



Moving up

India moves up the doing business index, but the challenges remain formidable

India's surge in the latest World Bank report on "the ease of doing business" around the world – from the 130th position last year to the 100th – could not have come at a better time for the government. Facing sustained criticism of late over its handling of the economy, it was not entirely surprising that Finance Minister Arun Jaitley held a press conference just to discuss the findings of the Bank's report. He reiterated the commitment to pursue more reforms, especially in areas where the Index still rates India poorly among 190 countries. Prime Minister Narendra Modi has set for his government the target of entering the top 50 in the Bank's index, from the 142nd rank India was placed at in 2014 soon after he assumed office. Specific steps to cut red tape seem to be paying off, with the Bank recognising India as one of the top 10 countries that have made improvement over the past year, and the only large country to see a significant shift. The introduction of the new insolvency and bankruptcy resolution process, simplifications in the payment of statutory dues such as provident fund contributions and corporate taxes and easier access to credit are among the key changes that spurred India's latest ranking. It is also notable that India is now the fourth best placed in the world for minority investors, well ahead of several developed nations.

The Bank's report, based on executive actions and ground-level feedback from businesses in Mumbai and Delhi till June 1 this year, however, does not take into account the impact of the goods and services tax launched a month later. The quality and pace of course correction on the GST in the coming months will determine if India can hold its 100th position or move up further. Talking up the Modi government's approach, Mr. Jaitley sought to contrast the UPA era with the NDA's tenure by saying that the ease of doing corruption has been replaced by the ease of doing business. While the government has valid reasons to be upbeat, it must not lose sight of the larger challenges. The enforcement of contracts now takes longer than it did 15 years ago, while procedures to start a business or secure a construction permit remain cumbersome. As the country's largest urban agglomerations, Mumbai and Delhi cannot host the kind of large factories that India needs to generate adequate employment. It is critical that such procedural reforms reach the hinterland and a road map be drafted for the larger legislative changes needed in matters such as land acquisition. Lastly, while foreign investors are important, they often take their cue from the mood of domestic businesses. Last week, for instance, Sunil Bharti Mittal said the ease of doing business remains a concern despite the government's best intentions, and mooted a structured dialogue between India Inc. and policy-makers on the irritants to investment. The government, with great orators in its ranks, could perhaps be a better listener.

The war on TB

India registers a few successes but the surveillance systems remain inadequate

There is a glimmer of hope with India registering a slight drop in the number of new tuberculosis cases and TB deaths in 2016 compared with 2015. From an estimated 2.84 million new cases in 2015, the number dropped marginally to 2.79 million in 2016, according to the World Health Organisation's Global tuberculosis report, 2017. Incidence estimates for India are considered interim, pending a national TB prevalence survey scheduled for 2017-2018. In terms of mortality, the drop was from 0.51 million in 2015 to 0.43 million in 2016. The number of deaths and the incidence rate have been falling both globally and in India. The targets set in the End TB strategy are global reduction of 20% in incidence and 35% in mortality by 2020, taking 2015 as the base year. To reach that target, the global drop in incidence has to be 4-5% a year – currently it is about 2% a year. Also, the percentage of deaths should come down from the current 16% to 10%. With India accounting for the highest TB incidence (23%) and mortality (26%) globally, success in realising the End TB targets hinges largely on the country strengthening its systems. The first step in defeating the disease and achieving the targets is to record every diagnosed patient through case notification (that is, when a person is diagnosed with TB, it is reported to the national surveillance system, and then on to the WHO). There was a 34% increase in case notifications by health-care providers in the private sector between 2013 and 2015. It improved from 61% in 2015 to 69% in 2016. But much work remains to improve case notifications as only 1.9 million TB cases in the public and private sectors were notified in 2016, leaving a 25% gap between incidence and notification, the largest in the world. Though notification was made mandatory in 2012, multiple surveys and surveillance data still show large under-reporting of detected TB cases, especially in the private sector.

