

Course correction – Central bank recap: on Urjit Patel's deposition before parliamentary panel

Urjit Patel provides reassuring signals on NPAs and the RBI-Centre détente

There are two important takeaways from the deposition of Reserve Bank of India Governor Urjit Patel before the Parliamentary Standing Committee on Finance on Tuesday. First, the banking industry is over the hump on non-performing assets (NPAs), which peaked in the quarter ending March 2018 at 11.18% of advances. Both gross and net NPAs have registered a decline for two consecutive quarters — June and September 2018. Crucially, there has been a sharp fall in slippages (fresh NPAs added to the existing heap) from 7.3% in March 2018 to 3.87% in September. This is certainly good news as it indicates that the skeletons are mostly out of the cupboard now. Of course, there is still the onerous task of resolving the bad loans stock, which is at a little over Rs. 10 lakh crore now. Profitability of banks will continue to remain under stress as they provide for the bad loans in their books and/or take hair-cuts on recoveries through the insolvency process. Meanwhile, banks will also have to be wary of their small loans portfolio, especially those made under the Pradhan Mantri Mudra Yojana, which already add up to Rs. 6.77 lakh crore. These will need close monitoring.

The second important aspect of Mr. Patel's deposition was his spirited defence of the RBI's autonomy. Though he was careful not to say anything that would break the détente forged by the Centre and the central bank at its last board meeting on November 19, he made three forceful points: that the RBI's autonomy is important to protect depositors' interests; monetary policy has to be the exclusive domain of the RBI; and its reserves are central to maintaining its AAA rating. These statements are probably aimed at nipping in the bud any attempts to change the governance structure of the central bank. After the last board meeting, there have been reports that the Centre is planning to push for board committees to be set up to "assist" the RBI in the discharge of its work. Monetary policy is anyway the preserve of the Monetary Policy Committee created two years ago under the RBI Act, but there are other equally important functions which the Centre may be attempting to control through the board. The issue of autonomy is clearly the gorilla in the room and driving it out is not going to be an easy task. Yet, for the Centre and the RBI there is no alternative but to continue talking on this subject even while ensuring that it does not cast a shadow over their other respective roles and responsibilities. The issue of RBI autonomy is not something that first emerged during this government's tenure, nor is it likely to be solved in its remaining tenure.

Meanings of Difficult Words :

- **Central bank** - a national bank that controls a nation's policies on money and interest rates
- **Recap** - to describe what has already been done or decided, without repeating the details
- **Deposition** - a formal written statement
- **Panel** - a group of people who make decisions or judgments
- **Reassuring** - making you feel less worried
- **Détente** - a situation in which countries / groups that have had an unfriendly relationship become more friendly
- **Takeaway** - an important piece of information to remember from a meeting, presentation etc
- **Over the hump** - to have dealt with the most difficult part of a problem
- **Non-performing asset** - a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.

- **Gross** - a gross amount of money is the total amount before taxes or costs have been taken out
- **Decline** - to gradually become less, worse, or lower
- **Consecutive** - following one after another in order and with nothing else in between
- **Crucially** - something that is crucial is extremely important because it has a major effect on the result of something
- **Slippage** - a situation in which something is delayed or not achieved when it should be
- **Heap** - a large pile of something
- **Skeleton out of the cupboard** - to reveal a bad or embarrassing fact about somebody
- **Onerous** - something that is onerous is something that you dislike or worry about because it is very difficult to deal with
- **Profitability** - the degree to which something is profitable, or the state of being profitable
- **Bad loan** – a loan where repayments are not being made as originally agreed between the borrower and the lender, and which may never be repaid
- **Hair-cut** - a reduction in the amount of debt that will be paid back to an institution that has lent a lot of money
- **Insolvency** - (especially of a company) the condition of not having enough money to pay debts, buy goods, etc., or an occasion when this happens
- **Meanwhile** - at the same time
- **Wary** - careful or nervous about someone or something because you think they might cause a problem
- **Monitoring** - to regularly check something or watch someone in order to find out what is happening
- **Aspect** - a particular part, feature, or quality of something
- **Spirited** - expressing opinions or intentions in a determined way
- **Defence** - actions that you take to protect someone or something that is being attacked
- **Autonomy** - the power to make your own decisions
- **Exclusive** - limited to a particular person, thing, or group and not shared with others
- **Domain** - an area of activity considered as belonging to or controlled by a particular person or group
- **Nip something in the bud** - to stop a bad situation from becoming worse by taking action at an early stage of its development
- **Gorilla in the room** - a problem or difficult issue that is very obvious, but is ignored for the convenience or comfort of those involved
- **Cast a shadow over something** - to make a situation seem less hopeful and more likely to end badly
- **Tenure** - the period of time when someone holds a job, esp. an official position

