

**Competition Reforms in Key Markets for Enhancing Social & Economic Welfare in Developing Countries (CREW Project)**

**Minutes of Country-Specific discussion on Research Methodology (India) for DCR**

**New Delhi, 24<sup>th</sup> July, 2013**

**Present:** Shyam Khemani (Project Advisor), Prof. P. G. Chengappa (Sector expert: Staple Food), Prof. S. Sriraman (Sector expert: Passenger Transport), Kristen Harkins (Nathan Associates), Ram Tamara (Nathan Associates), Sangeeta Singh (Nathan Associates), Dripto Mukhopadhyay (Indicus Analytics), Swastik Das (Indicus Analytics), Anuj Sharma (Indicus Analytics), Abhijit Sarkar (Indicus Analytics), Arvind Kumar (CUTS Institute for Regulation & Competition - CIRC), Ashwini Swain (CIRC), Rijit Sengupta (CUTS International), Udai S Mehta (CUTS International), Raksha Sharda (CUTS International) and Shreya Kaushik (CUTS International)

**Discussion: General Methodology**

**State / City Selection :** A long discussion ensued on the methodology for state / city selection in India for the purpose of DCR. The following are the suggestions that came up:

- In the opening session, Shyam Khemani clearly stated that presentation on Diagnostic Country Report (DCR) has already been made and the next step would be to identify specific states/cities for both staple food and passenger transport with a suitable reasoning and setting out the criteria for selecting the states/cities. The selection criteria (state/city selection) should be very clear to general public, the project implementation team including PAC members.
- Difference in difference approach can be used while determining the states/cities for both the sectors. However, the difference-in-difference approach can be applied only to India since geographically India is different and vast differences are visible, but such may not be the case for other project countries and should not be imposed on them, as was suggested by Ram Tamara. Shyam also emphasized for both ex-post and ex-ante analysis.
- Shyam went on to suggest that for selecting the states a similar approach as in the background paper for selecting the countries under study in this project can be followed. For example, 10 states can be selected and then further refinement can be done on the basis of set of criteria's/parameters.
- Further suggestions for state selection stated the adoption of two approaches: (1) State where greater reforms have taken place and where there are few reforms and (2) States with similar characteristics and how reforms have taken place in both the states and what benefits have accrued.
- Kristen Harkins stated the use of spatial variations for state/city selection.
- Dripto Mukhopadhyaya informed that an Economic Freedom Index has been developed by Indicus Analytics and states included in that study can be examined and one of the parameters from the index can act as a criterion of finalising the states/cities.

**Data Collection:** Shyam informed that the World Bank reports are available in the public domain which will provide useful insights while deciding the research methodology. Though availability of data is a problem and has been discussed during the NRG Meeting, but we need to identify the possible avenues and solutions for this problem and the potential sources of data should be identified. In case of sampling how representative (in terms of stakeholders) would be the sample of

the population and how likely it is to get a comprehensive and diverse sample should also be addressed while selecting the sample. Ranking approach (say on a scale of 5) should be used for measuring benefits as this will help in data entry and analysis.

Representatives from Indicus Analytics mentioned that in-depth interviews will be conducted with all the stakeholders and each stakeholder will be interviewed individually since the FGD's pose a risk of getting biased information. Data availability for staple food is not a problem, but lack of data in the transportation sector might act as a hurdle.

**Defining the term 'Consumer'**: Kristen Harkins, Nathan Associates, mentioned that the end consumer in the value chain would be the focus for the CREW Project. Rijit Sengupta backed this idea both for the sake of clarity and better understanding of the reforms in the project research. Supporting this point further, Shyam added that, in the case of crops with less human consumption the focus on the intermediaries is important, but for crops like wheat and rice, the focus on the end consumer would be relevant.

**Point of Reference (Time) for Reforms**: Time period/reference period for analysing the reforms needs to be properly defined. For the Motor Vehicles Act, for example some reforms took place in mid-90s so may be that can be taken as a reference period. But Shyam pointed that going back to mid-90s is not feasible and we might go too far. He stated that we do not need to go to the time when the policy started; rather compare differences in two states which will help in determining pre and post reform. For e.g. state of affairs in Karnataka is very different. Fares in Bangalore city are high because of high incomes and rates of return are also high than in Kolkata, such comparisons will throw light on the ultimate objective of this project. Changes in the type of facility provided by the bus operators can also act as a major point of reference.

**Confounding Factors**: It was agreed upon that the impact of reforms sometimes also depends on the factors that prevail in the market and therefore it would be interesting to study such dynamics as well. For e.g. Income of commuters in Bangalore is high and so there is more competition, since the commuters do not mind paying more for comfortable buses as high profile consumers are commuting.

A possible remedy to this problem is the use of perception survey and qualitative analysis suggested by Shyam. Also, scaling is very important and two type of analysis can be used: one is the regression analysis using dummy variable and or association of attributes to address the issue of confounding factors.

