



Banking on good faith

More structural reforms are needed to maximise the bank recapitalisation effort

About ₹1 lakh crore is expected to be pumped into India's 21 public sector banks by March, which the Centre hopes will enable them to extend fresh credit lines worth over ₹5 lakh crore to spur economic activity. Of the capital injection – the first half of an ambitious ₹2.11-lakh crore recapitalisation programme for ailing public sector banks announced last October – about ₹8,100 crore is from the government's budgetary resources. Banks are expected to tap the markets for ₹10,300 crore, while recapitalisation bonds worth ₹80,000 crore are to be issued to finance the rest. Leaving aside the market-raising efforts by banks, over half the fresh capital of over ₹52,000 crore is being directed to the 11 public sector banks that the Reserve Bank of India has placed under the prompt corrective action, or PCA, framework. The RBI deploys the PCA to monitor the operation of weaker banks more closely to encourage them to conserve capital and avoid risks. For these entities, this capital offers a fresh lease of life as it will help meet regulatory requirements under the Basel-III regime as well as cushion them to an extent from possible haircuts on stressed loans that are going through the insolvency resolution process. State Bank of India, the country's largest, and the nine others that are out of the RBI's PCA net will receive nearly ₹36,000 crore in order to strengthen their lending capacity.

While announcing this package, the government has described each of the banks as "an article of faith". Its assertion that no public sector bank will fail and that depositors' money will remain safe should allay customers' worry about the safety of their savings under the proposed Financial Resolution and Deposit Insurance legislation. Rating agencies have given the move the thumbs up, but remain unimpressed about governance reforms packaged with it. These include tweaks to existing systems for closer monitoring of big-ticket loans, identifying niche areas where a bank has strengths, restricting corporate exposure to 25%, and a new performance management system. Actual capital inflows will depend on their performance on these fronts and their ability to meet the government's service priorities, including smoother credit flows to small businesses. More structural reforms may well be on the anvil in the second half of this recap plan, which RBI Governor Urjit Patel had described as providing a real chance to meet the banking sector's challenges for the first time in a decade. Yet, the absence of any reference to consolidation through mergers is glaring. Moreover, while the government has repeatedly ruled out privatisation of these banks, the only one where it intended to offload its majority stake, IDBI Bank, has got the largest allocation of ₹10,610 crore. At best, this sends out mixed signals.

Retail therapy

With the player auction, the eight IPL squads have taken shape with a few surprises

The Indian Premier League player auction is a parallel cricketing universe with a distinct dynamic. Over the weekend at a Bengaluru hotel, the IPL's top brass congregated with a wish-list that had no space for nostalgia. Lasith Malinga found no takers while Chris Gayle, perhaps the most explosive batsman in the history of Twenty20, was rejected twice before he got third-time lucky when Kings XI Punjab snapped up the opener at his base price of ₹2 crore. There was no respect either for doughty batting performances in Tests. South Africa's Hashim Amla, who played his part in the recent match at Johannesburg's Wanderers, was ignored, and Cheteshwar Pujara found no suitors in the IPL. In Twenty20's roller-coaster ride, the attributes of patience and grit, so mandatory in Tests, have comparatively little value. The accent is on explosive batting, miserly bowling, athletic fielding and, above all, the ability to remain iceberg-cool when the fires of a nerve-racking last over are raging. The all-rounder, cricket's version of a miracle-dispenser, remains mighty expensive. It was no surprise when England's Ben Stokes, despite the legal issues trailing him back home following an assault incident, got the highest bid at ₹12.5 crore from Rajasthan Royals.

Royals and Chennai Super Kings, both coming back after a two-year suspension following spot fixing and betting allegations, struck to their usual methods. Royals remained alert to building a strong core. CSK continued its patented approach of nurturing its nucleus, as was evident in the way it retained M.S. Dhoni, Suresh Raina and Ravindra Jadeja prior to the auction, and when auctioneer Richard Madley punched his gavel, IPL's most consistent outfit exercised its right-to-match card and snapped up another regular Dwayne Bravo. CSK was also aware of its cost dynamics and didn't pursue R. Ashwin once he crossed the ₹4 crore mark but instead nailed Harbhajan Singh at ₹2 crore. True to its trope of bucking trends, the auction witnessed massive money chasing a left-arm fast bowler, and Jaydev Unadkat became the most expensive Indian with a ₹11.5 crore price tag from Royals. As in previous years, the latest auction gifted a bonanza to the unsung first-class cricketer. Krunal Pandya got ₹8.8 crore from Mumbai Indians, and he is yet to play for India unlike his famous sibling Hardik. Among the overseas players, it was heartening to see the price that Afghan players like Rashid Khan commanded, while Sandeep Lamichhane, picked by Delhi Daredevils, became the first Nepal cricketer to join the IPL bandwagon. The eight IPL squads have taken shape afresh and the players are laughing all the way to the bank. Whether that would translate into ideal performance will be known once the league's eleventh edition starts in April.

