FEBRUARY 2020

ViewPoint

Of The Economics Department, Aryabhatta College

EVERY **DIMENSION COUNTS**:
SO THE NEXT TIME YOU THINK,
YOUR ACTION ALONE ISN'T **IMPACTING THE PLANET**,
THINK AGAIN!
LET YOUR **VIEWPOINT** ADD VALUE TO THE **WORLD WE LIVE IN!**

- **Sustainable Development**
  In India
  Looking into social and environmental aspects of economic development

- Great **Economic Slowdown**
  in **India**
  Digging Deeper into the Different Interpretations of the Dynamics

- **Air Pollution**
  Choking the economies

MIND OVER MATTER

Founded in 2015, Mind Over Matter, is an evolving departmental society of the Department of Economics, Aryabhatta College, University of Delhi that aims to build and keep together a passionate community of students, acknowledging their interest in the subject of Economics.

We at Mind Over Matter hope to provide a stimulating environment to our peers and have been conducting our annual festival, organizing learning sessions, and publishing our annual magazine, carving the way for the same. Our objective has always been to foster social and intellectual activity among students and in particular, to develop in them an interest in the study of Economics. With a number of euphoric academic events concerning economics and exciting filler events, we have come a long way from where we started as a department.

Viewpoint is our endeavor heartening the spirit of student-centered learning. It is about exposing students to the idea of research, instilling a habit of application-based learning, and ingraining the idea of expressing and sharing views as they go ahead onto forming opinions. We believe, at the nexus of Viewpoint is it being entirely student-driven, right from the beginning to its completion. We serve constant encouragement for students to step into roles of editing and designing, building better insight as we step further ahead on the path of peer-learning. We aspire to foster real learning.

Just remember, your 'Viewpoint' can add value to the world we live in!

MESSAGE FROM THE PRINCIPAL'S DESK

"If you really think that the Environment is less important than the Economy, try holding your breath while you count your money"
- Dr Guy Mcpherson

Dear Readers,

It gives me immense pleasure to present the second edition of our Economics department annual magazine: Viewpoint. This magazine harnesses the creative energies of the academic community, and distils the essence of their inspired imagination in the most brilliant way possible. The theme for this year is 'Sustainability'.

Sustainability is much more than a recent buzzword. It is one of the biggest challenges facing mankind. The concept of sustainability is about meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. However, increasing population and urbanisation has led to severe environmental degradation and growing scarcity of natural resources. There is a need to align the policies and institutions, social structures and resources. Achieving a growth path that is resilient, sustainable and inclusive has become a national priority in today's time. Consequently, India has commenced its transition to a low carbon economy by setting ambitious targets for addressing the issues of climate change and energy usage. Our Finance Minister, Smt. Nirmala Sitharaman under Budget 2020-21, has allocated 4,400 crore to encourage states to formulate comprehensive plans for ensuring clean air. Thus, as a nation, we are committed to balancing synergies between economic growth, social inclusiveness and environmental concerns.

At Aryabhatta College, we strive to turn our students into responsible citizens who are future ready and able to face the challenges of global world. It is heartening to see that our students are bringing a change in the way we look at the world which reminds us that the future is determined by 'what we do now'. The wide spectrum of articles covered in this magazine; give me a sense of pride that our students and faculty members possess creative potential and novel thinking in ample measures. Each article is interesting, absorbing and a delightful read. I appreciate and applaud the editorial team on successful completion of this tedious yet daunting task of putting together the myriad thoughts and dreams of our students and faculty into a meaningful and enjoyable reading experience.

Happy Reading!
Dr. Manoj Sinha
Principal
Aryabhatta College
University of Delhi

Dr. GURSHARAN RASTOGI
HEAD OF DEPARTMENT
DEPARTMENT OF ECONOMICS
ARYABHATTA COLLEGE
UNIVERSITY OF DELHI

"Our Task, Regarding Creativity, Is To Help Children Climb Their Own Mountains, As High As Possible. No One Can Do More."
- Loris Malaguzzi

It is a privilege to be part of the team of hard-working Economics teachers and students who are bringing out this magazine. Actually, most of the credit goes to the students, with the teacher's role being mainly supportive in nature.

The magazine is a beautiful canvas of thoughts, perceptions and views of students, and thus is a mirror of what these budding economists actually are, and what they feel.

We take pride in the manner in which our students evolve over time. This may also be discerned from the work submitted by the students of various years.

Perhaps we may learn more about the students from this magazine, than what we learn from teaching them.

I wish our students the best for this magazine,
as well as for all future endeavors.
As for the readers, I am sure they will enjoy this magazine,
and wish them Happy Reading!

Mr. HARISH DHAWAN
ADVISOR
DEPARTMENT OF ECONOMICS
ARYABHATTA COLLEGE
UNIVERSITY OF DELHI

We are indeed passing through turbulent times!

From a high growth trajectory to economic performances became one with merely a potential for high growth half a decade ago. Even a few months ago, the dark clouds of a serious slowdown could be seen near the horizon. With a sense of hopeful optimism, our economic society organised a seminar "$5 Trillion Indian Economy- a real possibility or a farce?" In February 2020. We are facing a declining growth rate in production with rising prices which is a deadly cocktail. Worries today go well beyond the purely economic.

This is a good juncture to reflect, to reconsider, to discuss and to bring out a magazine. These spaces provide for a more holistic discussion on society, polity and economy together and became a necessary counterpoint of the classroom. Congratulations on this effort!

Dr. DEEPIKA GOEL
ADVISOR
DEPARTMENT OF ECONOMICS
ARYABHATTA COLLEGE
UNIVERSITY OF DELHI

It gives me immense pleasure that the students of Economics have brought out the next issue of the Eco society magazine 'Viewpoint'. It is of utmost importance that in order to understand the subject in entirety, students pen down their thoughts and bring them out in a medium which makes them accessible to all.
I appreciate the hard work done by all the students who have written, compiled or designed their thoughts in Viewpoint. The views matter to all, and the Viewpoint matters to us.
I wish the students all the best for more issues to come.

CHERRY CHHABRA
EDITOR IN CHIEF

It gives me immense pleasure to present the second edition of Viewpoint. We aim to provide a platform for students to expand their horizons, stimulate their curiosity and attempt to provide opportunities while acknowledging the power of the written word.
I express my sincerest gratitude to our principal Dr. Manoj Sinha and our advisers Mr. Harish Dhawan, Dr. Deepika Goel and the entire faculty for their invaluable guidance.
I extend appreciation to all the students who have contributed towards the making of this magazine.
We truly hope you enjoy reading this magazine as much as we enjoyed the process of bringing it together. Thank you!

