



## The second coming

The invitation list for the swearing-in signals the Modi government's foreign policy focus

Prime Minister Narendra Modi's decision to invite leaders of the other six BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) countries to the swearing-in ceremony of his Council of Ministers sends out several messages on his new government's foreign policy focus. To begin with, as the Foreign Ministry's announcement notes, the invitation to Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka and Thailand is a continuation of the "neighbourhood first" policy behind Mr. Modi's invite to leaders of South Asia for his 2014 swearing-in ceremony. Second, by not inviting leaders of Afghanistan, Pakistan and the Maldives on this occasion, the government is underlining that its regional preferences have shifted from the SAARC grouping to BIMSTEC, given the logjam at SAARC because of India-Pakistan tensions. Unlike in 2014, when he invited Pakistan Prime Minister Nawaz Sharif with an element of hope and a desire to turn the page on bitter bilateral ties, Mr. Modi is signalling that he does not hold the same optimism in 2019. Thailand is not just a member of BIMSTEC but also holds the chair of ASEAN this year, and an invitation is as much about India's "Act East" initiative and outreach to East Asia. Finally, the separate invitation to the Shanghai Cooperation Organisation chairperson, President Sooronbay Jeenbekov of Kyrgyzstan, indicates India's commitment to the Central Asian grouping led by China and Russia, with Mr. Modi slated to attend the SCO summit in June. The other separate invitation to Prime Minister Pravind Jugnauth of Mauritius, who visited India in January this year as chief guest at the Pravasi Bharatiya conference, is an affirmation of the close affinity between the two countries. It would be unwise, however, to read meanings into Mr. Modi's choice of international dignitaries beyond this symbolism.

India's engagement with both BIMSTEC and the SCO, which India joined as an observer in 2005, is at a promising but incipient stage. After its formation in 1997, BIMSTEC made very little progress and didn't even have a fully working secretariat until recently. Its deliberations on subregional connectivity have been delayed owing to concerns in Bhutan, while Nepal and Thailand sent only observers to the military exercises last year due to other misgivings. Even so, India sees BIMSTEC as a possible alternative to SAARC, which has failed to meet for five years. The SCO, which inducted India and Pakistan as full members last year, is yet to demonstrate its utility for India, but is seen as a possible balancer at a time when the U.S. is taking a more aggressive position on trade, sanctions against Iran, Venezuela and Russia, all of which are sources of concern for India. As a result, the attendance at Mr. Modi's swearing-in ceremony on Thursday, and the bilateral meetings that will follow on Friday, may represent little by way of actual outcomes. Rather, it is a statement of intent on new avenues of India's multilateral engagements.

## A Cup to win

It's anyone's game at the ICC World Cup, but India would fancy its chances

The ICC World Cup remains the last word on cricket's hierarchy. There are multiple rankings linked to the game's formats ranging from five-day Tests to abridged Twenty20s, but when it comes to bragging rights about what constitutes the best squad, it is essential to have won the World Cup. Debates vanish and the champion unit is allowed its swagger. As the quadrennial event returns to England, with Thursday's opening game pitting the hosts against South Africa at the Oval, it is an opportunity for captains and their teams to reshape their legacies. Interestingly, the inaugural fixture features two under-achievers in cricket's showpiece event. England and South Africa have often flattered to deceive. The former failed to get past stronger opposition in some summit clashes while the latter repeatedly remained a bundle of nerves and choked at climactic stages. Both now get another shot at correcting these anomalies, and the first step among many more to follow will be made on Thursday. A history of under-performance is not among Australia's worries as it has five World Cup titles in its kitty. But it needs to wrest back its reputation as a standard-bearer. Last year's ball-tampering crisis drove a knife into a proud sporting nation's heart; two of the perpetrators, Steve Smith and David Warner, are back in the squad, keen to recover their lost space and respect. Redemption is not just a yearning, it is a burning need.

India, cricket's commercial heart, steps in under a captain who is as combative as ever. Virat Kohli was a rookie when M.S. Dhoni's men triumphed in the 2011 World Cup final at Mumbai; now he leads the squad and remains batsman-supreme. An experienced batting component, a clutch of all-rounders and a fine pace-bowling unit helmed by Jasprit Bumrah are at India's core, and it would be an upset if this squad doesn't prevail in the round-robin league and qualify for the semifinals. But this is anyone's game as Kapil Dev and his men showed at Lord's in 1983 while stunning the West Indies in a gripping World Cup final. That 'David quelling Goliath' tale found many repetitions in subsequent World Cups, and any outfit from among Pakistan, New Zealand, West Indies, Sri Lanka and Bangladesh can be the world-beater on its day. There is Afghanistan too as cricket's latest illustration of its power to be about more than the competition itself. It is thus disappointing that driven by commercial considerations, the ICC chose to limit the 2019 tournament to just 10 teams. In the end, World Cups are won by captains who believe nothing is impossible and lead from the front. India will hope that it will be Kohli when the final concludes on July 14.