## **Discussion: Staple Food Sector - India**

**Staple Crop Selection**: Both rice and wheat form a major part of the public distribution system and food security in India. However rice market is very complex as there are varying qualities of rice available in India. This largely impacts the consumption preference of the end consumers. Also for the purpose of in-depth research, it is better to capture the market dynamics of one staple. Wheat, therefore was selected as the staple food for India. Prof. Chengappa supported this view and said that wheat is consumed universally in India and features largely in the Public Distribution System as well even in the southern states.

**State Selection**: Citing the selection of Wheat as the staple crop, the following are the states that were suggested by the NRG:

- As informed by Dripto Mukhopadhyay, Punjab and Uttar Pradesh are two major wheat producing states but there are differences in policy and its implementation which has impacted the production. However, a thorough research needs to be done before finalizing the states.
- On the selection of states for the Staple Food sector, Prof. PG Chengappa added that Punjab and MP are good examples. Punjab has high marketable surplus and fares well in terms of buffer stock. MP on the other hand is a new entrant to the list of states with high wheat production. There is a presence of small farmers' agri-business consortium, indicating the application of new policy environment. Also the landholding pattern is very different in MP, therefore it will provide a good scope for study. The land price in MP is much lesser than that in Punjab and therefore agriculture often happens on large farms. He further added that Punjab has no marketing reforms and the produce is largely procured directly from the farmers. The produce is high and leads to high procurement prices. The production occurs on a large scale in Punjab whereas MP is labour intensive and less commercially developed. This contrast would offer a wider scope of policy reform investigation in India.
- Furthering the discussion on the pattern of selection for the states in Staple food sector, Rijit Sengupta questioned the possibility of a standard selection criterion for passenger transport and staple food. For eg: If the presence of largely public or largely private is being looked at in the passenger transport sector, then can this criterion be applicable in the Staple Food sector as well. To this Prof. Chengappa replied that, Staple Food works on a different pattern however certain reforms in procurement can be looked at in terms of public and private participation.

**Impact of Reforms:** In terms of agriculture reforms, Shyam Khemani added that apart from the value chain in the staple food sector, the banking and financing reform should also be looked at. The farmers are often supplied with seeds and fertilizers from the lenders on a high lending rate. The farmers partly pay the loan in the form of produce or they sell their produce at a very low procuring rate. This often leads to the distortion in the supply chain. These are critical issues that cannot be ignored from the study. To this Abhijit Sarkar, Indicus Analytics, replied that the study would focus on the reforms undertaken in MSP and input markets alongwith the reforms in the agro-financing sector.

### Discussion: Passenger Transport Sector - India

**State / City Selection:** The following are the suggestions that were put forward for the selection of state / city selection for Passenger Transport:

- Prof. Sriraman suggested that states having stark difference in terms of the mode of operation i.e., largely public or largely private can be selected for better study and comparison for the purpose of the research. He further went on to suggest Orissa as a good state for the purpose of research.
- While discussing the routes to be identified for intra-city bus transport, it was highlighted that focus should be on the routes which are intensively used.
- Shyam suggested that the routes that are used for transportation of large number of commuters within the city should be selected. In terms of intercity transport, two cities within a State that account for large number of passengers to be transported should be focussed upon.

**Data Availability:** Some of the studies which can be useful for secondary research would be that NCAER report and report by Planning Commission.

A common concern shared by all the NRG members was the availability of data related to the price movement.

**Trends for Fare Setting Mechanism:** Prof. Sriraman suggested that in states/cities where there is an existence of both public and private sector, private sector follows the rules set by the public sector.

Arvind Kumar stated that usually price setting rule for private players is 10% higher than that of the public sector.

#### **Discussion: Timeline for Submission**

Discussion also took place for timeline and deadlines of submitting the DCR report since the scope of work has expanded much more than what it was anticipated.

Dripto stated that three months would be required for actual study, conducting research, collecting data etc. and the deadline for submitting the draft report should be extended by a month and after a month the final report will be submitted.

Thus by 15<sup>th</sup> December, 2013 final DCR report should be submitted as indicated by Rijit Sengupta. A consistent outline of overall DCR methodology would be followed for the country-specific research methodology and it should be a 2-3 page document.

#### **Key Points / Outcomes**

- The term 'Consumer' under the CREW Project, across the four project countries, would be defined as the "end Consumer" at the end of the value chain.
- Wheat would be the staple crop for India for undertaking the research.
- Punjab and Madhya Pradesh would be the states selected for the research in Staple Food Sector
- A refined DCR methodology note would be submitted by Indicus Analytics. This note would contain: (1) the methodology for undertaking the quantitative and qualitative analysis, (2) sampling framework, (3) Justification for the state / city selection in the two sectors, (4) reforms to be focussed in the respective sectors, (5) hypothesis / research questions for the selection of the reforms and (6) the data sources for testing the hypotheses.