On a personal level, this edition of Viewpoint is even more special as I step into the role of an editor from that of a writer and it's been a journey full of some real learning.
Real learning comes from sharing what you have learned and that's what has been the vision behind Viewpoint. It's time for us to subscribe to a belief system that makes us strive harder to grab as many opportunities as we can. Viewpoint couldn't have been what it is and cannot be it's potentially best in the upcoming years without your contribution.
So come up and harness the indomitable power of your 'Viewpoint'; Happy learning!

NITYA BAGGA
EDITOR IN CHIEF

AAKASH SINGH
MANAGING EDITOR

We started last year by saying 'Beginnings are difficult, and that is what makes them special!' Viewpoint is special to us as a stepping stone to a long journey, with a bigger aim to make a healthy community of budding learners that has a platform to share its views as we grow together. We have put in unified efforts in this edition to take it closer to realizing the original essence of Viewpoint, making it all about student-centered learning. I hope you have a great time reading!

"Writing is designing with words and designing is writing without them."

InDesign is the key to marketing and the ultimate inspiration for that marketing is to play a supportive role to words and magnify their importance while subtly doing so. It was a great experience designing Viewpoint. I hope our readers have a great time reading it and enjoy a little visual pleasure as they do so!

MUDIT GARG
CREATIVE DIRECTOR

FEATURES

PRIVATE FINAL CONSUMPTION EXPENDITURE

THE OFTEN-UNOBSERVED TRENDS

"The goal is to turn data into information, and information into insight"
- Carly Fiorina, Hewlett-Packard

Consumption and expenditure patterns are economic notions of utmost importance. What has a demand, has a supply. Thus, looking deeper into the changes in consumption expenditure can help trace changing demand patterns, and thereby make the supply compatible enough.

What did we consume in the past decade?

Private Final Consumption Expenditure (PFCE) has largely 12 components, as seen in Figure 1. Over the past decade, 'Food and Alcoholic Beverages' have lost out, while consumption for personal care items, personal effects n.e.c., electricity, and transportation services have increased.

Within the food segment, consumers' demand for milk products, meat, bread, cereals, and pulses has reduced significantly. Whereas fruits, vegetables, sugar, jam, and honey have had a consequential contribution towards PFCE.

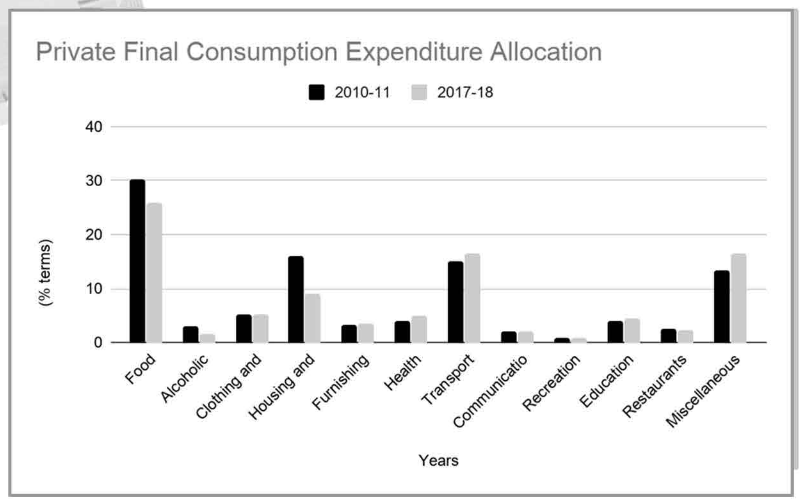


FIGURE 1

Is this a new phenomenon?

A clear answer would be 'No'! Although the consumption of food has been the center of consumption expenditure for a long time now (refer to Figure 2). Starting from 1950, 63% of consumption expenditure went to food alone. The new share now stands at a significantly reduced 25%.

FIGURE 2

But what is pulling down the consumption of food?

- **Substitution Effect**

Given two normal goods, one would substitute a good for another if there were a price change. However, in this case, a general increase in prices of goods can be witnessed across every segment (Figure 3). The highest inflationary effects are evident from agriculture and allied activities and electricity and more. At the same time, the same segments saw the weakest value addition in the economy (Figure 4).