# Breaking out of the middle-growth orbit

The second Modi government faces a challenging economic agenda — it must back key reforms



RAGHUVIR SRINIVASAN

As the euphoria over a historic victory in the general election of 2019 settles and the Bharatiya Janata Party (BJP) gets down to government formation, a challenging economic agenda awaits the new Finance Minister. Important economic indicators are flashing red indicating a slowdown in the economy.

### Dismal picture

The financial sector is gasping under a liquidity crunch. A crisis is building up in the NBFC space that could snowball across the entire sector and worse, even the economy itself. This, even as banks are still clawing their way back to health after digesting large write-offs.

Making matters worse is the fact that policy-making has been at a standstill for more than two months since the election schedule was announced. And, come May 31, we are likely to see a dismal set of fourth quarter GDP numbers being announced by the Central Statistics Office. Going by the high-frequency data on the economy, it is likely that GDP growth in the fourth quarter of 2018-19 will be below 6.5%; it was 6.6% in the third quarter that ended December. At this rate, it might be difficult to touch the 7% mark for fiscal 2018-19.

The picture is not as bad as it was when Narendra Modi assumed office as Prime Minister for the first time in May 2014 but there

is no denying that there is cause for worry and the new government has to move quickly. So what's on the plate?

### Rescuing NBFCs

This should be the first priority for the new Finance Minister. Even as banks are showing incipient signs of recovery from the non-performing assets (NPAs) issue, the non-banking financial sector seems to be lapsing into trouble. Beginning with the IL&FS collapse, the NBFC space has been hit by one problem after another and the thread running through them all is the drying up of liquidity.

Even well-known NBFCs and housing finance companies have been hit by asset-liability mismatch; they have borrowed short-term funds and lent them to long-term projects leading to cash flow problems. As a result, they have been unable to meet commitments to their own lenders. The NBFCs have been crying hoarse for liquidity support from the Reserve Bank of India (RBI), but the regulator has been reluctant to do the one thing that will help them the most — open an exclusive funding window.

The central bank may have its own valid reasons for not conceding the demand but the truth is that there is a real crisis out there and a risk that the contagion will spread. Usually it is the real sector's problems that spread to the financial sector but in this case there is a real possibility of the reverse happening. The new Finance Minister will have to work with the RBI and banks to resolve this issue at the earliest.

### Drive consumption

The high-frequency data coming out over the last few months point



to a demand slowdown in the economy. Commercial vehicle off-take has been in the negative territory for the last few months following a drop in freight volumes and also tariffs. Passenger car sales, that were weak through 2018-19 with growth of just 2.7%, actually fell by 17% in April, which is the sharpest drop in eight years. Two-wheeler sales fell by 17% in 2018-19.

Consumer durable and fast-moving consumer goods sales have been tepid too. Even domestic air traffic growth fell for the first time in six years in April. These trends are validated by the monthly factory output data — after a flat, no-growth February, output contracted by 0.1% in March.

In an economy such as India's excessively dependent on domestic consumption, a fall in consumer spending spells trouble.

In its first term, the Modi government did an admirable job in pushing public investment to prop up growth; the new government should, in addition, push consumption spending. And the best way to do that is to put more money in the hands of the people by cutting income tax sharply. It requires guts and gumption to do this though, considering the overall commitment to maintain fiscal discipline.

Yet, this may be the much-needed fillip to consumption as it is the

middle class which will go out and spend the extra money in its hands. This may also be shrewd politics as the middle class has backed the BJP in this election. In fact, this argument can be extended by suggesting a cut in corporate taxes as well to unleash the animal spirits in the economy. Remember P. Chidambaram's "dream budget" of 1997 when he cut personal and corporate tax rates sharply and how it spurred growth?

In this respect, the outgoing government — much against its philosophical leanings — has behaved more like the previous United Progressive Alliance governments by sticking to high tax rates and refusing to cut them. Maybe it was scalded by the "suit-boot-ki-sar-ka" jibe of the Congress but the stage is now nicely set for the new government to try an alternative economic approach more aligned to the BJP's economic philosophy. Would it be too much to suggest that the Prime Minister place faith in the economist Arthur Laffer, who theorised that lower tax rates not only boost revenues but also spur economic growth?

Cutting taxes will be akin to administering a dose of steroids to private investment, which desperately needs a leg-up. In the 2018-19 Budget, Finance Minister Arun Jaitley cut corporate tax to 25% for companies with a turnover less than ₹250 crore, which account for 99% of those filing returns. It may not be a bad idea to extend the concession, at least partly to start with, to the remaining 1% that represents the cream of business.

