute. Faculty shortage exacerbates this deprivation.

The government recently came up with a policy decision favouring four-year courses that integrate undergraduate learning with pedagogic training. This model is not new, and its success depends on investment in institutional infrastructure. But with commercialisation fully entrenched in teacher education, one cannot expect generous spending on faculty and infrastructure.

### Impact on school education

Problems of teacher training have had a pervasive impact on school education as a whole. Governments have been aware of this, both at the Centre and in the States. One of the steps they have taken to fill the quality gap is to introduce a teacher-eligibility test. This has only made a marginal difference, as the proportion of trained teachers who get through the test is low, creating a vast backlog in recruitment. On the other hand, para-professionals have been growing in number and influence. They are known by various names in different States,

but they also exist in vast numbers outside the system – as providers of home tuition and coaching. This underbelly of the education system suffers no interference from state norms. In the world of coaching, we see the utopia of free enterprise and the demise of teaching as noble work.

It is hard to date the beginning of the current, ongoing decline in the status of teachers. A conversation with a senior official in Madhya Pradesh comes to mind. During a visit to Bhopal more than two decades ago, I asked him if it was correct to say that school teaching was no longer considered a career in M.P. He readily agreed. We discussed the new realities that had emerged. We agreed that a major shift in culture, pushed by economic changes, had occurred, and it had marginalised the teacher.

The Indian teacher, once a foot soldier in the freedom struggle and a contributor to nation building in the early years after Independence, now stands relegated to the margins of public life. This marginalisation is reflective of the social change that has taken place in the country and flags the diminishing importance of intellect. This is also evident from the news about our greatest historian being insulted by her university. Our collective vulnerability to the power of propaganda and rumour is not new; disrespect for the teacher's dedication to a life of intellect is.

Nonetheless, no matter what the subject and howsoever limited his or her own knowledge, every teacher tries to nudge his students towards reality and truth. Children want their teacher to verify and appreciate their efforts. Having faith in his/her teacher is a part of being a child, a blow to which will disturb the foundations of social living.

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## Putting the pedal to the metal

The government should consider dropping GST rates for BS-IV vehicles to revive the automobile industry



RAGHUVIR SRINIVASAN

The automobile industry is notoriously cyclical. It is also a lead indicator for economic growth. And it has been in a tizzy since this time last year when the signs of an impending slowdown were first seen. Sure enough, the decline began in the last quarter of calendar year 2018 and intensified with the passage of every month in 2019.

So, if the industry goes through cycles of ups and downs, is the current slowdown something to worry about seriously? Yes, indeed. Are auto manufacturers heading towards an apocalypse? No, certainly not. So, why do we need to worry about this slowdown? Simply because the current downturn is like nothing that the industry has seen in a long, long time in terms of depth, scale and character.

So, what's different this time? First, every segment of the auto industry, beginning from two-wheelers to passenger cars, light commercial vehicles and heavy commercial vehicles, and even tractors, has been hit. The downturn this time is all-encompassing.

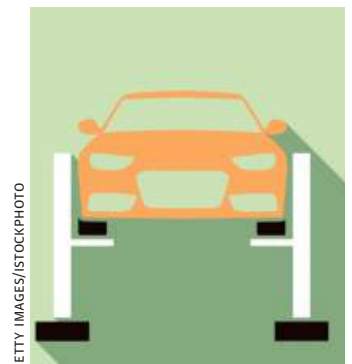
Second, what was a natural, cyclical downturn has been amplified by extraordinary circumstances unleashed by reform measures that may have been well-meaning but have come back to bite the government.

Finally, an unthinking approach to a critical policymaking area such as electric vehicles has only intensified and prolonged the slowdown. Yes, key Ministers are now scrambling to contain the damage by retracting some of their earlier statements and reassuring the industry that the electric motor will not be privileged over the internal combustion engine but it has come too late.

### Revision in axle-load norms

Let's take the case of the commercial vehicles (CV) industry. In July 2018, the government revised axle-load norms (for the first time since 1983) for cargo carriers by reducing 12% and 25%. The idea was to legalise over-loading, which is common practice, and help reduce freight costs for both consignors and consignees.

But by applying the higher cargo rules to all trucks on the roads, instead of only trucks to be produced after a given date, the government, in one stroke, raised existing carrying capacity by up to a quarter, forcing per-tonne freight rates down. This at a time when carrying capacity was already increasing due to the introduction of



the Goods and Services Tax (GST), which helped in quicker turnaround of trucks. Operators were able to keep the trucks gainfully deployed for 25% more days in a month than before.

These two reform measures only served to advance the cyclical slowdown which was on its way. The CV industry has a well-earned reputation for sharp practices such as steep-price discounting and dealer dumping by vehicle manufacturers. Like elephants that spray their own heads with sand, vehicle manufacturers – CVs and cars – have honed into a fine art the practice of clogging the pipeline by over-producing vehicles without a care for demand, and dumping them on dealers to sell.