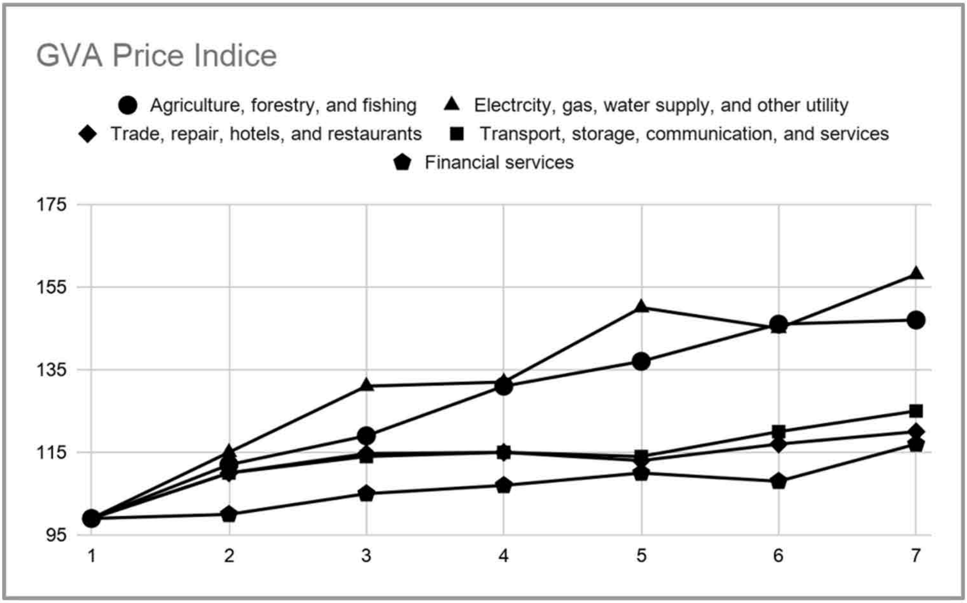


FIGURE 3

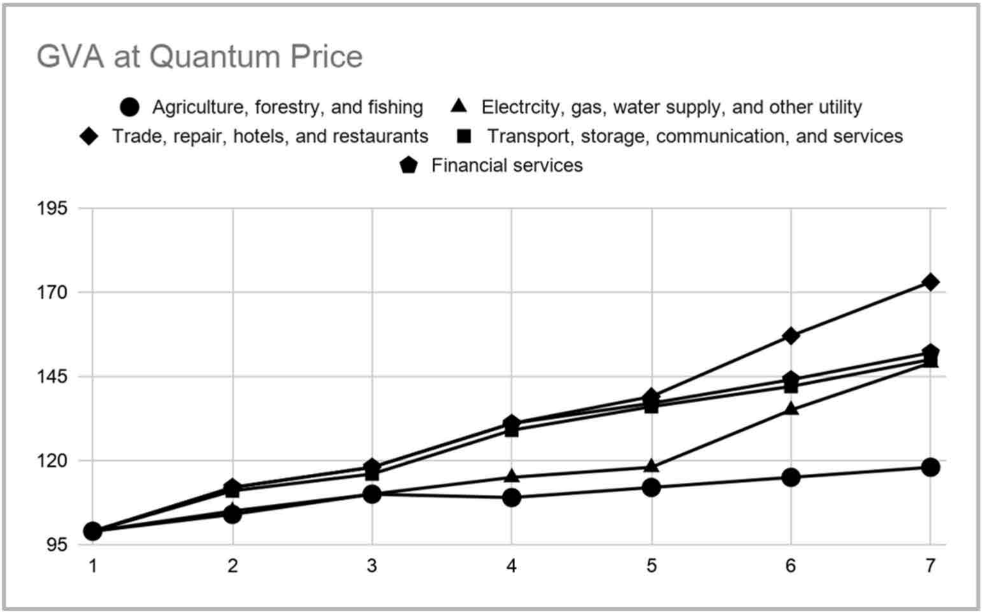


FIGURE 4

- **Income levels and choice availabilities**

Another argument explaining this shift in consumption from food to other segments can be simply explained by stating that it is not a shift, but a change within the food segment due to the presence of income inequalities.

> According to the Household Survey of Consumption Expenditure 2011-12 (Round 68), it is explained that bottom earners of the country consumed more of cereals, pulses, milk and milk products, and vegetables; whereas, the rich consumed more of processed items and other goods and services (Appendix 1). This is not very desirable because this way, the rural front is exposed to most of the headwinds that the agricultural sector faces. Inflationary pressure, as explained above, beats down heavy on the consumers demanding agricultural produce.

If we think that food consumption expenditure is constant throughout then we are certainly mistaken. A very interesting result gets highlighted if we judge food allocation trends in Figure 1 and Appendix 1. Along with rising per capita income during the same time, it can be said that food as a basket in PFCE in longer periods is an Inferior good. Taken aback? Well, that's the power of data and trend analysis!

Varun Mehta
B.A.(Hons.) Economics 1st Year

APPENDIX

1. Trends in the composition of consumption expenditure

Table T13: Trends in percentage composition of consumer expenditure since 1993-94

item group	rural					urban				
	percentage share in total consumer expenditure in									
	1993-94	**1999-2000**	**2004-05**	**2009-10**	**2011-12**	**1993-94**	**1999-2000**	**2004-05**	**2009-10**	**2011-12**
(1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
cereals	24.2	22.2	18.0	15.6	12.0	14.0	12.4	10.1	9.1	7.3
gram	0.2	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1
cereal substitutes	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.1
pulses & products	3.8	3.8	3.1	3.7	3.1	3.0	2.8	2.1	2.7	2.1
milk & products	9.5	8.8	8.5	8.6	9.1	9.8	8.7	7.9	7.8	7.8
edible oil	4.4	3.7	4.6	3.7	3.8	4.4	3.1	3.5	2.6	2.7
egg, fish & meat	3.3	3.3	3.3	3.5	3.6	3.4	3.1	2.7	2.7	2.8
vegetables	6.0	6.2	6.1	6.2	4.8	5.5	5.1	4.5	4.3	3.4
fruits & nuts	1.7	1.7	1.9	1.6	1.9	2.7	2.4	2.2	2.1	2.3
sugar	3.1	2.4	2.4	2.4	1.8	2.4	1.6	1.5	1.5	1.2
salt & spices	2.7	3.0	2.5	2.4	2.4	2.0	2.2	1.7	1.5	1.7
beverages, etc.	4.2	4.2	4.5	5.6	5.8	7.2	6.4	6.2	6.3	7.1
food total	**63.2**	**59.4**	**55.0**	**53.6**	**48.6**	**54.7**	**48.1**	**42.5**	**40.7**	**38.5**
pan, tobacco, intox.	3.2	2.9	2.7	2.2	2.4	2.3	1.9	1.6	1.2	1.4
fuel & light	7.4	7.5	10.2	9.5	9.2	6.6	7.8	9.9	8.0	7.6
clothing & bedding	5.4	6.9	4.5	4.9	6.3	4.7	6.1	4.0	4.7	5.3
footwear	0.9	1.1	0.8	1.0	1.3	0.9	1.2	0.7	0.9	1.2
misc. g. & services	17.3	19.6	23.4	24.0	26.1	27.5	31.3	37.2	37.8	39.7
durable goods	2.7	2.6	3.4	4.8	6.1	3.3	3.6	4.1	6.7	6.3
non-food total	**36.8**	**40.6**	**45.0**	**46.4**	**51.4**	**45.3**	**51.9**	**57.5**	**59.3**	**61.5**
total expenditure	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

URP estimates shown except for 1999-2000, for which only MRP estimates are available.

