

## BusinessLine

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## Telecom quick-fix

Relief on dues will help players survive, but they too are guilty of circumventing regulation

The Centre's decision to give a two-year moratorium to telecom operators on pending spectrum payment is a welcome move, given the financial stress being faced by them. Having a financially strong telecom industry, one that is capable of operating a world-class communication network, is key to securing India's digital future. The moratorium in payments will help telecom companies avoid an immediate outflow of over ₹42,000 crore. Players such as Vodafone Idea will be able to tide over immediate liquidity crunch and stay operational. However, the moratorium alone is not a long-term solution. The operators still have to pay the spectrum dues at the end of the two-year period. The telecom operators collectively have debts of over ₹4 lakh crore. The recent Supreme Court ruling on Adjusted Gross Revenue has plunged the telecom sector further into a financial mess as incumbent operators stare at an additional payout of nearly ₹1.3 lakh crore of dues to the national exchequer. As a result, telecom operators reported combined losses of ₹79,000 crore in the second quarter.

Scan &amp; Share



The Centre must step-in immediately to find a solution otherwise the digital revolution unleashed across the country could come to a grinding halt. The demand of bringing down levies and taxes on telecom companies should be considered. Telecom companies pay nearly 30 per cent of their revenues to the government in addition to the upfront spectrum fees after each round of auction. The concept of revenue share was introduced in 1999, when the spectrum was given on subscriber-based criteria. Since the upfront fee was waived by the then government, it made perfect sense to collect a share of the revenue as licence fee. But since 2010, the operators are buying spectrum through an auction mechanism. There is no reason to continue collecting licence fee or spectrum usage charge in the form of revenue share. Second, the reserve price for spectrum needs to be brought down to match the current market sentiments. The very idea of conducting an auction is to allow market forces to determine the price, so there is no merit in keeping the last-discovered price as the floor price in the next round of spectrum auction.

The telecom industry should not try to circumvent regulation for selfish goals. Ever since the first licences were given out, operators have used lobbying powers to influence policy in their favour instead of advocating what's good for the overall growth of the industry. For example, the operators did not make any provision for paying the disputed Adjusted Gross Revenue amount in the event they lost the legal battle, which is a violation of accounting standards. These tactics, with a short-term view, have come to haunt them now. Consumers have also been largely neglected, having to deal with poor quality of service and inefficient complaints redress mechanisms. The current mess operators find themselves in is largely of their own making.

## Role of ethics in business of innovation

The power of new technologies must be used to benefit the lives of many, rather than maximise the wealth of a few



ARUN MAIRA

Innovation and 'entrepreneurship' have become business jargon. It seems every business conference, journal, and management curriculum must include innovation or enterprise in its title to be noticed. Awareness of huge systemic problems that need new solutions is spreading around the world. Many of these problems — environmental degradation, persistent poverty, and failures of systems to deliver public services such as health and education — are named in the UN Sustainable Development Goals. No doubt, innovation and entrepreneurship will help solve them.

Societies around the world are also troubled by large inequalities in incomes and wealth. Gini coefficients of income inequality, ranging over 0.5 in many countries, are alarming. More alarming is the inequality of wealth. The Gini coefficient of wealth inequality is estimated at over 0.9, as high as it can possibly be. Just eight persons own as much wealth as 50 per cent of the world's population, i.e., as many as 3.9 billion people. Concepts of innovation and capitalist enterprise must be changed to make growth more inclusive and sustainable.

Egregious failures of corporate governance, even in respected corporations, and self-serving actions by overpaid CEOs who have destroyed corporate reputations and livelihoods of thousands of employees have caused outrage at the lack of ethics in business. Business schools are scrambling

to include ethics in their curricula. The paradigm of innovation and enterprise that has over-run the world of capitalism is not innocent. It has fuelled the inequality and the outrage.

## Seeking profit

A foundational principle of ethics in all religions, and in secular philosophy too, is compassion for others. All of them say that the conduct of any person who is concerned only with himself, and not with the impacts of his actions on others, is fundamentally unethical. Therefore, the principle that the business of business must be only business, which has driven corporate governance, is an unethical principle.

This is the foundational principle on which the governance of the limited-liability business corporation is founded. Its board and its executives are legally enjoined to serve the interests of the shareholders of the corporation, produce profits for them, and increase their wealth. They must not be distracted by soft-hearted social concerns. Those are the responsibility of governments.