With a higher number of people with TB being tested for drug resistance, the percentage with resistance to the drug rifampicin alone more than doubled to 0.58 million in 2016 over the previous year. Also, the number of estimated multi-drug-resistant TB cases increased marginally to 84,000. But the number of people with MDR-TB enrolled for treatment improved marginally between 2015 and 2016 (from 26,996 to 32,914). For the first time, baby steps have been taken to offer preventive TB treatment to a small (5%) number of people who are HIV-positive, and 1.9% of children below five years who are household contacts of people recently diagnosed with pulmonary TB. Notably, domestic funding (74%, \$387 million) for anti-TB work has been more than that from international sources (26%, \$124 million). While better funding might help India inch closer to its stated goal of ending TB by 2025, much more is needed in terms of funding and commitment on all fronts.

The stimulus and after

The recapitalisation of public banks is a welcome move but will be a lost effort without accompanying reforms



AJIT RANADE

The *Financial Times* of London described the recent recapitalisation of public sector banks in India as collecting used tiffin boxes. It said banks are like intermediaries, not unlike the dabwalas of Mumbai who deliver home cooked meals to offices, and return used tiffin boxes back in the evening. Banks collect savings from depositors and give it to borrowers. The intermediaries have not been collecting their deliveries back (that is, the bad loans), and the clean-up is as messy as uncollected used tiffin boxes!

Low credit offtake

The metaphor is a bit mixed up but catches the imagination. A better metaphor would be "cleaning the carburettor" of the credit pipeline. Bad loans have clogged the pipes, and new credit has stopped flowing.

One of the most reliable leading indicators of economic growth is the growth of non-food credit. High growth in credit foretells healthy growth of GDP, since credit goes mostly into investment and building of new capacity. India is predominantly a bank finance-led economy, so when bank lending slows down, it surely impacts future growth. Bank credit growth has been at nearly a 60-year low. Even the growth of money supply is at a 55-year low. This stark metric tells us about the growth slowdown. Of course, there are many proximate causes as well, such as demonetisation and the roll-out of the goods and services tax (GST).

Credit offtake slowed down because of both demand and supply side factors. On the demand side is



GETTY IMAGES/ISTOCKPHOTO

the fact that industry has low capacity utilisation rates (factories lie idle); domestic industry is losing market share to low cost imports, made worse by GST, which has tilted the field in favour of imports, and also by the strong currency. The corporate sector is also deleveraging and paying off its past high debts. All this means demand from the private sector for large-scale new credit is muted.

Burden of bad loans

On the supply side, the big constraint on fresh lending is the burden of non-performing assets (NPAs). The NPA ratio has been deteriorating for more than six years, and worse is yet to come. The diagnosis of worsening NPAs reveals five different causes, not all caused by the bankers themselves. The first is the disproportionate share of loans that went to infrastructure. These projects are of long gestation and long payback period, so unsuitable for bank lending. That creates an asset liability mismatch for banks, since the liability side is of a short-term nature. During the UPA regime, public-sector banks were under pressure to fund the ambitious \$1 trillion infrastructure vision. Normally such projects ought to be funded by long-term bonds or developmental organisa-

tions like the World Bank or the Asian Development Bank, or the IDBI in its original avatar. But in the absence of those options of development finance, it fell to public sector banks to provide infrastructure finance. This led to over-exposure.

The second reason for deterioration of loans could be the impact of key judicial decisions like abrupt cancellations of coal mines and spectrum allocation. When the same were re-allocated through expensive auctions, it proved to be a fatal burden on respective business models of power, steel and telecom. The third reason for worsening NPA ratios could be the delays caused by land acquisition and environmental clearances. This reason for NPAs was adequately documented in the Economic Survey. The fourth reason is the Asset Quality Review mandated by the Reserve Bank of India (RBI) in 2015. This was much needed, since it put a stop to the "extend and pretend" culture around worsening credit.