### Key tasks ahead

A return of private investment is crucial to ensure the other important objective of this government: creating jobs. As businesses invest

more to expand capacities, hopefully more jobs will be created.

The introduction of Goods and Services Tax (GST) and demonetisation were in no small measure responsible for the slowdown in the economy. Despite frequent tweaks to rates, product classifications and procedures, the GST remains a work in progress and needs to be streamlined.

The best that the new government can do is to quickly move to a set of just three rates from the six now. About 62% of goods and services are now taxed at 18% and above, which is rather high. The median rate should be reduced to 12% in phases — certainly 16% to start with — given that the GST is a regressive tool that taxes the rich and the poor alike. Revenues have stabilised at around ₹1 lakh crore a month now despite a number of products being moved to lower tax slabs over the last few months. It is time to get bold and reduce rates to spur consumption. Widening the basket and stricter enforcement are better ways to increase revenues compared to high rates.

Meanwhile, the farm sector is crying out for attention too. The new government will certainly be focussing on the crisis in agriculture, and the outcomes will determine the health of the rural economy.

Mr. Modi expended tremendous political capital in his first term on measures such as demonetisation which had questionable returns. He should use his renewed capital now to push through important reforms that will help the economy break out of the shackles of middling growth and push it into a high-growth sphere.

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# Why the integrity of data matters

The merger of the NSSO into the Central Statistics Office is a cause for concern



A. VAIDYANATHAN

The announcement that the government has decided to merge the National Sample Survey Office (NSSO) into and under the Central Statistics Office (CSO) has caused both surprise and concern. What exactly the 'merger' means remains unclear. Recent attempts to question the veracity of National Sample Survey (NSS) data and the way the issue has been handled have given rise to apprehensions within academia, State governments and the media about the prospect of radical changes in the present system for deciding substantive issues of scope, design, scrutiny and validation of the surveys.

### The present system

Under the present system, every year various departments of government send a list of subjects that they would like to be investigated by the NSSO. The requests are sent to the National Statistical Commission (NSC), which has respected economists, subject matter specialists and statisticians from government, including the head of the CSO and senior officials of the NSSO responsible for technical aspects of design and conduct of field work, as well as representa-

tives of State governments. Subject matter specialists in particular fields are also brought in. The proposals are discussed at length keeping in view the budget allocations, availability of trained field staff and supervisors. In doing so, the conduct of periodic surveys on important issues is also considered. (It should be noted that budget allocations, and personnel of the NSSO have always been under the Department of Statistics.)

After providing for periodic repeat surveys (at quinquennial or decennial intervals) of some important aspects (notably consumer expenditure, employment, social consumption, land holdings, rural savings and investments), the subjects to be covered in a particular year and the scope of the inquiry are decided.

The tasks of sampling design, the scope and content of information to be collected, design of schedules and protocols of field work are left to be decided by special working groups. These groups are chaired by experts from academia, and senior officials of the CSO and the NSSO, State government representatives as well as select non-official experts. These working groups are in continuous session from the inception of each round through all the subsequent steps. Discussions of concepts, questionnaire design, field work schedules and supervision are continuous, detailed and highly professional. Once the field work is over, the groups decide the detailed tabulation programme, and



the tables to be prepared for publication. The tabulated results are discussed in detail by the NSC and are published after its approval.

After considerable hesitation and prodding, the government decided some years back to put all tabulations and the primary data on open access, especially to academic and other interested users. This decision has stimulated and facilitated the use of these data for intensive analyses by numerous researchers. They have been used extensively for monitoring of trends and critical assessment of several important aspects of the economy and society, such as poverty and inequality, consumption patterns, employment, household savings and investment, and health-seeking behaviour. They have spawned intense as well as creative controversies over survey methodology, quality of data, and interpretation of structure and trends. These have played an important role in shaping policy and in improving the surveys.

The NSSO surveys command wide respect among academics, State governments and non-governmental organisations as the

most reliable and comparable basis for discussions in the public, policy and even political arenas. This is based on their well-earned reputation for professionalism, independence and integrity. Widespread apprehensions that the proposed absorption of NSSO into the CSO could compromise the surveys by subjecting their review and publication to government approval must therefore be allayed promptly in an unqualified manner. The existing institutional arrangement in which the NSC, as a professional body independent of government, has not only functioned smoothly but also commands confidence and respect both within the country and abroad must be maintained. Any attempt or even a suggestion that its substantive work, publication and free dissemination of data are subject to the department's approval will hugely dent the credibility of the Indian statistical system.