2. Share of consumer goods in consumer expenditure (Separated for rural and urban households)

Fig. 3.1

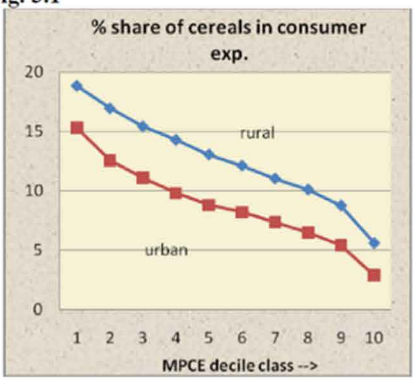


Fig. 3.2

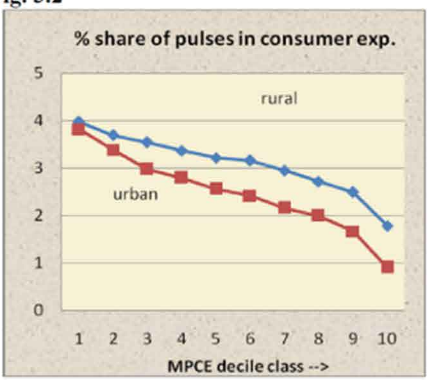


Fig. 3.3

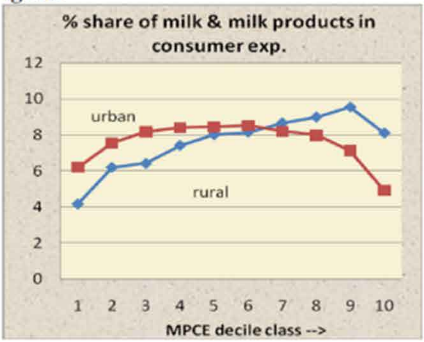


Fig. 3.4

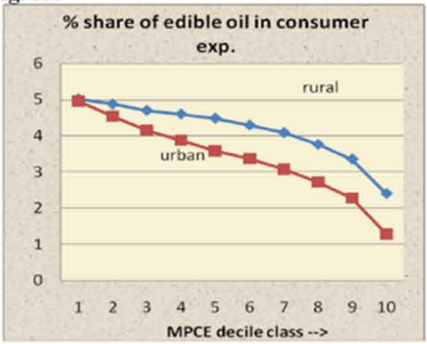


Fig. 3.5

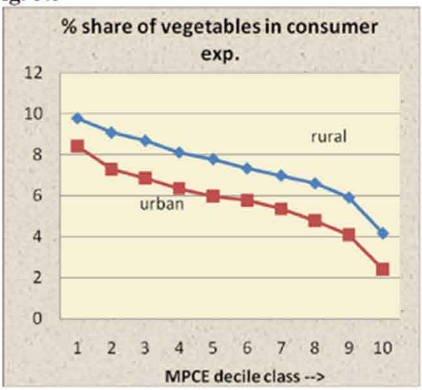
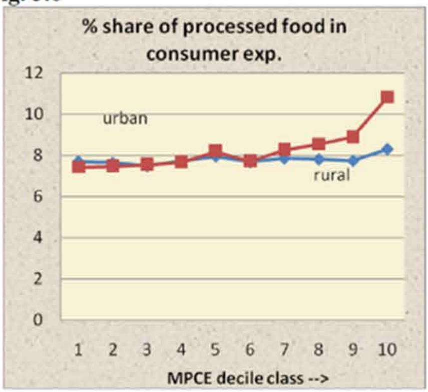


Fig. 3.6



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Micro Small and Medium Enterprises in India

Can a revamped version of MESBIC help the struggling sector?

For India, the Micro Small and Medium Enterprises (MSMEs) is what could ‘possibly’ be a lifeline. But what happens when such an important sector is left behind while the rest of the economy progresses towards the goal of being a $5 Trillion economy? The economy grows, grows without a backbone, and from there it takes one stumble to bring it all down from an economic slowdown to a crisis! Because the major most potential contributor is somewhere weeping in the corner, the foundation of the economy takes no time to tremble.

Let’s begin with the often-unrecognized importance of the sector. As per World Bank's 'Lessons from Financing SMEs' report, MSMEs in India play a pivotal role in job creation in the non-farm sector, with over 60 million people depending on the sector for livelihood. They account for more than 80 percent of total industrial enterprises adding value to over 8000 products. A substantial contribution to industrial output and exports is what makes them important in the economic purview. But their contribution is not just limited to the production of value-added products. They have the potential to add value to society and steer the economy towards real economic growth. With over 50 percent of MSMEs being rural enterprises and widely distributed across low-income states, their role in promoting inclusive economic growth and poverty alleviation is what puts them on the map, highlighting the need for utmost attention diverted towards them in strategic development policies.

Unfortunately, the sector (especially SMEs) hasn’t received the ‘right kind of attention’ and has faced hardships time after time. With broad visions like ‘Make in India’ in perspective, what can be the impetus to growth is, in reality, a bunch of struggling units, of which a greater chunk is just informal enterprises.

Key industries are tumbling against global competition; inadequate access to finance and markets, outdated technology, poor workforce management, gender inequality are some of the key bottlenecks in the growth of these enterprises.

The World Bank MSME census estimated that about 87 percent of MSMEs did not have any access to finance and were self-financed. Credit towards micro and small enterprises represents only around 13-15 percent of the portfolios of formal financial institutions. The sector demands a credit of ₹26 trillion, of which the met requirement to date stands somewhere around ₹16 trillion.

International Labour Organization highlighted that policies initiated by the government such as subsidies and preferential treatment have acted as incentives for enterprises to operate on the micro-small scale and stay outside the legislation of labor laws. This explains the problem of ‘the missing middle’.

Here it’s important to note that the bottom line of most problems that are faced by the micro-small enterprises is ‘Poor Management’, which on the other hand is the keystone for the large successful enterprises. Resource management, market analysis, workforce relations are key for any good unit’s survival. Time and again the government have just responded in ways that have done little to solve these problems, and have added a bunch more somewhere else. Subsidies and additional doses of protection in the form of tariff hikes don’t seem to have helped. Little is done to initiate the transition of informal enterprises to be a part of the formal economy. Extended credit in the form of MUDRA loans has just worsened the state of non-performing assets.

So, what can be a possible solution?

It’s often said that the government has no business to be in business, and from where I see, sometimes this can rightly apply even beyond the frontiers of business activity and delve deeper into management activity. The management aid that the micro-small enterprises need is already what our large-scale enterprises possess. The need is to form clusters and bring these two closers.

The government has rightly recognized the need to boost entrepreneurial activity and venture capital flowing into the sector, but the large-scale enterprises possess that required specialization that gives them an upper hand in management and realization of the set goals. Incentivizing the big enterprises and aid in the form of finance when flowed via them into micro-small firms, with added benefits of management and accountability can change the picture.

Why this may work?

Minority Enterprises and Small Business Investment Companies (MESBIC; a program adopted by the US back in 1969) were venture capital firms investing specifically in Minority Business Enterprises i.e., enterprises with at least 51% of ownership in the hands of the defined minority communities. MESBICs enjoyed special federal rates of interest, subsidies, and aid by the government. They contributed positively to favorable business and social climate and fostered connectivity in the business community, setting an example of how the private sector and public sector can work together and achieve results by capitalizing on the specialization they possess.

Now drawing similarities, for India, the minorities are the rural households and the people who solely depend on micro-small enterprises for their livelihood; MESBICs can be the large enterprises that possess the desired specialization and top-notch managerial talent. The government is working on expanding the financial frontiers, just the route of this investment needs to change and it needs to flow to small enterprises via the big ones. The credit does not flow to inefficient projects is taken care of by the big enterprises due to lesser information asymmetry within the business community (a reason which did not work in favor of credit extended by banks as MUDRA loans). Being associated with bigger names helps the smaller units to attract and retain skilled workers. Here the role of government should not be mistaken to be limited to just extending credit facilities, the burden of project selection is exchanged for the enhanced need for checks and balances.

The subject needs further research. But somewhere silently India is progressing towards a 'revamped version of MESBIC'. Big players are seeing the benefits of closer association and integration with smaller units. Amazon India's summit 'SMBhv' (pronounced as Sambhav) is all about bringing together enterprises operating on different scales and throw light on the infinite possibilities they hold together. Amazon's leadership is expected to guide them through all relevant areas like e-commerce possibilities, logistics, payments, digitization, global trade, web services, etc. Interestingly, this is not the first empowerment program undertaken by Amazon. Where Amazon Saheli is showing massive support to women entrepreneurs on one side, on the other Amazon Karigar and Amazon Kala-Haat are promoting the creations of our indigenous artisans and weavers. Flipkart Samarth also took this a step forward by inviting the handicraft weavers to the e-commerce platform. In this process, the giants have garnered sellers and their sales have surely gone up; take fulfilled corporate social responsibility as an added perk.