A vote for state funding

Electoral bonds cannot clean up campaign finance



ZOAYA HASAN

Indian elections are the world's biggest exercise in democracy but also among the most expensive. India's campaign spend is only rivalled by the American presidential race, the world's most expensive election. Parties and candidates need large sums of money for voter mobilisation, advertising, consulting, transport, propaganda and printing of campaign materials to reach voters in constituencies. Corporate donations constitute the main source of election funding in India which is awash with black money, with business and corporate donations to political parties commonly taking this form. The public disclosure system that exists is limited. Only in 2008, using the provisions of the Right to Information (RTI) Act, the Central Information Commission allowed disclosure of income tax returns of political parties, though it is an open secret that actual expenditure is much, much higher than what is disclosed.

Best practices elsewhere

India's privately funded election campaign stands in contrast to the trend in most countries, which have partial or full public funding or transparent regulation and financial accountability of political finance as in the U.S. Corruption in election finance and the flawed party funding system drive political parties to misuse government's discretionary powers to raise funds for election campaigns. The combined effect is the absence of a level playing field which has reduced the effectiveness of our democracy.

In his 2017 Budget speech, while emphasising the absence of transparency in funding, Finance Minister Arun Jaitley noted that even 70 years after Independence the country had not been able to

evolve a transparent method of funding political parties which is vital to the system of free and fair elections. But the concern for transparency in political funding is at complete odds with the electoral bonds scheme notified by the government this month to clean election finance. Simply put, anybody can buy electoral bonds in the form of bearer bonds from specified branches of the State Bank of India and donate it anonymously to a political party of their choice; the party must cash the bonds within 14 days. All donations given to a party will be accounted for in the balance sheets but without exposing the donor details to the public. Donors continue to prize anonymity as they fear disclosure could invite adverse consequences from political opponents. As a result, the Election Commission (EC), the Income Tax department and the voter would remain in the dark about it. However, the ruling dispensation at the Centre, if it wants, can ferret out information on who's funding whom from banking authorities on some pretext or the other.

The most significant aspect of the electoral bonds scheme is that it will not carry the name of the payee as there is reluctance to donate to parties through bank instruments citing loss of anonymity. Bonds will allow corporate houses to make anonymous donations through banking channels to the party of their choice. This would lead to further opacity in the funding process and further limit oversight and accountability. Transparency is a global norm while opacity of election funding is an area of existential concern for democracies. Subversion that such anonymity affords is perhaps one of the biggest threats to our democracy today; it is the very wellspring of institutionalised corruption.

Far from reducing the large-scale corporate funding of elections, the introduction of electoral bonds does not even address this issue. The government's principal aim is to reduce the role of unac-



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counted cash in the electoral process and not the corporate control of politics. Sure enough, the bonds scheme imposes no restrictions on the quantum of corporate donations. Consequently, electoral bonds cannot address the problems that arise from the corporate control over politics and corporate capture of government policies and decisions. Rather, electoral bonds will result in unlimited and undeclared funds going to certain political parties which will be shielded from public scrutiny as the balance sheets will not show which party has been the beneficiary of this largesse.

Three steps back

Electoral bonds must be seen in conjunction with: (1) lifting of the maximum limit of 7.5% on the proportion of the profits a company can donate to a political party, thus opening up the possibility of shell companies being set up specifically to fund parties; (2) amendment of the Foreign Contribution (Regulation) Act (FCRA) opening the floodgates of foreign funding to political parties, especially those which have a foreign support base; and (3) the refusal of political parties to come under the RTI Act in order to conceal their

Red alert on the green index

India's poor ranking in the Environmental Performance Index should force a policy appraisal



RAMA MOHANA R. TURAGA

Reports, late last year, on India's improved ranking in the World Bank's 'Ease of Doing Business' Index (from 130 to 100) have been cause for much celebration. As a follow-up to this, the government announced additional reform measures to further improve the ranking.

Low green score

However, coinciding with this is the news that out of the 180 countries assessed, India ranks low in the Environmental Performance Index (EPI) 2018, slipping from rank 141 in 2016, to 177 in 2018. The EPI is produced jointly by Yale University and Columbia University in collaboration with the World Economic Forum. In comparison, emerging peer economies, Brazil and China, rank 69 and 120, respectively. The EPI ranks countries on 24 performance indicators across 10 issue categories. No index is perfect. But if an improvement in an index for ease of doing

business is cause for celebration, then, equally, a drop in an index ranking environmental performance should be cause for concern and used as a context to examine our policy measures.

