



Back on track

As the GST e-way bill system is scaled up, the authorities must remain flexible

After an aborted attempt in February, the government has finally managed to successfully roll out the e-way bill system for tracking the movement of goods under the Goods and Services Tax net from April 1. No major execution challenges have been reported by businesses so far, and the IT backbone that generates the e-way bills – that are now required even before goods are loaded for transport – has so far held up without glitches. On the first two days of the e-way system, which included a Sunday, 5.5 lakh e-way bills were generated, and the GST Network has said that the system is now geared to cope with a much higher capacity. Equally heartening is the revival in GST collections, that had dipped to ₹83,716 crore in November 2017, after a fairly robust ₹90,000 crore-plus inflow for the first three months of the new indirect tax system. As per final data released by the Centre on Monday, collections for the three months since then are far healthier than initial indications suggested, with February recording ₹89,264 crore, the highest since September 2017. Finance Secretary Hasmukh Adhia expects collections to pick up further as the authorities get a better sense of who is regularly filing returns and paying taxes. His confidence reflects the government’s belief that analytics deployed on GST data compiled for nine months would deliver a bigger bounty, even as e-way bills make it tougher to avoid tax dues.

Everyone’s fingers are crossed that the e-way bill portal, which now has over 20,000 registered transporters and 11 lakh taxpayers, will hold up, going forward. It is important to note that since the system for tracking inter-State movement of goods was launched at the beginning of a financial year, the actual load that the portal will have to bear on a normal business day may be much higher than the initial trends. This is because many businesses had already moved and stocked up goods by March 31, ahead of the system kicking in, and are still completing usual year-end processes such as recording closing stock. A staggered schedule for rolling out e-way bills for intra-State trade in a few States at a time is expected soon. Given that India’s transport sector is still largely unorganised and many vehicle drivers are not fully conversant with the technical nuances, it is important that anti-evasion squads deployed to check e-way bills operate with a light touch to start with, and limit the frequency of inspections for goods moving across States. Else, the system could end up creating a bottleneck for transporting goods in a country where goods movement already takes inordinately long due to infrastructure deficiencies. A similar approach would be ideal for other anti-evasion measures in the pipeline, including the matching of invoices from buyers and sellers, and the reverse-charge mechanism (expected by June-end) under which large businesses would need to pay tax on behalf of unregistered small suppliers.

Launch lessons

There is no such thing as total failure; ISRO should learn from its satellite launch problem

The loss of communication between the ground station and the Indian Space Research Organisation’s latest satellite after its launch on March 29 is deeply disappointing. ISRO’s mission aimed to place the communication satellite, GSAT-6A, in space. However, shortly after the second orbit-raising operation, the ground station lost track of the satellite on March 31, when it was on course for the final firing. Understanding why this happened is crucial. A launch operation can be simplified into the initial three stages, during which the satellite is boosted to different heights by the launch vehicle and then placed in a geosynchronous transfer orbit. This is an elliptical orbit into which a satellite is placed initially before being transferred into a geosynchronous orbit where it maintains a position above a fixed longitude. During each of these stages, a part of the rocket completes its role and disengages from the bulk. Then the satellite moves towards its final and desired orbit. The GSAT-6A was first raised to the elliptical orbit marked by the following parameters: its perigee, or point of closest approach to Earth, was 5,054 km; and its apogee, or point of farthest approach, was 36,412 km. This was followed up by a second orbit-raising operation on March 31. It was after this and during the third such operation that the ground station lost contact with the satellite. This is why it is being conjectured that the failure occurred because of a flaw outside the launch vehicle, the GSLV, perhaps from a short circuit or power glitch within the satellite itself.