Now call it smart business or some epiphany, but these companies certainly know what they are doing. The way ahead from here should be the government stepping in and adding into this integration process with the resources it possesses and step into the mix of roles of a coach and team support staff, and let the players play!

Nitya Bagga
B.A.(Hons.) Economics 3rd Year

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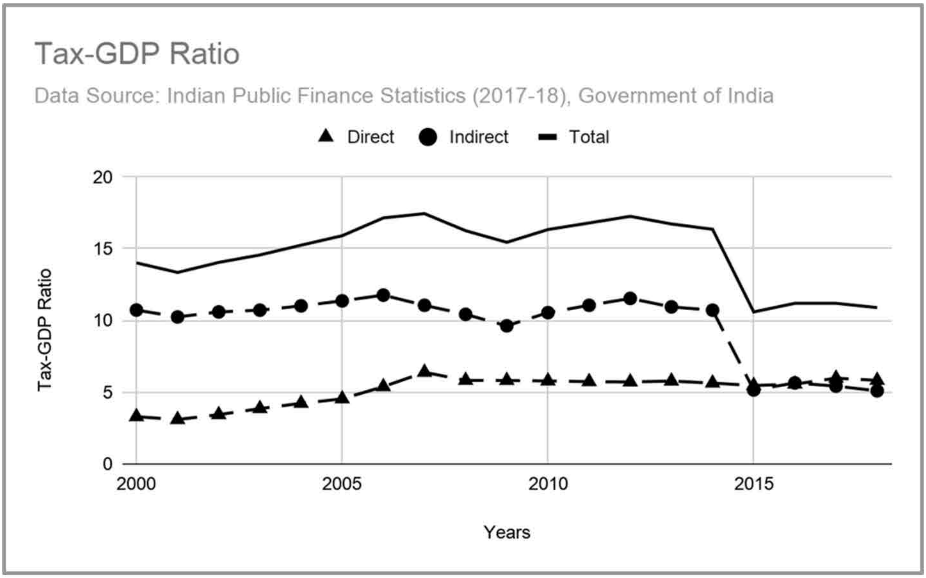
Great Economic Slowdown in India

Digging deeper into the different interpretations of the dynamics

Amid the accusations of data manipulation, pacifying acts like changes in GDP calculation methodology, obscured data on unemployment, and lowered capital expenditure, the players in the political arena may have taken the route to live in denial with the dream of a $5 Trillion economy; but the conversant in the economic arena are rightly worrying about the financial crisis and how the dream is, in reality, a far-fetched destination owing to the current scenario.

Despite the responses of denial, this recession cannot be perceived as shocking, though the intensity of it surely can be. Rathin Roy, Director, NIPFP, demonstrated that the signs of the economic slowdown marked with a fiscal crisis can be traced from mid-2018 only. The target to limit the fiscal deficit to 3.4% of the GDP led to the creation of inadequate fiscal space for the government to which the solution was an increase in Revenue Receipts to GDP ratio, and could have been more effectual when accompanied with an increase in the rate of growth of nominal GDP. But adding to the displeasure, Economic Survey (2018-19) showed a substantial shortfall in the Tax to GDP ratio. The shortfall in the GST revenues and income tax revenues was disconcerting. The imbalance had just begun. The Economic Survey pegged the deficit again at 3.4% despite the deficiency of tax revenues for the year 2019-20. Going one step further ahead, the government budget estimate stopped at a 3.3%, intensifying problems of the unstated fiscal crisis.



Another interpretation of plausible reasons for the worsening crisis has its roots lay deep in the Global Financial Crisis (2008) which led to the creation of the Twin Balance Sheet problem. Arvind Subramanian, former Chief Economic Advisor to the Government of India, in his working paper (December 2019) argued that the main engines of the growth of the economy in pre-2008 period were investments and exports, stimulating consumption and imports. But after the GFC, exports were hit hard, witnessing a fall of 12 percentage points in real terms, and a similar impact was observed about investment. Moreover, low global commodity prices led to slower growth in real agricultural income.

High-interest rates, large currency depreciation, and low profitability led to an increase in corporate debt, thereby increasing the tally of non-performing assets. Despite several efforts of the government, the count hasn't got better. On the other hand, a few remedial steps seem to have worsened the situation. There have been mounting NPAs owing to MUDRA loans (development loans to encourage entrepreneurial activity). It's interesting to note here that the US currently has around 0 NPAs, despite being massively hit by the GFC. At present, for the Indian economy, major constituents of demand—investment and exports are weak; consumption is in reverse gear, making sense for the collapse in growth.

Pulapre Balakrishnan and a few more eminent economists have even shown discontent towards goals set by the RBI and the measures taken to meet the same. They questioned the adoption of inflation targeting by RBI, when the world, on the other hand, was debating over its credibility after the GFC. Generally, it is seen that unanticipated inflation creates a problem for producers as it can inhibit their profit. However, inflation, even when it's fully anticipated can harm holders of financial assets and better off borrowers. The central bank uses interest rates to keep inflation under control, lowering inflation often resulting in higher interest rates. Under 'flexible' inflation-targeting, the focus is largely on inflation and not on unemployment. As growth, employment and inflation are jointly determined mostly, inflation-targeting via interest rate lowers inflation only by pushing growth downwards. When India adopted this inflation-targeting approach, the real interest rate grew by over 5 percentage points. But looking at a widver angle one may observe a phased decline in oil prices and a slower growth in the prices of domestic agricultural goods during the period, adding to control of inflation. In the presence of these supporting factors, the cost associated with the rise in real interest rate, inflation-targeting may have had an adverse effect on investment and thus growth.

Another school of thought presents a varying viewpoint. It advocates that India has been a consumption-driven economy and not an export-driven one, with consumption among the top earners being in the driver's seat. Presently the consumption among the top earners has become stagnant, creating worries of a deeper economic slowdown. The argument generally is given along the lines of a structural problem, hovering over rigid labor laws.

Demonetization is often pointed out to have had an adverse impact on investment. Investment in a country depends upon its political stability and economic policies; demonetization, in the period of already low investment, can be seen to have worsened the situation by altering investors' behavior, pushing the economy into a downward spiral. Now with slow growth and high unemployment, the Indian economy is experiencing a serious downturn.