A look at recent initiatives shows that the government has set ambitious targets for environmental protection. In December 2015, it notified new, strict environmental standards for coal-fired power plants, to be effective from January 2018. An aggressive target was set to implement Bharat Stage VI emission norms from April 1, 2020, skipping Stage V norms. In 2017, the Minister of State for Power and Renewable Energy said that a road map was being prepared so that only electric vehicles would be produced and sold in the country by 2030. In order to accelerate the transition to renewable sources of power, the government, under the National Solar Mission, revised the target for setting up solar capacity from 20 GW to 100 GW by 2021-22. The Centre has also assured the Supreme Court of India that the highly polluted Ganga will be cleaned up by 2018.

A gap

What are we missing then? Unfortunately, there appears to be a big gap between policy goals and ac-



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tion. While we seem to be moving in the right direction on solar targets, we are seriously lagging behind in a number of other goals. For example, the government has gone back on its promise of implementing strict power plant emission norms by December 2017, and may even dilute the norms. The automobile industry has categorically stated that based on current estimates, full conversion to electric vehicles is realistically possible only by 2047. After setting electronics manufacturers a reasonable annual electronic waste collection target of 30% of the products sold in the market, the figure has now been relaxed to 10%. And late last year, the Comptroller and Auditor General, in a report, pulled up the government for not developing an action plan and for its poor utilisation of allocated funds in the clean-up of the Ganga. The list can go on.

sources of funding. These three things will end up strengthening the business-politics nexus. It goes against the position taken by various electoral reform committees that the existing pattern of political funding encourages lobbying and capture of the government by big donors. Far from making the funding process transparent, the bond scheme could provide a backdoor to corporates and other lobbies for shaping public policy to benefit their interests. There is thus a legitimate fear that policy decisions of political parties and politicians after being elected may be biased in favour of groups that fund them.

Moreover, these bonds are likely to reverse the small steps towards transparency of political finance that came as a result of RTI-driven public disclosure of income tax returns of political parties arguing that these disclosures were a matter of public interest and should be available to citizens. Furthermore, all registered parties were required to disclose to the EC the identity of individuals and private entities donating more than ₹20,000 every year. Proposed amendments to the Income Tax Act and the Reserve Bank of India (RBI) Act will exempt parties from keeping records of donations made through bonds. However, the decision to reduce cash contributions from ₹20,000 to ₹2,000 is a step in the right direction, but the net effect is debatable, since it could prompt parties to take smaller cash donations, and therefore not declare their source. This would not decrease the drift towards non-transparent funding reported by the Association for Democratic Reforms which found that nearly 70% of party funding over an 11-year period came from unknown sources; nearly ₹7,900 crore donations came from unknown sources in 2015-2016. Electoral bonds will not change this. In fact, political parties don't need to reveal the donor's name for a contribution above ₹20,000 provided these are in the form of electoral bonds.

Elections that work well are essential for democracy; conversely, money power can corrode the entire process. A major concern associated with the high cost of elections is that it prevents political parties and candidates with modest financial resources from being competitive in elections. Whilst the bond scheme can be an attempt to burnish the anti-corruption credentials of the Narendra Modi government ahead of the 2019 general election, it is clearly a regressive and flawed move. A number of government committees have outlined reform proposals to contain the negative effects of the high cost of elections. These include strong disclosure norms, strict statutory limits on election expenses and ceiling on corporate donations to political parties. The rules to limit and restrict the campaign expenditure of parties are largely inoperative because it is easy to circumvent them.

Staring at the solution

State funding of elections (in various forms) is a potential solution to this problem. The Indrajit Gupta Committee on State Funding of Elections had endorsed partial state funding of recognised political parties and their candidates in elections way back in 1998, but the lack of political will has prevented any serious discussion on this. The mechanics of this process need to be carefully worked out to establish the allocation of money to national parties, State parties and independent candidates, and to check candidate's own expenditure over and above that which is provided by the state. Based on the experience of countries that have total or partial state funding of elections, it will not be difficult to work out a formula that is both efficient and equitable to ensure that democracy works for everyone and not just for the wealthy few.

Zoya Hasan is Professor Emerita, Centre for Political Studies, Jawaharlal Nehru University

Should we ignore environmental degradation as being just a cost of development? It turns out that the costs are pretty high. A recent study by the World Bank and the Institute for Health Metrics and Evaluation, University of Washington, Seattle, U.S., showed air pollution to be the cause of an estimated 1.4 million premature deaths in India, which translated into a welfare loss equivalent around 8% of India's GDP in 2013. In addition, the cost of lost labour productivity was 0.84% of its GDP. These estimates do not account for many other forms of environmental degradation and are quite conservative also because of our lack of scientific understanding of several other key ecological impacts. A significant concern is also the fact that the poor are affected disproportionately because of environmental degradation.