The last word has not been said on the mission, as ISRO officials continue to try to establish contact with the satellite. Yet, in complex scientific feats such as ISRO’s projects, there is no mission so devoid of a learning aspect to it that it is deemed a total failure. The GSLV has had several successes in the past, and this is its 12th flight. For instance, it was used to launch the advanced communication satellite, GSAT-6, in August 2015. GSAT-6A’s predecessor, GSAT-6, provides S-band services for two-way communications as in the case of mobile phones. The present mission, launched on March 29, was endowed with additional features, such as the high-thrust Vikas engine that gave it the capacity to carry a heavier payload. It had been reported that the mission would be a testing ground for ISRO’s next moon mission. Given this background, ISRO should be open about the specific learning points from this launch exercise. Space science is exciting not just for the experts, but to many outside the field. Therefore, it is important that the agency presents itself more openly to the world.

How the data sets stack up

Why measuring inequality is not the same as measuring changes in the level of poverty in India



C. RANGARAJAN
& S. MAHENDRA DEV

In recent years, there has been a lot of discussion on increasing inequality within several countries of the world, including India, particularly after the publication of Thomas Piketty’s book on inequality. It is true that rising inequality has adverse economic and social consequences. The Gini coefficient or other measures of inequality are being used to examine trends in inequality. In this column, we examine the trends in inequality and show that the poverty ratio is equally important as the Gini coefficient in analysing issues relating to growth and distribution.

Consumption inequality

Generally the Gini coefficient, which lies between 0 and 1, is used for measuring inequality. The Gini coefficient of consumption expenditure for rural areas declined marginally between 1983-84 to 1993-94 (from 0.304 to 0.286) while it recorded a marginal rise during the high growth period of 2004-05 and 2011-12 (from 0.304 to 0.311). In the case of urban areas, it stayed the same from 1983-84 to 1993-94 (0.344) while it increased modestly from 2004-05 to 2011-12 (0.376 to 0.390). Using long time series since 1951, a study shows that inequality in rural areas declined while it increased in urban areas in the post-reform period, particularly in the high growth period (Gaurav Datt, Martin Ravallion and Rinku Murugai, “Growth, Urbanization and Poverty Reduction in India”, 2016).

One view is that inequality in consumption may be an under-estimate as National Sample Survey

(NSS) data may not be capturing the consumption of the rich adequately. The difference between the consumption expenditure according to the National Sample Survey Office (NSSO) and national income could be partly due to this factor. However, there is no strong evidence that underestimation in NSSO is only relating to the upper-income groups. In fact, the Rangarajan Committee examined the issue of differences in consumption between NSSO and NSS. According to the committee, these two estimates of consumption (National Accounts Statistics, or NAS, and household survey based) do not match in any country, and India is no exception. What is alarming in India is that the difference between NAS and NSS is widening over time. For example, the difference was less than 10% in the late 1970s; it rose to almost 50% in 2009-10. Some adjustments made in the report reduced the difference from 45.8% to 32.5%. But still the differences are high.

Income inequality

Income and wealth inequalities are much higher than consumption inequality. According to some estimates, consumption Gini coefficient was 0.36 in 2011-12 in India. On the other hand, inequality in income was high with a Gini coefficient of 0.55 while wealth Gini coefficient was 0.74 in 2011-12. Thus, income Gini was about 20 points higher than consumption Gini while wealth Gini was nearly almost 40 points higher than consumption Gini. Thus, inequality in income and wealth is much higher than that of consumption.

The data base for computing income inequality is not as solid as the base for consumption expenditure. NSSO surveys have been studied for long and have gone through critical analysis. The reasons for sharp differences between consumption Gini coefficient and income Gini coefficient have to be analysed. In some other



GETTY IMAGES/ISTOCK PHOTO

countries, such differences are no more than 5-10 points. Also, using income tax data for computing income distribution has many problems. In India, only 3-5% of people come under the income tax net.

Trends in poverty ratio

There are many approaches for poverty measurement. Human beings need a certain minimum consumption of food and non-food items to survive. However, the perception regarding what constitutes poverty varies over time and across countries. Generally the approach is to look at it in terms of certain minimum consumption expenditure on food and non-food items. Any household failing to meet this level of consumption expenditure can be treated as a poor household.