Course correction – **Dire strait: on Russia-Ukraine sea clash**

Russia must be persuaded to lower tensions with Ukraine

Russia's capture of three Ukrainian naval ships and over 20 crew members in the disputed Azov Sea has refocused international attention on the conflict on Europe's eastern corridors. The rapid escalation in tensions following the flare-up is evident. Kiev has declared martial law and demanded that the sailors be treated as prisoners of war. A court in Russian-annexed Crimea, meanwhile, has ordered many of them to be held in pre-trial detention, charging them with illegally entering its territorial waters. Ukraine

insists that the patrol of the Kerch Strait, where the vessels were impounded, was authorised under a bilateral agreement with Moscow. A new bridge over the strait that connects mainland Russia with Crimea has raised concerns about Moscow's greater control and influence in the region. The latest incident coincides with the anniversary of the November 2013 Maidan Square protests in Ukraine demanding integration with Europe, which was the prelude to Russia's invasion of Ukraine's Crimea in 2014. The protracted conflict has so far claimed about 10,000 lives and displaced millions, and no lasting resolution is in sight. The 2014-15 Minsk peace accords prohibited air strikes and heavy artillery firing. But the dispute has dragged on into a smouldering low-intensity combat. The Ukraine-Russia conflict has also widened religious schisms. The independence granted to the Ukrainian Orthodox Church from the Russian entity in October was criticised by Moscow. In turn, the election this month of the legislatures of two breakaway enclaves of Kiev, with Moscow's endorsement, drew criticism from Ukraine, leading European powers and the U.S. as violations of the Minsk accords.

There has been renewed Western diplomatic pressure since the weekend's skirmishes, with the UN Security Council and NATO calling on Moscow and Kiev to de-escalate tensions. But besides forcing Russian President Vladimir Putin to toughen his rhetoric *vis-à-vis* the big powers, the hardships from the economic sanctions since Crimea's occupation have achieved little by way of confidence-building in the region. European powers are divided between those advocating greater diplomatic engagement with the Kremlin and others wanting to press with further sanctions to punish perceived Russian political interference. But there has been little appreciation of the provocation for Moscow from NATO's continued expansion into the former Eastern Europe and the erstwhile USSR. The geopolitical imperative of greater engagement with Moscow has never been more urgent, as hawks in the U.S. administration make no secret of their preference for confrontation over dialogue. The recent escalations could serve well the leaders of both Russia and Ukraine to divert attention from the sagging popularity levels at home. Ukrainian President Petro Poroshenko faces a general election next year, which, it is widely forecast, he will lose. But the humanitarian situation arising from the continuing conflict brooks no delay in arriving at a speedy resolution.

Meanings of Difficult Words :

- **Dire strait** - very bad situation
- **Clash** - a fight or battle between two groups of people
- **Persuade** - to make someone agree to do something by giving them reasons why they should
- **Naval** - relating to or belonging to a country's navy
- **Crew** - the people who work on a ship, aircraft etc
- **Disputed** - a disputed area is one that different countries claim belongs to them, so that there is a disagreement or war between them
- **Conflict** - angry disagreement between people or groups
- **Corridor** - used about an area of land that belongs to one country but is surrounded by another
- **Rapid** - happening, moving, or acting quickly
- **Escalation** - to become or make something become greater or more serious
- **Flare-up** - to become worse
- **Evident** - easy to see, notice, or understand
- **Martial law** - direct control of a country or area by the armed forces
- **Sailor** - someone who works on a boat or ship
- **Prisoners of war** - someone, usually a soldier, who is held as a prisoner by the enemy during a war
- **Annex** - to take control of a country or region by force
- **Meanwhile** - at the same time
- **Detention** - the state of being kept in a police station or prison and not being allowed to leave
- **Territorial** - relating to the land of a particular country

