

India and its burden of social obligations

40% of indebted households in underdeveloped rural areas took loans for social obligations: ICE 360° survey

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mint ICE 360°
Part 12

More than a quarter of India's households are indebted, and a majority of them borrow from informal sources rather than banks or financial institutions, according to fresh data from a large-scale nationally representative survey. The Household Survey on India's Citizen Economy (ICE 360° survey) conducted this year shows that 27% Indian households have at least one outstanding loan. Fourteen percent households have informal loans, 12% have formal loans, and 2% have both formal and informal loans.

The ICE 360° survey 2016, covering 61,000 households is among the largest consumer economy surveys in the country. The survey period of the survey was April 2015 to March 2016. The survey shows that 30% households in rural India are indebted while the comparative figure for urban India is 21%. These figures are similar to the figures reported by a 2013 household debt survey conducted by the National Sample Survey Office (NSSO), which showed that 31.4% of households in rural India and 22.2% of households in urban India are indebted.

The incidence of indebtedness does not vary much across income classes, but the size and sources of loans formal versus informal do vary greatly across income classes. The proportion of households in the bottom quintile which has informal loans (21%) is

twice that of the proportion of households which has formal loans. In stark contrast, the proportion of households in the top percentile which has formal loans (2%) is only one-sixth the proportion of households which has formal loans. The quantum of loan varies sharply across income classes and geographies. Most high-value loans are taken by households from the top percentile, and those living in metros. The median loan amount outstanding as on date of survey for the top percentile was Rs21,00,000 while that for the bottom quintile is much lower at Rs30,000.

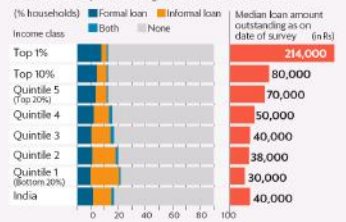
It is worth noting though that the distribution of assets is also skewed across income classes, and hence the debt-asset ratio of the poorer income classes is higher than that of the top income classes. The NSSO debt report (table above), which provides detailed distribution of assets and debt, shows that the top decile (in terms of household asset hold-

ings) in rural India has a debt-asset ratio of 2 whereas the debt-asset ratio of the bottom decile is as high as 38.7. The gap between the debt-asset ratio of the poorest and richest deciles in urban India is wider than that in rural India.

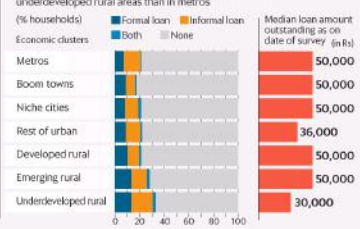
The ICE 360° survey shows that social obligations such as arranging for wedding feasts and other family functions puts a heavy debt burden on rural households. Nearly a third of those having loans reported taking loans to meet social obligations. The proportion of such households is higher at

Indebted households

The proportion of households with loans is invariant across income classes but the super-rich have greater access to formal loans



The proportion of indebted households is significantly higher in underdeveloped rural areas than in metros

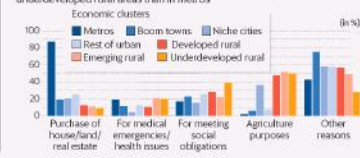


The debt of obligations

Social obligations such as organizing wedding or funeral meals put a heavy debt burden on Indian households

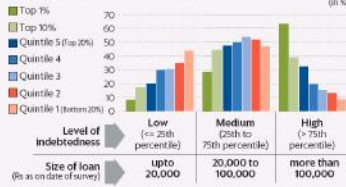


Loans for meeting social obligations are much more common in underdeveloped rural areas than in metros

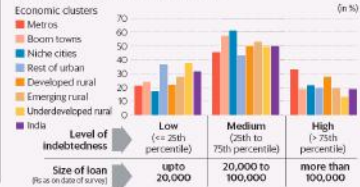


Level of indebtedness

The top percentile accounts for 63% of high-value loans



Metros account for a third of high-value loans



Graph by: Ahmed Raza Khan/Mint

Source: ICE 360° Survey, 2016

India may offer China tariff removal on over 70% goods

BY ASITRANJAN MISHRA
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NEW DELHI

India plans to offer tariff elimination on more than 70% traded goods with China over an extended period of time under the ongoing negotiations for a Regional Comprehensive Economic Partnership (RCEP) agreement.