We examine here the trends in poverty based on NSS Consumer Expenditure data for the period 1983 to 2011-12. In the pre-reform period, overall poverty declined marginally during 1983 to 1993-94. The rate of decline in poverty was 0.8 percentage points per annum. In fact, the number of persons below the poverty line stayed almost the same at 320 million during this period. The number of persons below poverty declined by 5 percentage points during 1983 to 1987-88 but rose by 4 percentage points during 1987-88 to 1993-94.

Poverty declined faster in the post-reform period, particularly in the 2004-2012 period as compared to 1993-2005. In the post-reform period, overall poverty as defined by the Tendulkar Committee de-

clined faster from 45.3% in 1993-94 to 21.9% in 2011-12 – an annual decline of 1.3 percentage points. Within the post-reform period, the first sub-period 1993-94 to 2004-05 recorded a decline of 0.75 percentage points per annum. But, poverty declined by 2.2 percentage points per annum during the period 2004-05 to 2011-12. This was the period of highest economic growth since Independence. It is the fastest decline of poverty compared to earlier periods.

There are two conclusions on the trends in poverty. First, as the World Bank Study (2016) mentioned above shows, poverty declined by 1.36 percentage points per annum post-1991 compared to 0.44 percentage points per annum prior to 1991. This study shows that among other things, urban growth is the most important contributor to the rapid reduction in poverty even in rural areas in the post-1991 period.

The second conclusion is that within the post-reform period, poverty declined faster in the 2000s than in the 1990s. The official estimates based on Tendulkar poverty lines show that poverty declined much faster during 2004-05 to 2011-12 as compared to the period 1993-94 to 2004-05. Around 135 million people were lifted above the poverty line in the post-reform period.

On the cut-off line for determining poverty ratio, there are controversies. Some people think that the Tendulkar poverty level is low and needs to be raised. As far as reduction in the poverty ratio is concerned, it holds good even if we raise the poverty cut-off to 1.5 times the Tendulkar cut-off. The annexure to Chapter 2 of the Twelfth Five Year Plan gives details of reduction in the poverty ratio for different levels of poverty cut-off.

Growth and distribution

The trends in poverty show that the pace of reduction was much

higher in the post-reform period particularly during high growth period. The impact of higher growth on poverty reduction can also be seen from the decile-wise growth in per capita consumption expenditure. A comparison of the growth rate of per capita consumption (in real terms) during the periods 1993-94 to 2004-05 and 2004-05 to 2011-12 shows that the average growth of per capita consumption of the top five deciles is more than that of the bottom five deciles.

However, the ratio of the average growth rates of the two periods is higher for the bottom five deciles as compared to the top five. It implies that the expansion of consumption of the lower deciles of the population was more than the upper deciles.

To conclude, there has been lot of discussion in recent years on inequality. There is no doubt that inequality in itself has several undesirable consequences. It was Simon Kuznets who had argued in a famous paper in 1955 that in the early period of economic growth distribution of income tends to worsen, and that only after reaching a certain level of economic development an improvement in the distribution of income occurs. In this context, measuring inequality is not the same as measuring the changes in level of poverty. Even if the Gini coefficient remains the same or picks up, the poverty ratio can be declining. This has been true of India. The decline in poverty is much higher particularly in the period 2004-05 to 2011-12 in spite of rise in inequality. Thus the changes of the poverty ratio is an equally important indicator to monitor.