- **Insist** - to say very firmly that something must happen or must be done
- **Patrol** - a group of people or vehicles that move around a place in order to prevent trouble or crime
- **Vessel** - sa large boat or ship
- **Impound** - if the police or other officials impound something, they take it away from someone because they have done something illegal
- **Bilateral** - involving two groups or countries
- **Concern** - a feeling of worry about something, especially one that a lot of people have about an important issue
- **Coincide** - to happen at the same time as something else
- **Anniversary** - a date when you celebrate something that happened in a previous year that is important to you
- **Protest** - an occasion when people show that they disagree with something by standing somewhere, shouting, carrying signs, etc
- **Integration** - the process of becoming a full member of a group or society, and becoming involved completely in its activities
- **Prelude** - an event that happens before and introduces a more important event
- **Invasion** - an occasion when one country's army goes into another country to take control of it by force
- **Protracted** - continuing for a long time, especially longer than is normal or necessary
- **Claim** - if war, disease, or an accident claims someone's life, they die as a result of it
- **Displace** - to force someone to leave their own country and live somewhere else
- **Resolution** - a formal proposal that is considered by an organization and is usually voted on at a meeting
- **Accord** - a formal agreement between countries or groups
- **Artillery** - large powerful guns that are used by an army and are moved on wheels or fixed in one place
- **Smoulder** - to feel very strong emotions that you do not express in words, especially anger or sexual feelings
- **Intensity** - strength
- **Combat** - fighting during a war
- **Schism** - an occasion when one group divides into two groups because of a disagreement
- **Orthodox** - accepted by most people as the correct or usual idea or practice
- **Criticise** - to say what you think is wrong or bad about something
- **Breakaway** - consisting of people who have decided to separate from a larger group
- **Enclave** - an area of a country or city where a particular group of people live
- **Endorsement** - an occasion when someone gives official or public support to a particular person or thing
- **Violation** - an action that is in opposition to a law, agreement, principle etc
- **Accord** - a formal agreement between countries or groups
- **Diplomatic** - relating to the profession or skill of preserving or creating friendly relationships between countries
- **Skirmish** - an argument or a disagreement, especially a political one
- **De-escalate** - to (cause to) become less dangerous or difficult
- **Toughen** - to become more strict, or to make something more strict
- **Rhetoric** - a style of speaking or writing that is intended to influence people
- **Vis-à-vis** - compared to or relating to someone or something
- **Hardship** - a situation in which life is very difficult, usually because you do not have enough money

- **Sanction** - an official order to stop communication, trade, etc with a country that has broken international law
- **Advocate** - to publicly support a particular policy or way of doing things
- **Diplomatic** - relating to the profession or skill of preserving or creating friendly relationships between countries
- **Perceive** - to understand or think about something in a particular way
- **Interference** - the process of deliberately becoming involved in a situation and trying to influence the way that it develops, although you have no right to do this
- **Provocation** - something that causes you to react in an angry or violent way, often something that is intended to cause such a reaction
- **Former** - used for describing someone or something that had a particular job, title, status etc in the past, but not now
- **Erstwhile** - previous
- **Imperative** - extremely important and urgent
- **Hawk** - a politician who prefers using military force to more peaceful methods
- **Confrontation** - a situation in which people or groups are arguing angrily or are fighting
- **Dialogue** - a process in which two people or groups have discussions in order to solve problems
- **Sagging** - lower or less strong
- **Forecast** - a statement about what is likely to happen, based on available information and usually relating to the weather, business, or the economy
- **Humanitarian** - relating to efforts to help people who are living in very bad conditions and are suffering because of a war, flood, earthquake etc
- **Conflict** - angry disagreement between people or groups
- **Brook no something** - to not allow or accept something, especially a difference of opinion or intention
- **Resolution** - the action of solving a problem or dealing with a disagreement in a satisfactory way

Course correction – **Number theory: on lowering UPA-era GDP growth rate**

The larger lessons from the GDP back series must not be clouded by a political slugfest

Backcasting, or reworking past national accounts statistics based on the latest base year, is a regular exercise that governments carry out. Mainly done to enable precise comparison and analysis, it is a difficult exercise prone to contestation as it involves the inclusion of newer data sources, exclusion of outdated ones and making some subjective assumptions in the process. Throw in the political element, and GDP backcasting can become a controversial exercise, as it has now become in the case of the release of back series data from 2005-06 to 2011-12, the new base year. The data computed by the Central Statistics Office (CSO) and released by the Niti Aayog show that India never really grew in double-digits in 2010-11, nor was it the high-growth economy in the five years preceding this as earlier thought to be. It so happens that this period covers the two terms of the Congress-led United Progressive Alliance government, and the new data have predictably set off a political storm. The Congress may feel aggrieved as its biggest achievement, of taking India on the high GDP growth path, has come under question. During earlier instances of backcasting of GDP data, the political environment was not as deeply polarised as it is now, and so the exercise remained more academic.