When social enterprises are funded by financial investors, confusion about who the managers of the enterprise serve distorts the measurement of their performance. Investors are willing to reduce their expectations of profits; but they count on some profit. Profits from social ventures add another stream of profits to their financial portfolio.

The increasing gap in wealth around the world is between those who can make even more wealth from their investments, and those who have no wealth and scramble to earn adequate incomes.

Thus, changes in stock market indices are hardly an indication of how well the Indian economy is doing for the common man. Less than 3 per cent of Indians earn and save enough to participate



Quick pace Technological innovation has advanced faster than the evolution of institutions to govern it ISTOCKPHOTO

in the stock market, even through mutual funds. Profit is not a bad word, as Mahatma Gandhi said. The question is, who owns the enterprise and makes the profit? Financial investors, or workers and producers?

The shape of the global economy has changed. Wealth begets more wealth. Labour costs can be reduced to increase profits, by outsourcing to lower cost countries, automation in richer ones, preventing workers' unions from demanding higher wages, and by parcelling out bits of work in the gig economy — avoiding the employer-employee relationship altogether. Only 8 per cent of an Apple iPhone's price is labour cost. The cost of materials and other inputs accounts for 22 per cent. And as much as 70 per cent is profits.

## Intellectual monopoly

The ownership of intellectual property has become an enormous source of profit in the global economy. Innovative enterprises, in the capitalist world, stand out by the amount of profit and wealth they earn from intellectual property — Apple itself is an iconic example. While production and sales of products are globalised, control of the rules of IPR (intel-

lectual property rights) has become a great source for accumulation of wealth in richer countries.

Pharmaceutical MNCs declare themselves as the 'innovators' in the industry, discovering new cures to improve health. They are also notorious for the ways in which they manipulate the global IPR regime to extend their intellectual monopolies. The Slovenian philosopher, Slavoj Zizek, has remarked that "the gradual transformation of the profit generated by the exploitation of labour (has transformed) into rent appropriated through the privatisation of the general intellect."

The pace of technological innovation has run ahead of the evolution of institutions to govern it. Data about citizen's personal preferences, health, economic circumstances, and whereabouts are the raw materials for innovative business models. Owners of social media platforms have become the richest persons in the world. Now ethical questions are troubling societies. Should the power of these technologies lie in private hands, and with corporations whose purpose is to maximise the wealth of their owners? Or should governments be trusted to use this

power wisely to enhance public security and improve delivery of public services?

Democracies around the world are threatened by populist movements upset with the chokehold on public policies by capitalists and the economists who provide them with intellectual ammunition. Institutions of business must change to make capitalism more democratic.

Ownership of the means of production must be dispersed more widely amongst workers, so that people at the bottom can accumulate wealth too. The IPR system must be overhauled to return it to its original intention, which was to enable knowledge of innovations to be disseminated more widely to multiply its benefits, rather than enabling the perpetuation of intellectual monopolies. Governments must play more effective roles in delivering public services either by providing them or by more firmly regulating businesses that provide them.

Through The Billion Press. The writer, a former member of the Planning Commission, is the author of 'Transforming Capitalism: Why the World needs a new Ethical Toolkit'

## Indian banking continues to be metro-centric

Inclusive banking remains a challenge even 50 years after nationalisation. Also, governance in the sector needs to improve

BY RRAM RAJU/JAGANMOHAN

RBI Governor Shaktikanta Das, while delivering the inaugural address at the Economic Conference in Ahmedabad University, recalled the status of banking before nationalisation: "Five cities in the country, viz., Ahmedabad, Mumbai, Delhi, Kolkata and Chennai, accounted for around 44 per cent of the bank deposits and 60 per cent of the outstanding bank credit in 1969. This led to the widespread political perception that, left to themselves, the private sector banks were not sufficiently aware of their larger responsibilities towards society."

Quoting the RBI's *History of Banking Vol III*, he said: "Nationalisation of banks was thought of as a solution for greater penetration of banking, that excluded 617 towns out of 2,700 in the country. And, even worse, out of about 6,00,000 villages, hardly 5,000 had banks. The spread, too, was uneven..."