Overall, we can see that there is not a specific reason behind the slowdown, rather it's a combination of several factors working in synergy. Looking at the dampening consumption in the economy, some economists advocate the use of Universal Basic Income for reversal. But lack of much evidence from experience of other countries like Canada and a few states in the US, economists in the context of India have been split over the demogrant. Coming to the Twin Balance-Sheet problem, we can see that to be impeding investments. But there's one more important aspect which is often overlooked and that's the weak infrastructure of the nation. In the last 25 years, we have failed in developing infrastructure at par with other growing economies that can attract desired sustained investment. Therefore, even if the economy gets through the problem of NPAs by clearing out the balance sheet over time, substandard infrastructure will remain to be an underlying problem until addressed with utmost attention.

In the last few months, the government has taken several steps in the right direction. Large corporate tax cut bringing it down to a competitive 25.17% (one of the largest cuts at one go in Indian economic history), reduction in the repo rate by RBI, privatizing 4 Public Sector Undertakings, 'Special' Open Market Operations are a few to name. But the economy certainly needs more work. Following are some more reforms that can help in elevating the economy;

- Structural reforms can prove out to be the needed rescue for falling investment. Although the rigidity of labor laws in India has been a debatable issue, still I feel, India needs to allow for more flexibility in labor laws. In addition, bank clean up can help in resolving the immediate problems and then starting over a new way.
- The country's drift towards illiberalism has increased in recent times. India needs to be more liberal with respect to the decentralization of power.
- The creation of an independent economic agency that works as a watchdog agency can help in generating confidence among investors that the government won't set them back suddenly.

● Targeting fiscal deficit should be seen as a medium-run target. In the short-run, an increase in public spending accompanied by efficient resource mobilization can be seen as imperative.

● The Twin Balance Sheet problem is a serious one as it restricts the working of monetary policy. Reduction in repo rate doesn't seem to have helped the banks with real risks. For this, we can resort to Arvind Subramanian's 5R(s).

RECOGNITION Asset Quality Review	RESOLUTION Executive-led public sector asset restructuring companies	REGULATION Strengthening oversight	RECAPITALIZATION Link to resolution	REFORM Shrinking public sector banking

● For the agriculture sector, opting for direct cash transfers to farmers rather than subsides, granting permission for new GMO technology, investing in infrastructure, and improving the connectivity of farmers to warehouses and of the rural industry to the final consumer can definitely help.

● Construction jobs have been coming to the aid of unskilled workers since the early 2000s. Constant creation of more such jobs in the process of strengthening infrastructure can help.

The above measures and more can help in improving the situation. But the core solution revolves around the core reasons for this crisis, which to date cannot be unanimously agreed upon. We need to work our way up beyond the statistical regularities and look deeper into choices and decisions, those been acted upon by the government, businesses or the general public, feeding back to economics. After all, at the heart of a crisis lies prudent measures for future economic discipline.

Aakash Singh
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Right to Self-Determination

Definitive Right or Social Poetry?

Does one wish to be governed by a secular state or a theocratic one? Do people favour a presidential form of democracy over a parliamentary form? Should economic policy decision-making be left to 'experts'? Should economic decisions require authentication by the Parliament? Do people have a say in deciding whether their province be administratively divided or merged with another? Should people have a right to 'unelect' their representatives? These social, economic, political and cultural issues get discussed under a broad term: self-determination.

In its simplest form this is the right of an individual to determine how s/he wishes to be governed. This right not only covers the privilege of domestic autonomy but also grants the power to people to determine the legal status of the political entity that would take responsibility of their governance. It was after the Second World War, that the principle of self-determination achieved a definitive character in the form of a right and was incorporated in the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights adopted in 1966. Article 1 of Part 1 of both the covenants state that "All peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development." Thus, with the addition of this provision in both the covenants the principle of self-determination has been uplifted to the level of a claimable right.

The practice of self-determination diverges into two categories. First, the right to internal self-determination, this involves the demands of the people for better rights of governance and inclusion in political matters all within the domestic framework of the existing state. This may be political autonomy or benefitting methods of political representation. Taking the example of Quebec wherein people wished to secede from the Canadian Confederation so as to form their own sovereign state. The Canadian court in this matter advocated for internal self- determination and autonomous exercise for Canadian citizens residing in Quebec. The case majorly suggested the importance of internal self-determination as the first step to the practice of the jus cogens right before secession or methods involving alteration in the delimitation.

Second is the right to external self-determination. This involves alteration of the legal status of the international entity in control of governance. This may occur through a change in boundary, secession or merger. The external self-determination brings into consideration the legality of the state in question and its territorial integrity and exercise of its sovereign functions. For example, in the case of Kurdistan, the question is posed to Turkey, Iraq, Syria and Iran wherein the Kurdish people have had demands for a separate Kurdish state. In the case of East Timor, a secession was exercised twice: first from Portugal in 1975 than from Indonesia and the creation of an independent republic in 2002.

What is India's stance on the right to self-determination? The Indian constitution and statutes lack any mention of self-determination; hence these are unable to explain India's position on this right. India's views expressed at international conferences become the sole basis to evaluate India's position. In the 1966 United Nations General Assembly, India declared that according to its own law "'the right of self-determination' concern(s) only to the people who are under foreign domineer and that this right does not apply to sovereign independent States or to a section of a people or nation which is the essence of national integrity."

This statement, thus, elucidates that the right to self-determination is restricted only to the distinct condition of foreign domination, like colonialism or recent annexation, and is clearly in opposition to its implementation to postcolonial and later situations.

A repercussion of this position is that this internationally acknowledged right becomes inapplicable to any group of citizens in India. In fact, India has promulgated laws such as the Unlawful Activities Prevention Act that make any expression of such a desire a serious criminal offence. Hence the attainment of freedom from British colonialism is the only act of self-determination that has acceptability in India's constitutional scheme. The internal questions of self-determination however, have today become the arena for prolonged protests and heated debates. While the issues in dispute continue to concern the socio-economic rights of citizens, the present impasse is certainly not conducive to economic well-being.

The past experience of our world shows that rights do not what occur in isolation. Despite the fact the USA and the erstwhile USSR respectively championed the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights as an affront to the other, the covenant is integrally related to each other. Denial of one usually guarantees denial of the other. Take as example, for economic well-being of the workers, they should be allowed to form a union to negotiate better wages; trade unions are thereby often identified as political entities. Denial of workers' political right to form a union means denial of their right to economic well-being. The logic may be similar with the right to self-determination. When the state feels that its current external borders are immutable, it may also feel that its current domestic practices are also unchangeable. In particular, it may deny people any role in its reformulation.

The issue therefore comes to rest on the question, who is the sovereign in a democratic order - the people or the state? The preamble to our constitution opens with "We the people of India..."