The right price

Thus viewing environmental problems even from a purely market logic suggests that the solutions lie in recognising the environmental costs of development and "getting the prices right". Rapid transition to solar energy can be accomplished not only by enabling subsidies but also by pricing the more polluting fuels correctly. The strict

environmental standards for coal plants are expected to do precisely that – the price we pay for coal-based electricity reflect, at least partially, the true costs of producing such electricity. The failure to implement these standards would be a step backwards. Similarly, the transition to electric vehicle use would be aided by pricing petrol and diesel, and perhaps the vehicles that use these fuels, to reflect their external costs to society.

It is of course not the case that the current environmental mess we are in is entirely because of our recent environmental policy failures. It is linked also to the lack of political will to implement even existing environmental laws and regulations. It is not possible to restore environmental quality overnight. However, we must ensure that we are moving forwards, not backwards, in meeting our environmental targets. Being among the four worst countries in the world in terms of environmental performance should hopefully serve as a wake-up call.

Rama Mohana R. Turaga, a faculty member at the Indian Institute of Management Ahmedabad, teaches environmental sustainability and public policy. The views expressed are personal

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.

Player auction

It is sad to read about our sportspersons and players becoming commodities in the hands of corporate auctioneers. The very spirit of the game is lost in such commercialisation and it is bound to affect a player's performance and the game or sport itself. Cricketers appear to be topping the chart in such auctions, followed by footballers. In the good old days, it was the team that came first. 'Filthy lucre' has replaced team spirit and loyalty. The true spirit of a game is being sacrificed for money and short-lived fame.

A.V. AKHILESH,
Bengaluru

■ It is sickening that our cricketers are being "sold" for whopping sums in an

auction. Fixing a price tag on them is akin to selling sheep in a shandy. If the Indian Premier League's coffers are overflowing with money, it can be spent on noble causes. Offering crores in exchange for cricketers is sheer madness.

K. PRADEEP,
Chennai

■ It is high time that this form of cricket, and which represents the ugly face of Indian cricket, fades quickly. It is distressing to read of how crores are being spent on individual cricketers, which is jarring in a country where farmers face agrarian distress and governments look the other way instead of alleviating their plight. Apart from being a den in terms of encouraging undeserving auction prices for cricketers,

encouraging betting and mindless advertising, the IPL is only inflicting great damage by corrupting the very values of cricket as a game, which have taken years to evolve. One hopes that there is a miracle soon and that there are checks and balances to keep the BCCI juggernaut under control.

NAGARAJAMANI M.V.,
Hyderabad

ASEAN ties

Make hay while the sun shines aptly suits the situation for India in developing closer ties with ASEAN. With the U.S.'s growing disengagement in the region and rising suspicion of China's rise, the strains are clearly visible in the Southeast Asian region. It is time for India to lead from

the front. China is known for the exploitative nature of its investments and ever-widening territorial claims, which can pose a danger in the region. The Delhi Declaration articulates this sentiment very well. If India's renewed 'Act East' policy is to have any meaning, it is better New Delhi does not procrastinate any longer but acts swiftly and delivers the goods as far as pending infrastructural projects are concerned. India's advantage is that it is a safe and reliable partner.

AJAY KIRAN S.,
Nagercoil, Tamil Nadu

Row over seat

The Congress Party needlessly got embroiled in a row over the seating arrangements for its party president Rahul Gandhi at

the Republic Day parade. Whether it is the first row, the fourth or the sixth, it is participation which matters. Instead of crying foul, the Congress President should have opted to sit with the general public to show and express his solidarity with the common man. It would have also sent a message to the government. Finally, it might be a good idea to declare Republic Day a "No Politics Day".

N. NAGARAJAN,
Secunderabad

Pension for Mr. Gandhi

It was heartwarming to read the report, "Court apologises to Mr. Gandhi" (Some editions, January 26) for two reasons. One, that the Chennai-based freedom fighter has finally overcome bureaucratic hurdles in

getting his pension along with arrears calculated from 1980, and two, most importantly, that we have some in the judiciary who can empathise with the plight of long-suffering litigants and even apologise for the delay. Though judges are widely perceived to shun any form of emotion, it is heartening to be proven wrong. At the same time, just as it would anger any right-thinking person, it was shocking to read about the insensitive way in which bureaucrats delayed the sanctioning of Mr. Gandhi's pension despite his having completed all the formalities. Bureaucrats need to go the extra mile to serve us.

A. JAINULABDEEN,
Chennai

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