The danger in the political slugfest now is that the many valuable insights that can be gleaned from the data will be lost sight of. The biggest of these is that India never really decoupled from the global economy during the years of the financial crisis (2008-10), unlike what was earlier believed. The new back series data show a much lower growth rate. This is an important learning for policymakers, going

forward. Any criticism of the data has to take into account the fact that it has been generated by a thoroughly professional organisation, the CSO, and the methods have been scrutinised by experts, including past chief statisticians, and the Advisory Committee on National Accounts Statistics. Certainly, the release of the back series by the Niti Aayog goes against convention and is bad in optics. But this should not be reason to contest its integrity. The method of computation reflects the latest United Nations System of National Accounts; it also captures changes in the economy since 2004-05. Data sources have also been updated. Experts had testified to the robustness of the method when it was introduced in 2015, even while underlining that the availability of reliable data was crucial to arrive at the correct overall picture. There is little doubt that India needs to invest more in data collection and integration and do informal sector surveys more frequently. Robust, updated data are, in fact, insurance against politicians hijacking what is essentially an economic exercise.

Meanings of Difficult Words :

- **Clouded** - to make something more complicated or confusing
- **Slugfest** - a long and hard contest between two equal opponents in which an easy victory is impossible
- **Backcasting** - Backcasting a planning method that starts with defining a desirable future and then works backwards to identify policies and programs that will connect that specified future to the present
- **Reworking** - a new way of doing something that is intended to be an improvement
- **Statistics** - a collection of numerical facts or measurements, as about people, business conditions, or weather
- **Carry out** - to do a particular piece of work, research etc
- **Precise** - exact and accurate
- **Prone** - likely to do something or be affected by something, especially something bad
- **Contestation** - the act of arguing or disagreeing about something
- **Inclusion** - the action of including someone or something in a group, arrangement, document etc
- **Exclusion** - a situation in which someone is deliberately prevented from being involved in an activity or from entering a place
- **Outdated** - old and no longer suitable for modern purposes, methods, or situations
- **Subjective** - based on your own feelings and ideas and not on facts
- **Controversial** - a controversial subject, opinion, or decision is one that people disagree about or do not approve of
- **Preceding** - existing or coming immediately before someone or something else
- **Progressive** - supporting social and political change that aims to make a system fairer
- **Alliance** - an arrangement between two or more people, groups, or countries by which they agree to work together to achieve something
- **Predictable** - if something is predictable, it happens in the way that you would expect
- **Aggrieved** - feeling angry and unhappy because you think you have been treated in an unfair way
- **Instance** - an example of something happening
- **Polarised** - to form two very different groups, opinions, or situations that are completely opposite to each other, or to cause this to happen
- **Academic** - not relating to a real situation, and therefore not relevant
- **Insight** - a chance to understand something or learn more about it
- **Glean** - to learn small pieces of information by asking questions or watching or listening carefully
- **Decouple** - to separate two objects, ideas, or processes
- **Crisis** - an urgent, difficult, or dangerous situation
- **Criticism** - comments that show that you think something is wrong or bad

- **Take into account** - to consider something when you are trying to make a decision
- **Scrutinise** - to examine something very carefully
- **Statistician** - someone whose job is to study and work with statistics
- **Convention** - a way of behaving that is generally accepted as being normal and right
- **Optics** - the way a situation looks to the general public
- **Integrity** - the quality of always behaving according to the moral principles that you believe in, so that people respect and trust you
- **Computation** - the process of calculating a number or amount
- **Testify** - to provide evidence that something exists or is true
- **Robustness** - the quality or condition of being strong and in good condition
- **Underline** - to show clearly that something is important or true
- **Reliable** - reliable information can be trusted to be accurate
- **Integration** - the process of combining with other things in a single larger unit or system
- **Hijacking** - to take control of an organization or activity and use it for your own purposes