"One cannot go beyond 6% offer on either side of common concession. For example, if common concession is decided at 80% for all countries, then we cannot offer China tariff elimination of less than 7%," a government official said, requesting anonymity.

The common concession of tariff lines is the minimum tariff elimination that a country has to offer under RCEP, which is yet to be finalized. India plans to take a longer period to eliminate tariff with China, set up to 30 years, to give the worried domestic industry enough time to adjust to a trade deal with China. Six industries are particularly worried as China has been dumping iron and steel products in India at a much lower price than the domestic industry can supply at. India has also resorted to anti-dumping measures to protect domestic industry from the onslaught of cheap imports from China.

"Other countries want a shorter phasing out period of tariffs, we want a longer phasing out period. Others say you have to give to every body, which we don't agree to," the

official said, pointing at the current level of discussions at RCEP among member countries.

At the Laos Ministerial in August, India had agreed to forgo its own proposal of a three-tier system of tariff concessions to member states under RCEP. The agreement under which it had proposed to offer 42.5% elimination of tariff lines to China. However, since then, India had sought to play hardball, insisting on trade services agreement, more ambitious than what is an upper hand, considering the 12 million skilled job market entering its domestic job market every year.

However, officials are still not clear regarding the possible deliverables in services negotiations, as other members remain inflexible and unwilling to negotiate. "We have to offer real hard work on services," the official said.

India has also agreed to give the highest level of tariff elimination to the Association of Southeast Asian Nations (Asean) grouping. In a bilateral meeting during the just-concluded negotiations in Indonesia, India made the assurance to the Asean grouping. The next round of talks is scheduled to be held in Kobe, Japan in February next year. After the US president-elect Donald Trump said that he will dump the Trans-Pacific Partnership (TPP) agreement championed by present President Barack Obama on the chief of the Asean delegation to negotiations under RCEP. Started in May 2013, RCEP comprises the 10 economies of the Asean region and six of its free-trade partners.

STRAIGHTFORWARD

SHASHI SHEKHAR



Respond to this column at feedback@vsnl.com

THE DISJOINTED FAMILY SYNDROME

As 2016 draws to an end, if someone were to ask me which social reality I want to link up of, I'd unquestionably say it is dysfunctional families, broken homes and misbegotten children. To make myself clear, let me share with you the example of Aman from Delhi. His untold story speaks volumes.

The Delhi Police first sent Aman to prison at the age of 20 for chain-smoking. In prison, he met Dantu and Abhil Khan and they decided to form a gang. The trio has since carried out 24 incidents of snatching, robbery and dacoity. Police suspect that even after coming out of prison, they will not desist from such activities.

Aman wasn't born a criminal. He grew up in a middle-class family and was considered a bright student till standard 12. He was expected to lead a life of peace and prosperity like other young Indians. How then did things go so drastically wrong? All authorities and the police believe the reason would have his genesis in Aman's childhood. His parents separated when he was just

eight years old. This left an indelible imprint on Aman's young psyche. Aman isn't alone. Like him, in the absence of family guidance thousands of youngsters go down the wrong path. Even our law enforcement authorities find themselves helpless when it comes to bringing misguided youth back into the mainstream.

The rapid pace at which India's family traditions are breaking down also has sociologists worried. Kerala had 47,525 divorce cases in 2014. Within one year, the incidence of divorce rose to 52,541 in the state. The statistics for Maharashtra are no better. If 22,812 couples decided to part ways in the state in 2014, the number crossed 31,000 in 2015. Bengaluru had just one family court to begin with. Now, owing to the rapid breakdown of families, the number of such courts has been increased to three. But even these appear to be inadequate when it comes to coping with the sheer number of divorce cases.