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THE ECONOMIES IN THE GREY

INFORMAL SECTOR UNEMPLOYMENT IN INDIA

‘Economy’ is not a uni-parametric concept. Instead, it’s a complex assemblage of different yet interrelated characteristics that define it. Features like inflation, population growth, per capita income, sectoral diversification, employment levels, and types, capital formation, etc., together form the structure of any economy. In the world we live in, each parameter is equally essential and presents a new dimension to the economy.

One such important parameter is the Nature of Employment. While our nation experiences chronic levels of unemployment and a continuous cycle of seasonal unemployment, the categorical division of population employed has a very stark contrast. Significant Divisions of Employment are in the Formal and Informal sector, which have a very non-uniform distribution of the employed population. In particular, the characterization of the Indian economy is by the presence of a vast majority in the informal or unorganized sector.

The informal sector refers to economic activities - production and distribution of goods and services – conducted by operating units that substantially differ from the formal area in terms of technology, economies of scale and the lack of well-maintained records. It is ‘informal’ in the sense that the government does not regulate the enterprises falling under this sector under any statute. The main attraction of this undeclared economy is financial. This type of activity allows employers, paid employees, and the self-employed a way to increase their personal earnings and reduce their cost by evading taxation and social contribution.

The informal sector is a pervasive and persistent economic feature of most developing economies, contributing significantly to employment creation. However, the negatives of the informal sector at times outweigh its pros. According to the 2017-18 PLFS (Periodic Labour Force Survey of India), more than two out of every three salaried jobs in the non-agriculture sector are in the informal sector. Moreover, the share of the informal sector among male workers was 71.1 percent and among female workers was nearly 54.8 percent in non-agriculture and AGEGC (agriculture-related activities excluding crop production) sectors.

On drawing a comparison with Bangladesh, India's immediate eastern neighbor, it is seen that the informal employment rate there is 48.9%, with the share of men as 51.6% and that of women 42.4%. (Source: ILO report titled Women and Men in the Informal Economy: A Statistical Picture 2018) Hence, India's informal employment rate is 65.3 times that of Bangladesh. This gigantic difference, despite the two countries belonging to the class of 'emerging middle-income countries', is a massive downfall for our country.

Considering the startling statistics of informal employment discussed above, the pertinent question here is - 'Why is there a prominent presence of the informal sector in our economy?'

A detailed analysis of the widespread unorganized sector brings forward several reasons.

- Restrictive labor laws that promote contract-based hiring to circumvent rigidly hiring and laying off provisions discourage people from venturing into formal sector employment.
- The misled differentiated sector growth can also be touted as a plausible cause of vast normalization. Service-led growth requires more technical skills, available in only a minute portion of the labor force. And the absence of a boost in the manufacturing sector growth directs more people into informal agricultural employment.

Even though informal sector employment has a multitude of cons, ranging from the inapplicability of labor protection laws to the loss in budget revenues due to decreasing taxes paid, it still plays a vital role in upholding economies all over the world.

The informal sector develops the Indian economy invisibly.
Apart from being a significant source of employment, the informal sector is vital for the production of goods and services. According to a report by the Confederation of Indian Industries (CII) in 2014, the contribution of the informal sector is more than 50% of the national income. As per a different report by the International Journal of Managerial Studies and Research (IJMSR) in 2016, the unorganized sector's contribution to NDP is over 60%.

Given the numerous pros and cons associated with informal sector employment, the coherent way to address it is to, first, acknowledge its presence. Policymakers need to follow an inclusionary view while formulating policy by accepting Informal sector employment as the new normal and not an exception.

Instead of working towards measures to regulate the informal sector, policymakers should develop ways to improve the existing informal sector model itself to boost levels. Excessive formalization might lead to a threat to the significant employment levels displayed by the informal sector. It is evident from facts that most organized large-scale firms have their principal raw material suppliers in the informal sector. Thus, measures in the direction of making the current state more effective and less deficit prone and schemes to incorporate social protection benefits for the informal workers must be considered.
Along with the stated suggestions, we need to realize that the informal economy has evolved itself over a while. With the typical worker-employer setting being a thing of past now, new models like free workspaces and gig economy have emerged. These evolved settings are more comprehensive and have improved upon the negatives of the primitive informal sector Thus, a holistic process of revamping the informal sector can help in its effective convergence with the benchmarks set by the formal sector.

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SUSTAINABLE DEVELOPMENT IN INDIA

LOOKING INTO SOCIAL AND ENVIRONMENTAL ASPECTS OF ECONOMIC DEVELOPMENT

Let’s take a moment out of lauding our economic achievements, strategizing that trade plan which will make all the difference to our economy, worrying about cross-border tensions, and see what we are indiscriminately losing on while creating something that might not even stay for long if we don’t get to the right track now. The track of coherent vision in sustainable development is the need of the hour for the entire world. Sadly, we humans are so used to working in the 25th hour that the wake-up calls of nature are not being enough!

Human needs are infinite and cannot be easily satisfied, but that nowhere gives us the right to mindlessly deplete our resources. India's current population is 2.3 billion, and it is expected to grow by another 300 million within the next couple of decades. Sixty-eight cities will have more than 10 million inhabitants, and 6 Megacities will have roughly 10 million inhabitants by 2030.

Isn't that shocking?

Now we can easily imagine the needs of the humans who are going to increase further and how scarce are these resources. The rapid growth of cities causes a large number of challenges, including insufficient power supply, unreliable public transportation systems, limited access to adequate medical treatment, unequal access to quality education, and the list goes on.

The Sustainable Development Goals laid by the United Nations are multi-dimensional and interconnected. Realizing these 17 goals will require deep commitment, trillions of dollars in investment, and innovative ideas and approaches. It will also require institutions and individuals to bring together the very best they have to offer in order to achieve this shared vision of prosperity for all. With globalization opening the doors of economic development for so moany countries, there is a serious concern regarding how far we are being able to save the environment.

India’s Take On Sustainable Development

India was one of the first few countries to enact a comprehensive Biological Diversity Act in 2002 to give effect to the provisions of the Convention on Biological Diversity, 1992. Yet India and the world have miles to go before we can claim notable success in accomplishing the SDGs. Nearly 10 percent of the country’s wildlife is threatened with extinction; agricultural biodiversity has declined by over 90 percent in many regions; half the available water bodies are polluted beyond drinking and often beyond even agricultural use; two-thirds of the land is degraded to various levels of sub-optimal productivity; air pollution in several cities is amongst the world’s worst; ‘modern’ wastes including electronics and chemicals are being produced at rates far exceeding our capacity to recycle or manage, the water levels are going so low that in the coming years, there will be no underground water left for any living organism. The private sector, which controls the economy to a large extent is expected to come forward and take responsibility for environment care. And this rightfully is being done. The rising startup culture, that I call the private sector solution towards climate is leading the race. This is evident from the data from the Climate Policy Initiative highlighting that private sector finance towards combating climate change occupied 63% in 2016 of total finance as compared to 58% in 2013. A 5 percent jump in just three years.