C. Rangarajan is former Chairman of the Economic Advisory Council to the Prime Minister, and former Governor of the Reserve Bank of India. S. Mahendra Dev is Director and Vice Chancellor, Indira Gandhi Institute of Development Research, Mumbai

The pawns in international disputes

Among the many diplomatic devices countries possess to express outrage, expulsion is the least disruptive



T.P. SREENIVASAN

Among the many hazards that diplomats face today, the most ancient one is expulsion, also known as declaration of a diplomat as persona non grata. It is the most effective bloodless punishment as the person concerned is removed lock, stock, and barrel from the scene, never to return. The diplomat concerned may not be guilty of omission or commission or even aware of the reason why he is being expelled. He becomes a mere pawn in international disputes or he may even be a victim of a symbolic protest or a reciprocal action.

The Russia example

Russia now, like the erstwhile Soviet Union, may well be the country whose diplomats have perhaps suffered the largest number of expulsions. The recent coordinated expulsion of over 100 Russian diplomats by more than 20 countries is huge even by the standards of the coldest days of the Cold War. Basically, it was an act of solidarity

by the U.S., the European Union and some others with the U.K. after an alleged attempt by Russia to murder a former Russian spy and his daughter. Russia had denied any hand in the attempted murder, but responded with expulsions symmetrically in accordance with diplomatic practice. Generally, the countries involved do not go beyond these diplomatic gestures. Slowly and gradually, the vacant posts in the Russian embassies will be filled and diplomats will return to their posts in Moscow.

Austria did not join some of the other EU members to expel Russian diplomats because it felt that communication channels should be kept open, particularly during crisis. The Austrian Foreign Minister recalled the several occasions when Austria had organised historic meetings which paved the way for peace and understanding. Russia welcomed the Austrian position and even expressed willingness to hold talks on the issue of suspected poisoning of the former spy. But for the U.K., the Austrian decision was unfriendly as it revealed the chinks in the European armour.

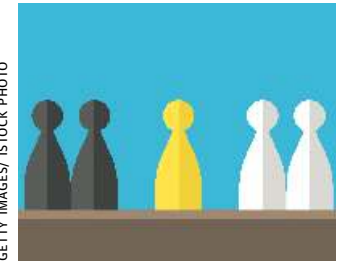
Russia gloated over the fact that a majority of nations in the world, including China and India, wanted

concrete evidence about Russian complicity. It was also a relief for them that U.S. President Donald Trump did not tweet about Russian involvement even though he ordered the expulsion of 60 Russian diplomats.

Russia has a tradition of assigning expelled diplomats to an agency called the UPDK, which takes care of the needs of diplomats posted in Moscow. Diplomats cannot function in Moscow without the UPDK which alone can maintain diplomatic residences. You cannot even drive a nail on the wall without the permission of the UPDK. Domestic staff have to be appointed by it and the same person will come back even if sacked by the diplomat. The Russians at the agency are good diplomats and they seem to have the capacity to relax rules to please Ambassadors.

India’s stand

India takes recourse to expulsion of diplomats only in extreme circumstances when its has clear evidence of wrongdoing. When it expels diplomats, it does expect reciprocal action and accepts it as a necessary evil. India has expelled Soviet diplomats even during the heyday of India-Soviet friendship. In retaliation, Moscow had technically expelled Indian di-



GETTY IMAGES/ISTOCK PHOTO

plomats, who were already under orders of transfer from Moscow. In a rare case, one of India’s diplomats who was expelled in this manner was allowed to visit Moscow as a member of the delegation accompanying the Prime Minister of India. This violation of the code of conduct was later explained as a conscious decision not to hurt India-Soviet relations.

I have the dubious distinction of being the only Indian Head of Mission to be expelled. We invited the expulsion after a military coup in Fiji ousted a Fiji-Indian dominated government in 1987 and changed the Constitution which effectively disenfranchised Fiji Indians. India refused to recognise the military government, imposed sanctions and got Fiji thrown out of the Commonwealth. Even in the face of such a position, I was allowed to remain in Fiji for two years before

they asked me to leave in 72 hours. I left in 48 hours, saying that I would like to use the remaining 24 hours to go back on a holiday. As it happened, the wheel came full circle and I was invited back to Fiji after 25 years.