In the last 50 years, banks strived to increase their reach through technology, expansion of branches, competition by entry of private banks, and banking correspondents. But after five decades of nationalisation and competition, the figures in 2018 speak for themselves as to how banking is still metro-centric. Metro centres (53) had a share of less than 20 per cent in branches but saw 51 per cent of deposits and lent 64 per cent of the total advances at the end of December 2018. Urban areas seemed to be the worst affected: with 18 per cent of the branches, they had a share of just 21.5 per cent deposits and a mere 15 per cent of the total advances (see Table).

While the credit-deposit (CD) ratio of metros is 96.5 per cent, it is just 54.8 per cent in urban areas. Taking away the SLR and CRR, the metros enjoy high a CD ratio, as well as all the benefits of banking, at the expense of rural and semi-urban areas. While the reach in rural and semi-urban areas together is 62 per cent, their share in deposits is 10.5 per cent and 16 per cent respectively. With regard to advances, the corresponding share is 8.5 per cent and 12.4 per cent.

There is a diversion of rural, semi-urban and urban savings to metro centres, with a national CD ratio of 75 per cent. So, banking has come a full circle after 50 years of nationalisation, though the industry itself

## Indian banking profile

Geographical Area (population-wise)	No. of branches	Deposits (₹ cr)	Advances (₹ cr)	Credit-deposit ratio
Metro (170 million in 53 metros)	27,098 (19.10%)	62,01,929 (51%)	59,89,590 (64%)	96.50%
Urban (200 million)	25,469 (18%)	25,97,896 (21.50%)	14,25,559 (15%)	54.80%
Semi-Urban (240 million)	38,867 (27.50%)	19,87,149 (16%)	11,62,506 (12.40%)	58.50%
Rural (600 million)	49,766 (35%)	12,94,916 (10.50%)	7,97,460 (8.50%)	61.50%
Total (1,210 million)	1,41,200	1,20,81,891	93,75,117	77.50%

Source: RBI Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks as on 31-12-2018

has expanded by leaps and bounds. Inclusive banking is still a challenge.

All the centres are classified in to four groups based on their population in the 2011 Census. These groups are: 'rural' centres, with a population of less than 10,000; 'semi-urban' centres, between 10,000 and 1,00,000; 'urban' centres, 1,00,000 and above but less than one million; and 'metropolitan' centres, one million and above.

Banks have been selling third-party products with much greater zeal than crucial banking products. Branch banking has fast emerged as a mere post office — to make a hack-

neyed comparison — and the branch manager has lost his identity. Regional credit processing centres and SME central cells sanction credit marketed by a relationship manager, and agents are appointed for recovery.

Earlier, fixing accountability was imperative, from the grassroots to the highest authority. Today, the 'system' is blamed. Even acknowledging an aggrieved customer's complaint takes 24 hours, and the customer would be lucky if any action is taken on it.

Sans business ethics, corporate governance would run the very risk

of becoming an apparition. Sometimes, investors (as well as some boards) take a short-term view of business ethics. But the fact that investors do not rock the boat here does not mean that bottomline can be treated with the same indifference. Reputation, norms and low employee turnover (not relevant for PSBs) are all dependent on good business ethics which also have a substantial influence on the bottomline.

The RBI Governor should now see how financial inclusion, even with Jan Dhan, PMSY, etc., may be ensured in the current situation; as well as how the agriculture and manufacturing MSMEs can get their due share of credit at rural, semi-urban and urban centres. Governance in PSBs and the private sector must be improved. The metro-centric concentration of banks needs a relook, and the problem of accountability and hierarchy in branches must be addressed.

Raju is an economist and risk management specialist. Jaganmohan is a former MD of AP State Cooperative Bank, Chairman of RRB and MD of Coastal Local Area Bank. Views are personal

## FROM THE VIEWROOM

## Batting for Test cricket

Kohli's views on this format brings a smile to the 'traditionalists' There is a perception in cricketing circles that Test cricket is in a near comatose state waiting to be put on the ventilator. The BCCI's rather belated move to jump into the 'pink cricket' bandwagon has to be seen in this context.