To be fair, the RBI showed great regulatory forbearance in allowing lenders to work out remedies for genuine cases which faced a business cycle downturn. Various options were made available, including extending duration of loans,

debt restructuring, swapping equity for debt and so on. But it does not seem to have made any significant difference. The NPA recovery process has since got a boost due to the new insolvency and bankruptcy law. The government too announced the Indradhanush scheme focused on banking reforms and recapitalisation of NPA-burdened banks. Two instalments of infusion in the past two years proved woefully inadequate as the NPA ratio continued to mount.

The fifth reason for worsening NPA is an omnibus called "malfeasance". This includes cosy relationships between banker and borrower, crony capitalism, political interference in lending decisions (a legacy of the past), a less than vigorous attempt to recover past dues, careless due diligence, etc.

There may be other reasons as well. The fact is that 10% of all loans have gone bad. No wonder that after provisioning, for many public-sector banks their net worth would be completely eroded. Hence the days of piecemeal and feeble remedies are gone.

More reforms needed

In the light of this background, the decision to inject ₹2.11 lakh crore of capital into public sector banks is a welcome boost. This was also evident from the reaction of the stock market as some bank stocks soared by as much as 35%. It is somewhat a moot point that this injection could have been done at least one year ago.

The injection is clever because it has been done without busting the promised fiscal deficit target. It has been financed by the sale of recapitalisation bonds. Banks are currently flush with cash which was deposited after demonetisation. Much of that same cash will be used to buy those bonds. The proceeds of the sale of these bonds will be put back into the bank as fresh equity by the government. It's a

neat roundtrip of depositors' cash coming back as capital. To that extent it is taxpayers who are funding this equity injection. More details are awaited. For instance, since banks are listed entities, should not other shareholders apart from the government also be asked to make a matching equity infusion? What about the windfall gains that arose as a result of this equity infusion? How will the bonds be repaid by the government? What will be their duration? Will they be traded? Would they instead be converted into perpetual bonds, never to be repaid, as was done to the 1992-93 bonds?

Suffice to say that this capital infusion provides banks with the much-needed room to make fresh loans. In the coming days of Basel-3 where much capital is needed for risk provisioning, the NPAs are a milestone which prevent fresh lending.

With this big bang recap effort, we can expect the growth pipes to be unclogged. Of course, the recapitalisation effort is useless without accompanying reforms which can prevent a recurrence. Those reforms are mostly about governance, meaning granting genuine autonomy to banks in their functioning, including all aspects such as lending, recovery, and recruitment decisions. Banks have to be accountable to shareholders, including the government, through their respective boards. That's the fourth crucial "R" that was part of this recap package - recognition, recapitalisation, resolution and reform. Without reform of credit functioning, culture, treatment of delinquencies and even ownership structure in banking, this recap effort will only be stopgap. Assuming reform is coming (witness the huge increase in India's global rank in ease of doing business), let's raise a toast to the bank recap.

Ajit Ranade is an economist



VEENA VENUGOPAL

It's both fitting and ironical that there is no better way to describe what's happening now, other than to say sexual harassment is 'trending'. The details of the high profile indictments that have happened so far, mostly in the U.S., have helped blow the lid off the silence and complicity that allowed powerful men to be impudent sexual predators. In India, this manifested in two things – a scream of women unburdening themselves of their victimhood through the #MeToo campaign, as well as a list on Facebook calling out men in academia as serial sexual abusers.

Even if the shock in this public list was about its shade of vigilantism, the substance of it is in the nature of abuse detailed. These accounts of what happened and how, often substantiated by publishing screenshots of private conversations, highlight the utter lack of

clarity on what is appropriate behaviour in a world where social media has shrunk the boundary between the public and the private.