Expulsion of diplomats is very often like shooting the messenger for the message. In modern times, expelling diplomats has become the instrument of weak nations to show displeasure to stronger ones even at the risk of facing retribution. Nauru, a little island nation in the Pacific, once expelled the only resident envoy of Australia over a petty quarrel, but restored its vital link in a short time.

The expulsion of Russian diplomats should be seen as part of the emergence of a new Cold War, resulting from the assertive policies of Russian President Vladimir Putin and the aggressive posture of Mr. Trump and his love-hate relationship with Russia. Among the many diplomatic devices countries possess to express outrage, expulsion is the least disruptive, though it plays havoc with the lives of diplomats and their families.

T.P. Sreenivasan, a former diplomat, is currently Director General, Kerala International Centre, Thiruvananthapuram

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.

Cauvery once more

It is unfortunate that the Cauvery issue is back before the Supreme Court (“Cauvery again”, April 3). It should have been the responsibility of the Central government to implement the orders of the apex court. Why did it wait till the expiry of the deadline and then seek clarifications from the court? This move seems to have been intentional – to drag on the issue till the Karnataka elections are over, so that the Bharatiya Janata Party does not lose votes. A responsible government at the Centre, which has been elected by the country and not a particular State, should deal with issues like Cauvery in an unbiased manner. If it shows such a partisan attitude towards

one State, it would deprive another of benefits. The court should ensure that there are no ambiguities this time and that the Centre follows its order.

D. SETHURAMAN,
Chennai

The editorial seems to apportion the entire blame on the Centre, while commenting little on Karnataka and Tamil Nadu’s inflexible and confrontational stand. True, the Central government should try to play the role of a neutral umpire. However, at the same time, when the two States have publicly resolved not to concede an inch over their stated positions, any move from the Centre either by way of creating a board or some

other mechanism to implement the verdict would have met with resistance from one of the States or both. What prevented these States from sitting together and seeking a consensus on the mechanisms to implement the Supreme Court’s verdict? By doing this they could have sent out a loud message that State autonomy can be exercised with responsibility and that it poses no threat to the national interest.

V.N. MUKUNDARAJAN,
Thiruvananthapuram

Dalit protests

Of late, protests have been turning really violent (“9 dead as Dalit protests over SC/ST Act rock north India”, April 3). The situation always seems to

go out of hand. Are our State administrators so naive that they expect every big protest to pass off peacefully? Even unaided households take all precautions when they smell a problem in their locality. It is a wonder how fully equipped state machineries are always caught napping.

SVAMANI VASUDEVAN,
Chennai

Dalit anger is justifiable because despite the provisions in the SC/ST Act, the community is vulnerable to frequent attacks by caste Hindus. Thus the fear that dilution of the provisions of the Act will only lead to more attacks and suppression of their rights is not unfounded. But protests are

justifiable, not violence.

K.R. SRINIVASAN,
Secunderabad

If the government was convinced that the Supreme Court order amounted to abrogation of Dalit rights, it should have filed a review petition instantly instead of adopting a ‘wait and watch’ policy. To what extent the rights of Dalits will be compromised by the court order could form the subject of a nuanced debate based on statistics and ground realities. But unfortunately, political parties without exception look for an advantage instead of examining the real merit of an issue like this.

R. RAVICHANDRAN,
Chennai

Meaning of federalism

The debate between rewarding better-performing States (southern States) and incentivising poor-performing ones (northern and central States) may seem like a dilemma, but the solution lies in providing greater autonomy to the better performers through fairer distribution of taxes, and supporting the rest through direct infrastructural support, and technological and best practices (“Federalism and fairness”, April 3). Also, the better performers could lend a helping hand to the ones in need.

RAMIT CHENNITHALA,
Thiruvananthapuram

MORE LETTERS ONLINE:
www.hindu.co.in/opinion/letters/