Here we shouldn't forget that Kerala, Karnataka and Maharashtra have higher literacy levels than other states in the country. But that doesn't seem to have an effect on the incidence of disputes within families.

The Hindu dharma might not compete with these states in the spheres of industrialization, per capita income or literacy but it is not too far behind in cases of marital discord. The number of people seeking divorce in Haryana in 2014 and 2015 rose from 9,151 to 12,039. If you look just at percentage increase, Haryana leaves these three states behind.

Earlier, it was believed that quick marriages and quick divorces was a syndrome restricted to large metro cities. But of late, mid-sized towns that swore by arranged marriages appear to be competing with them. Clearly, these circumstances are a cause for concern.

Much before it reached our country, this syndrome had set up home in the West. In the America of 1935, just 16 out of 100 marriages were unsuccessful. By the end of the 20th century, this number began to hover near 50%. The repercussions are obvious. A Heritage Foundation study of American lives involved in crime reveals that those children who don't live with their biological

parents are three times more likely to display criminal tendencies than those who do. In 2010, Duncan Smith had warned people in Britain to prevent a breakdown of families. Studies in Britain on children involved in crime had revealed that compared to families where both the parents were together, the number of children involved in crime from families with divorced parents was nine times more.

If you look at it, there are many other factors prevalent in society that may drive children to crime. The present of Aman's story is a living example of this. While he was posing questions, Aman told the police that he got the idea of forming a gang after watching the film *Shootout in Wadala*.

Here I don't want to get into debate on the relativities of 'meaningful' and 'commercial' cinema. But it is true that cinema often gives good or bad ideas to the youth. Not too long ago, after a long, tiresome probe into a murder case, the police discovered the killer had been inspired by the Bollywood film *Drishyam*.

It is true that movie producers invest crores of rupees so that they can get a good return. Still, if this syndrome becomes responsible, they can make a profit and serve a cause at the same time. There was a time when most state governments screened movies about patriotism and social reforms on projects in schools. The song 'Matro matia laal tera bahutere' (Don't cry mother, you have many children) from Sanjivni and the martyrdom of five brave fighters in *Shahjahan* continue to inspire our generation. It may be worthwhile remembering that Rit-had. After a thoroughly detailed has compelled one generation to introspect deeply in the last 35 years.

The question that arises is from the Parliament to the street, which issues are our leaders debating? Can you imagine a developed India without its children and families? Why do our society and the establishment run away from such a conversation?

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Ban anonymous contributions above Rs2,000 to parties: EC

New Delhi: Seeking to stem the flow of black money in politics, the Election Commission (EC) has urged the government to amend laws to ban anonymous contributions of Rs2,000 and above made to political parties.

There is no constitutional or statutory prohibition on receipt of anonymous donations by political parties. But there is an "indirect partial ban" on anonymous donations through the requirement of declaration of donations under section 29C of the Representation of the People Act, 1951. But, such declarations are mandated only for contributions above Rs20,000.

"Post demonetization, no political party can accept donations in Rs500 and Rs1,000 notes since they were rendered illegal tenders. If there is any discrepancy, political

15-20% of cashless transactions will be an achievement: Gangwar

New Delhi: Union minister Santosh Kumar Gangwar has said the government never talked of going 100% cashless, but even if the country achieves 15-20% success in going cashless, it will be a big achievement. The minister added that cashless transactions will be an effective way to attain transparency, even if one-fifth of the transactions were to take place without cash.

Addressing economists' arguments on demonetization, he said, "This decision has been taken by the government

to fight corruption and black money" PTI

Congress, Left parties question gov's choice of new army chief

New Delhi: Congress and the Left on Sunday questioned the appointment of Lt. General Bipin Rawat as the new army chief by superseding two officers, saying every appointment by the government has become controversial. Arguing that eastern army commander Lt. General Praveen Bakhshi and southern army command chief Lt. General P.M. Hariz are senior to Lt. General Rawat, Congress spokesperson Manish Tewari questioned why this supersession has taken place. Communist Party of India (CPI) leader D. Raja said that appointments have become controversial. PTI