Question of definition

To begin with, the very definition of sexual harassment has to be updated for the digital age. Where does "icky" behaviour end and sexual harassment begin? Does sending a Facebook friend request constitute sexual harassment? Does the answer change if that request was from a doctor you consulted? In Pakistan this week, the Oscar-winning film-maker, Sharmeen Obaid-Chinoy, complained online about a doctor sending her sister a Facebook friend request after she consulted him for a treatment. Her tweet went viral and the doctor was suspended from duty. It isn't ideal behaviour on the part of the doctor, but is it harassment enough to warrant a serious disciplinary action? When bosses and subordinates are Facebook friends, can a personal update on that media be referred to at the workplace? The dystopian future where everything is judged purely by reactions on social media is upon us now. Unless institu-



GETTY IMAGES/ISTOCKPHOTO

tions and organisations get down to the task of writing clear rules of engagement, they heighten the risk of improper behaviour as well the need for knee-jerk measures for damage control.

Second, with our demographic spread there is an urgent need to codify what is permissible social behaviour. What rules do millennials live by? And are non-millennials familiar enough with those rules? One of the experiences quoted against a professor named in the Facebook list, for instance, is an account of a party in which there is close physical intermingling of the victim and perpetrator after everyone left. In India, especially, where we simultaneously straddle the ex-

treme ends of a regressive and progressive society, where does the line of harassment lie? In this story, the perpetrator goes on to touch the victim inappropriately. It is non-consensual, therefore it is harassment. But if she were to initiate legal proceedings, the circumstances leading up to the infraction lay open the possibility of that old line, "she was asking for it", being thrown back at her.

Third, who bears the burden of evidence? The millennial view seems to suggest that it is up to the perpetrator to prove that his behaviour was not appropriate. But how does one prove a negative? Especially a generic negative, where the name of the accuser and the specifics of the crime are also unknown. What happens when some of the accused are dead, and therefore unable to defend themselves or clear their names in any manner? If an innocent person's name creeps in, it is condemned to stay there. Women, and feminists should also worry that a long list which indicates that most men are sexual harassers, without grading the degrees of infraction, could simply be reduced to mean no men are sexual harassers. In the future will victims, who want to follow the

"due process", be subject to even higher standards of scrutiny and evidence collection if it becomes too easy to make allegations of abuse?

Fixing the process

Sexual harassment will continue to trend, and it is only a matter of time before many such lists appear. The Bollywood list, the bureaucracy list, the corporate list. Despite the flawed nature of the exercise, it cannot be denied that the genesis of the list and the support it has received are a result of the apathy that institutions as well as the judicial process have shown to victims of abuse who have tried to follow the "due process". The case against R.K. Pachauri, former head of TERI (The Energy and Resources Institute), is ample illustration of how victims are stonewalled and powerful perpetrators protected, often by even senior women in the team. This, then, really is a final warning to men in power as well as the institutions that they represent. If the "due process" exists in order to deny justice to victims, then the gloves are off, and everyone's fair game.

veena.v@thehindu.co.in

LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

Brahmaputra plan

China's plan to divert water from the Brahmaputra in Tibet to the "parched Xinjiang region" in China by building a 1,000-km-long tunnel, the world's longest, will prove to be an environmental disaster ("China plans tunnel from Brahmaputra", Oct. 31). The greater Himalayan region has many weak geological zones and a project of this magnitude will result in a catastrophe. There is also a need to preserve the unique fauna and flora here and all natural resources. We can ill-afford to create problems.

P. NARAHARI,  
Hyderabad

■ It is not only India but also Vietnam, Cambodia and Bangladesh that heavily depend on south flowing rivers that originate in Tibet. Currently, many of the Himalayan rivers have been relatively untouched by dams near their sources. China, which is building multiple dams on all the major rivers originating off the Tibetan plateau, is likely to emerge as the ultimate

controller of water for nearly 40% of the world's population. The Tibetan plateau is the source of the single largest collection of international rivers which include the Mekong, the Brahmaputra and the Yangtze. Even though China has dismissed reports about it diverting the waters of Brahmaputra, the fact is that it is secretive. With Pakistan we have an internationally validated treaty which has stood the test of time, but with China we have no such treaties nor is China under any obligation to respect such bilateral accords. In the absence of a water treaty between India and China, one has to depend on Beijing's assurances. China has a penchant for massive engineering projects that should not be overlooked. India has a problem on its hands and should ensure that the future of millions who depend on these water flows is not jeopardised.