### Scope for improvement

Urging this forcefully does not in any way suggest that the present institutional arrangements are flawless or that the NSSO is perfect. On the contrary, it is widely recognised that there is scope for improvement in the functioning of the institution and the way data are collected. These problems are well known: the NSSO doesn't have adequate budgetary allocations; there is an acute shortage of trained field staff; the scale of surveys is unmanageably large mainly because the users demand a de-

gree of detail in content and regional disaggregation of estimates. The NSC is fully conscious of these difficulties. The solutions call for action by the institutions responsible for gathering data by investing in continuing research on improving sampling design, field survey methods and validation of data. Correcting these deficiencies is entirely in the domain of government.

But there are also serious difficulties inherent in trying to get reliable and complete information through the interview method. Most respondents do not maintain any records or accounts of their transactions. Since most respondents rely on recall, it is unrealistic to expect them to provide reliable information on the scope and detail sought by questionnaires. Memory lapses and respondent fatigue lead to high incidence of non-response, indifferent response and biased response. These problems are particularly serious among the more affluent and better-educated sections of respondents. Increasing the role of CSO officials in running the NSSO will not solve these problems, but they can help by providing funds for specialised research on survey design and methodology. The necessity and importance of such research calls for far greater attention and resources than they receive at present.

A. Vaidyanathan, an economist, is a former member of the Planning Commission and RBI board

## 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.

### Political crossovers

The BJP seems to be misusing the landslide verdict of 2019 to develop the party rather than the nation. When it boasts by calling itself a principled and patriotic party and denouncing the Congress's Emergency day in and day out, why is it bent upon forming its own governments in West Bengal, Karnataka, Madhya Pradesh and Rajasthan using questionable means and in a hurried manner? The 2019 mandate was to resolve burning issues such as agrarian distress, bad loans and unemployment (Page 1, "3 West Bengal MLAs, 50 councillors join BJP", May 29).

KSHIRASAGARA BALAJI RAO, Hyderabad

■ The BJP achieved resounding political success

by transcending caste and communal equations. Is it necessary and fair on its part, when it is in such a strong position, to resort to short cuts to capture power in Opposition-ruled States? Why can't it allow the present regimes to continue and instead aspire for power through a proper mandate? Poaching through 'lucrative offers' makes a mockery of the democratic ethos. The act of certain political persons who have hitherto had a diametrically opposite stand to the policies of the BJP all this while before 'defecting' and then changing tack can only be termed a selfish move. Unfortunately, the Indian National Congress is in dire straits, while for the BJP, it is an opportune time to fish in troubled waters. Such a practice is not new as the BJP has successfully gained

power in some States by adopting such dubious methods.

V. SUBRAMANIAN, Chennai

■ There are many who cannot forget the statement made by Prime Minister Narendra Modi in West Bengal while campaigning, of 40 Trinamool Congress partypersons being in touch with him and ready to desert the TMC. Even more shocking is the BJP general secretary in-charge of West Bengal, Kailash Vijayvargiya, saying that crossovers would continue in seven phases (May 29). If Mr. Modi bowed before the Constitution while seeking to dispel fears of majoritarianism, why should he not initiate a march towards observing fair and decent political norms? Why encourage defections, which are another form of

corruption? Is the BJP's 'takeover strategy' of the entire country State by State underpinned by this? Is this what we voted for?

BIDYUT KUMAR CHATTERJEE, Faridabad, Haryana

■ Lakhs of voters in India have given the mandate to the BJP led by Mr. Modi to run the government. It was not to destabilise elected governments. As far as West Bengal is concerned, the BJP should wait for the Assembly elections in 2021 to win the mandate fair and square. No backdoor methods, please.

N. NAGARAJAN, Secunderabad

### Turning a statesman

The thumping majority that the BJP has got should also lead to a review of its economic policies of the past five years which either failed miserably or caused havoc to

development. For example, projects found detrimental to agrarian interests should be dropped. Instead of continuing to polarise people, development should be the main goal. Those elected must be given a work schedule to be executed within a stipulated period. This is also a great opportunity for Mr. Modi to blossom into a statesman. In the last five years, he was only a politician.

THARCIOUS S. FERNANDO, Chennai

### Insights from the field

Mahendra Singh Dhoni has been the pillar of the Indian cricket team for years and his splendid 113 runs off only

78 balls in the warm-up match against Bangladesh at Cardiff shows that he is in tremendous form. K.L. Rahul, with his 108 runs, appears to be key to resolving the long running discourse over the fourth slot in the Indian batting order. The middle order has the potential to guide the team to noteworthy totals even if there is a chance of the opening partnership failing to deliver in some of the World Cup matches ('Sport' page, "No. 4 Rahul, Dhoni and spinners bring cheer for India", May 29).

TUSHAR ANAND, Danapur, Bihar

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### CORRECTIONS & CLARIFICATIONS:

A post-poll survey story titled "BJP irons out 2017 wrinkles in Gujarat" ('Verdict' 2019 page, May 29, 2019) erroneously carried a map of Maharashtra instead of Gujarat.

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