India is of course a late entrant to day-night Test matches. Before India almost all Test-playing nations including Zimbabwe had played 'pink ball' Test cricket. But India has been late in adopting many cricketing innovations including DRS system and T20 cricket. Not many would recall today that India was initially lukewarm to T20 cricket and only reluctantly participated in the inaugural T20 World Cup in 2007 in South Africa. But once Sreesanth took that famous catch in the finals against Pakistan and Dhoni lifted the trophy, the course of world cricket changed. India's 2007 World Cup victory paved the way for the hugely popular IPL, which in turn spawned T20 leagues across the world. So will India's entry into pink ball cricket lead to a similar revolution in world cricket? One hopes not, because some parts of tradition are best left alone. Traditional day Test matches and pink ball Tests can coexist, but cricket boards across the world must ensure that pink ball cricket never replaces 'red ball' cricket.

A big votary of Test cricket is none other than Indian captain Virat Kohli. Speaking to the media just before the current Kolkata Test, Kohli said, "The entertainment of Test cricket lies in the fact that the batsman is trying to survive and the bowlers trying to set up a batsman; if people don't respond to it that's too bad."

It's heartening to see Kohli, who belongs to a generation of cricketers that was reared on ODIs and T20s, making such a passionate defence of cricket's oldest format. The India captain, apart from being a brilliant batsman and astute captain, can sometimes surprise you with his insight too.

B Baskar Senior Deputy Editor

## BELOW THE LINE



## Sounds of silence

The silence of the government on the India-US trade talks is giving rise to a lot of speculations. The fact that the mini-trade package could not be finalised even after USTR Robert Lighthizer met Commerce and Industry Minister Piyush Goyal this month, cannot be just brushed away with the MEA's explanation that the issues involved are "complicated". The buzz is that it is Washington's disproportionate demands compared to what it is prepared to give to India which is the main reason behind the delay. There could be some truth in

this as, based on media reports so far, while one is well acquainted with the long list of demands from the US side, the Indian list is very short. The US seems to want lower import duties on a large number of items ranging from apples and walnuts to mobiles and motor bikes, but India's demand is seen as centred mostly around the restoration of the popular GSP (Generalised Scheme of Preferences) scheme for its exporters and market access for a handful of farm products.

It will be interesting to see how New Delhi, which spiritedly walked out of the RCEP bloc earlier this month for not being given its due, handles the situation with the US.

## Agri Ministry still in 2018-19

The year 2018-19 seems to be a long one for the Agriculture Ministry, if one goes by the weekly All India Crop Situation ([\[coop.nic.in/all-india-crop-situation?page=2\]\(http://coop.nic.in/all-india-crop-situation?page=2\)\) put out on the ministry website. Ideally, the year change is reflected on the site with the onset of kharif sowing every year. However, this year, the ministry seems to have forgotten to effect the change. As a result, the year continues to be described as 2018-19, even though we are half way into 2019-20 already.](http://agri-</a></p>
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## Comedy of errors?

Is there a governance crisis in India? Some experts tend to think so going by the latest Company Law Committee recommendation to decriminalise certain provisions of the company law.

They wonder how can a wrong determined as a "criminal" offence in 2013 (when the new Companies Act was enacted) by the Corporate Affairs Ministry be now proposed to be treated as a "civil wrong" by the same ministry. You can't treat a wrong as civil or criminal depend-

ing on the government in power is their argument. Some even contend that if the government does go about implementing the latest CLC recommendation, it could be seen as a travesty of legislative competence and social probity although the proposed move is being touted as measures to ensure "ease of living" for law-abiding corporates.

## A debate takes political tone

The debate on pollution was supposed to be a non-political one as every Member of Parliament (MP) irrespective of the political party he/she belonged to had had first-hand experience of the 'severe' pollution level in the

National Capital Region of Delhi. However, it was tough to follow the ground rules as there were allegations and counter-allegations against each other by the parties. Then there was a controversy over the number of MPs

present in the House during the debate. A senior leader of the ruling party then circulated photos of attendance sheet to show that more members of his party were present.

Finally, TMC Lok Sabha MP Kakoli Ghosh Dastidar stood with a mask on her face to participate in the debate to demonstrate the situation, but soon took that out saying it did not go well with the decorum of the House.

## Divided over odd-even scheme

The Delhi pollution issue has not only led to skirmishes between political parties, but has also led to cracks in the ruling party BJP, with one of Delhi's local politicians Manoj Tiwari supporting the odd-even vehicle rationing scheme, while another, Vijay Goel, opposing it. The Centre's bureaucrats though are on the same page with the Kejriwal government.

Our Delhi Bureau