This became a particularly painful issue because of the approaching deadline for the transition to BS-VI norms from April 1, 2020. Dealers are saddled with invento-

ry of BS-IV vehicles that they need to clear out before the deadline. For the manufacturers, the problem is that they're unable to plan their production schedules for BS-VI vehicles as freight operators are watching the fun from the sidelines. They're waiting for the steep discounts that are bound to come by as the deadline nears and are not in a hurry anyway to add new trucks given the slowdown in goods movement.

### Model fatigue

If it was a deadly cocktail that consumed the CV industry, in the case of cars, it appears to be one of model fatigue. Between Maruti and Hyundai, the two big players that account for two-thirds of the industry, there have been hardly any exciting new launches in the last one year. There have been facelifts and limited editions of existing models but the two biggies have not ventured into launching fresh models, at least until very recently.

The model-fatigue theory is proved by the response that two new kids on the block – the Kia Seltos and the MG Hector – received. Though they're not mass-market cars and are priced considerably higher than the median range, the two models have attracted bookings in excess of 30,000 units each in what is supposedly a depressed market. Maruti and Hyundai have clearly been caught sleeping at the wheel.

The onset of festival season sales and the impact of recent measures by the government may help the cycle play itself out soon but is there something that the government can do to quicken the turnaround? Of course, yes. Should it reduce GST on automobiles from 28% to 18% as per the demand of the industry? Yes, it should, but not for all vehicles.

The government should consider dropping GST only for BS-IV vehicles – CVs, cars and two-wheelers – that are now idling in stockyards of vehicle manufacturers and dealers. It should consider a scheme where all BS-IV vehicles sold until March 31 will suffer only an 18% GST. For the industry, this will help clear the clogged pipeline and for the government, it will help contain the fallout on its revenue as the lower rate will apply only on a limited stock and until a specified time.

A quick GST Council meeting by video conference should be called right away instead of waiting for September 20 when it's slated to next meet. Prospective buyers, of cars as much as CVs, are delaying their decision as the word is out that the government may consider a tax cut. If rates are to be cut anyway, it makes sense to do it immediately. Two weeks can make a huge difference to an industry writhing in agony.

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## LETTERS TO THE EDITOR

Letters emailed to [letters@thehindu.co.in](mailto:letters@thehindu.co.in) must carry the full postal address and the full name or the name with initials.

### A trusted partner

In view of the emergence of China as a superpower, the Indo-Pacific region has turned into a theatre of conflicting interests (Editorial page, "Steaming back into the Indo-Pacific," Sept. 5). The Quadrilateral Security Dialogue between U.S., Japan, India and Australia has not made any progress towards the stated objective of securing the Indo-Pacific. Though it created a lot of enthusiasm in the beginning, it has not been pursued by its members with the required energy. Hence, it would be in the interest of India if Russia plays a bigger role in the region. Russia has been a time-tested friend of India

and continues to be its largest defence partner. If this relationship expands into a strategic partnership, it would help secure India's interests and will infuse the required dynamism and balance in the geopolitics of the Indo-Pacific region. Prime Minister Narendra Modi's visit will help sow the seeds for such a partnership.

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### Political machetes

By now, it has become quite clear that the Narendra Modi government is not averse to misusing the central agencies to take revenge on 'political enemies'. It is naive to

suppose that agencies like the Enforcement Directorate and CBI are 'politically neutral' and act independent of government control. The charge or perception that they are tools in the hands of the government to go after political adversaries is not without substance. The cases of Congress leaders P. Chidambaram and D.K. Shivakumar spring to mind. On the other hand, cases against members or supporters of the ruling party are not pursued with the same vigour. The law must take its own course and not the one paved by political machetes.

*G. DAVID MILTON, Maruthancode, Tamil Nadu*

### Shrill rhetoric

Even in normal times, Pakistani generals and politicians have nothing to lose but everything to gain by indulging in shrill warmongering because the theocratic military state's identity is tied to a perpetually adversarial relationship with India (Editorial, "Irresponsible rhetoric," Sept. 3). Pakistan's elites dread nothing more than a public perception that they have been outmanoeuvred by their arch-rival. The dilution of Article 370 has dealt a severe blow to their prestige and self-respect. It is no wonder that some of them have taken to brinkmanship to impress

upon the people their determination to confront the 'permanent adversary'. The Indian political leadership has demonstrated the maturity to nonchalantly ignore this provocative behaviour.

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### Remembering Massoud

As observed by the American journalist Steve Coll, in his work, *Ghost Wars*, "Afghanistan after 1979 was a laboratory for geopolitical and military visions" that were conceived abroad and imposed by force". Amidst this, Ahmad Shah Massoud, the 'Lion of Panjshir', emerged as the country's

own nationalist visionary. Even though his Northern Alliance (NA) was no match for the ISI-backed Taliban in terms of resources and finances, his military genius helped NA present a formidable challenge to the ISI-Taliban duo in those turbulent years (Front page, "How India secretly armed Afghanistan's Northern Alliance," Sept. 1). Assisting Afghanistan to secure the elusive peace without placing troops on the ground would be the greatest tribute that India can pay to Massoud.

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