Course correction – **Cool it: on labour loss due to heatwave**

Increased exposure to heatwaves needs a policy response, nationally and globally

The staggering loss of an estimated 153 billion hours of labour during 2017 due to rising temperatures around the globe is a reminder to governments that they are not doing enough to dramatically curb greenhouse gas emissions. The *Lancet* countdown on health and climate has reported that India was particularly affected by the rising frequency of heatwave events and lost about 75 billion hours of work, a significant part of it in the agricultural sector. This has worrying implications for rural employment and the well-being of a large section of the population that depends on farming. At stake for all countries in the developing world is the health of millions, many of them already vulnerable to extreme weather events. Coming on the eve of the UN climate conference in Katowice, Poland, the report of the *Lancet* panel for 2018 brings clarity, placing connected issues in perspective for governmental action. It is vital that India gets more ambitious about cutting back on carbon emissions, even as it presses for the fulfilment of the climate finance obligations of developed countries under the Paris Agreement of the UN Framework Convention on Climate Change. A further reduction in the share of coal in the energy mix through sustained support for renewable energy, particularly solar photovoltaics, must form the cornerstone of national policy. This must be matched by a shift away from use of fossil fuels for transport, and the induction of more electric vehicles. Such a policy would yield the parallel benefit of improving air quality; ambient air pollution led to the premature death of an estimated half a million people in India in 2015.

The consensus on climate change is that it has begun to affect the intensity and frequency of extreme weather events. India's approach to adaptation should, therefore, prepare for catastrophes with a well-considered plan to provide relief and rehabilitation. If the Centre and State governments can arrive at a consensus on the strong climate link to the excessive rain in Kerala and Cyclone Gaja in Tamil Nadu, for instance, a case could be made for climate funds under the Paris Agreement. Such a claim has to be supported by a perspective plan that identifies vulnerable regions and communities, and incorporates transparent systems for funds utilisation. The importance of funds for adaptation is underscored by *Lancet's* finding that 99% of losses from climate-related events in low-income countries were not insured. From a public health perspective, the report sounds a warning that rising temperatures will enable the dengue virus and malaria to spread farther and faster. This is also true of some other infections. The aggravated impact of climate change on health is a serious issue for policymakers to consider when they gather in Katowice for the conference on December 2.

Meanings of Difficult Words :

- **Heatwave** - a continuous period of very hot weather, especially when this is unusual
- **Exposure** - the state of being put into a situation in which something harmful or dangerous might affect you
- **Staggering** - extremely surprising
- **Dramatically** - in a sudden and surprising way that is easy to notice
- **Curb** - to control or limit something that is harmful
- **Greenhouse gas** - a gas that causes the greenhouse effect, especially carbon dioxide
- **Emission** - a substance, especially a gas, that goes into the air
- **Significant** - very large or noticeable
- **Implication** - a possible effect or result
- **Vulnerable** - someone who is vulnerable is weak or easy to hurt physically or mentally
- **On the eve of something** - on the day before an important event, or during the period of time just before it
- **Panel** - a group of people who make decisions or judgments
- **Perspective** - a way of thinking about something
- **Vital** - very important, necessary, or essential
- **Cutting back** - to reduce the amount of something, especially money that you spend
- **Obligation** - something that you must do for legal or moral reasons
- **Framework** - a set of principles, ideas etc that you use when you are forming your decisions and judgments
- **Convention** - a formal agreement between governments of different countries about how they should behave towards each other or towards the people in their country
- **Photovoltaic** - a piece of equipment that changes light into electricity
- **Cornerstone** - the basic part of something, on which everything depends
- **Fossil** - an animal or plant, or a part of one, that lived many thousands of years ago and is preserved in rock or as a piece of rock
- **Yield** - to produce something useful such as information or evidence
- **Ambient** - existing or present around you
- **Premature** - happening too soon or before the usual time
- **Consensus** - agreement among all the people involved
- **Intensity** - strength
- **Catastrophe** - an event that causes a lot of damage or makes a lot of people suffer
- **Rehabilitation** - the process of returning to a healthy or good way of life
- **Excessive** - much more than is reasonable or necessary
- **For instance** - for example
- **Incorporate** - to add or include something as a part of something else, for example as a part of an arrangement or a document
- **Transparent** - open and honest, without secrets
- **Underscore** - to emphasize something, or to show that it is important
- **Aggravate** - to make a bad situation worse

☞ "Challenges are what make life interesting. Overcoming them is what makes life meaningful"

Joshua J. Marine " "☞