H.N. RAMAKRISHNA,  
Bengaluru

A shared legacy

The BJP is making a crude attempt to appropriate the

legacy of Sardar Patel. Yes, the unification of India was a major project for him, but there were other leaders and officials including Nehru himself backing him and working on this tirelessly. To be fair, the issue was the people's will and this is how the whole process happened peacefully and almost spontaneously. It is a moot point as to how Sardar Patel would have handled Hyderabad and Junagadh had the people here backed their rulers. As for the Congress, had Patel lived longer and helped Nehru through the very difficult 1950s, it would have certainly given him the lead position he deserves. The fact remains that Nehru was left alone in that period to navigate the nation. That is why it was not just the Congress party, but almost two generations of people of those times who gave him the pole position in history ("Sardar Patel, a shared inheritance", October 31).

M. BALAKRISHNAN,  
Bengaluru

■ Gopalkrishna Gandhi's argument that the Congress

"unwittingly" de-opted Sardar Patel is too ingenious. The fact is that the Congress consciously gave pride of place to the Nehru family. That being the case, how is it that it is "execrable" if the BJP adopts him as a national icon? Great Indians belong to every Indian and if somebody celebrates "discarded icons", it has to be appreciated and not berated. Sardar Patel is shared inheritance and to argue that the Hindu right has no right over him is not in good taste.

P.N. BALLUKRAYA,  
Chennai

■ I couldn't fathom the meaning of "Congress patriotism" in India? I do remember his questioning the nationalism and patriotism being defined by the BJP in another context and in another article. One thing is clear.

For the Congress, Sardar Patel was a non-entity as long as it was winning

elections. For the Congress, it has always been the Nehru family and its descendants. Given the political situation the Congress finds itself in post-2014, it is trying hard to rediscover Patel.

DUGGARAJU SRINIVASA RAO,  
Vijayawada

Get Army, build bridge

The move to involve the Indian Army to build a foot overbridge at three railway stations in Mumbai city – at Elphinstone Road station and also at Curry Road and Ambivli – is deplorable ("Army to build new bridge at Mumbai railway station", November 1). Civilian work that should be done by the Railways or the civic authorities is now being

thrust on the Army which already has its hands full managing the borders. This is a blatant admission of the incompetency of the Railways and the civic authorities.

The Indian Army, known for its professionalism and highest integrity, is at risk of losing its identity and being misused to score political brownie points.

The Chairman of the Railway Board will have to work overtime to ensure that the Railways are back on track and able to handle the problems it faces. The Indian Army needs to be left alone and do its job.

VARGHESE GEORGE,  
Secunderabad

MORE LETTERS ONLINE:  
www.hindu.com/opinion/letters/

CORRECTIONS & CLARIFICATIONS:

In the report headlined "AIADMK leaders' meeting with RS official leads to speculation" (Nov. 1, 2017), the seventh paragraph should have read: "*Mr. Navaneethakrishnan* succeeded Mr. Maitreyan as floor leader in Rajya Sabha after the latter was removed ... in 2014." The text had erroneously said that *Mr. N. Gokulakrishnan* had succeeded Mr. Maitreyan.

In the Editorial page article titled "Complicated terms of engagement" (Oct. 25, 2017), the opening sentence read: "On *October 17*, the Supreme Court read down the marital rape exception for married girls between the ages of 15 and 18." The correct date is *October 11*, 2017.

The Readers' Editor's office can be contacted by Telephone: +91-44-28418297/28576300; E-mail: readerseditor@thehindu.co.in