A recent survey on "India following a holistic approach towards its 2030 Sustainable Development Goals (SDGs)" states that in the adoption of the 2030 global agenda, many countries might be moving towards an equal society. Why combat poverty and inequality? Because these forces restrict the capacity of a person to contribute to the economic machine. It’s important to start from the rock bottom and walk our way upwards. In India, gender inequality has substantially come down yet it prevails in some rural parts of the country, where women are still deprived of opportunities and exposure. Child marriage and female feticides are some of the most prevalent customs which are constantly hindering India’s growth and development.

India follows a holistic approach towards its 2030 Sustainable Development Goals (SDGs) by launching various schemes. India's SDG Index Score ranges between 42 and 69 for all states and between 57and 68 for the UTs. Policy Initiatives taken in the direction include Swachh Bharat Mission, Beti Bachao Beti Padhao, Pradhan Mantri AwasYojana, Pradhan Mantri Jan Dhan Yojana, Deen Dayal Upadhyay Gram Jyoti Yojana, and Pradhan Mantri UjjwalaYojana, among others. In order to address the increasing air pollution across the country in a comprehensive manner, the Government of India has launched a National Clean Air Programme in 2019 as a time-bound national-level strategy for prevention, control and abatement of air pollution besides augmenting the air quality monitoring network across the country. National Policy on Resource Efficiency (RE) aiming at building upon the existing policies to address multiple sectors should be devised for the mainstreaming Resource Efficiency approach in the development pathway for achieving SDGs. Resource Efficiency can be a major tool to meet the resource needs of the country, at the least possible cost to the environment. Apart from these government policies and projects, there are a number of business startups and projects that are being taken up by individuals who are conscious of the environment. Combined with the intent of social good and a technology-led product, they are helping the country become greener as well as cleaner.

The Road Ahead

In order to maintain a balance between development and environment, the principle of Sustainable Development, which encompasses the 'Precautionary Principle' must be followed while forming a project. Right from the stage of selection of site, to adopting efficient and environmental friendly measures at each stage and phase of construction to avoid or minimize environment degradation, to providing mitigatory measures and monitoring the impact of a project on the environment or the ecosystem and thereafter providing for restorative action in case of any degradation is imperative in today's environment protection.

The developers today must be conscious of the environment and adopt a green, pro-environment, scientific, and energy-efficient mind-set for each stage of a project. These measures may increase the overall expenditure of the project, but in the long run, the benefits would cover up such costs. The Indian Government, in furtherance of its INDCs and National Action Plan on Climate Change, incentivizes developers and promotes the use of green and energy-efficient measures. Developers can use these incentives to off-set any additional green costs.

For walking and staying on the track of sustainable development, it’s important to not be blindsided by growth figures, savoring the luxuries. It’s important to start attaching a cost to our actions and economic activities which is beyond the inputs because it’s time to realize that the abstract cost attached is way larger. And more than anything else, the next time you think, your action alone isn’t impacting the planet, think again!

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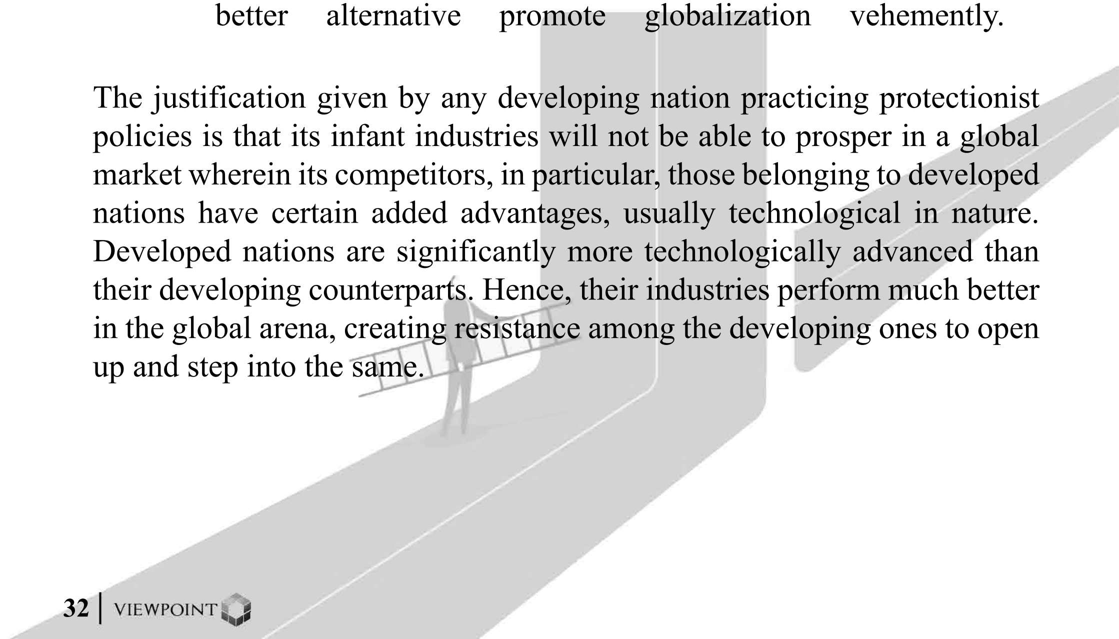
Protectionism or Globalization?

The Dilemma of the Developing

As the mood of the developed nations is changing from ‘openness’ to that of ‘managed’, with the US limiting its immigration, controlling its technology, and managing its trade, and China moving towards limited free trade as it walls off its technology, one question that every developing nation’s government has to answer more gravely is – ‘Protectionism’ or ‘Pragmatic Globalization’?

The answer to this outlines the overall macro-economic ideology of the ruling government. Like any other topic entailing an economist’s opinion, this one too attracts different schools of thought. The economists who are ardent believers of the employment of ‘Import Substitution Industrialization’ as a means of boosting the growth of a developing nation advocate the use of protectionist policies. On the other hand, economists who think that ‘Free Trade’ is a better alternative promote globalization vehemently.

The justification given by any developing nation practicing protectionist policies is that its infant industries will not be able to prosper in a global market wherein its competitors, in particular, those belonging to developed nations have certain added advantages, usually technological in nature. Developed nations are significantly more technologically advanced than their developing counterparts. Hence, their industries perform much better in the global arena, creating resistance among the developing ones to open up and step into the same.



Often deemed the ‘left-wing’ of economic policies and synonymous with the early concept of ‘Mercantilism’, protectionism is usually aimed at reducing a current account deficit and to further enhance a developing nation’s trade balance. History provides examples of a number of countries that have extensively used protectionist policies in their favor to successfully upgrade their status to that of a ‘Developed’ nation.

A multitude of benefits are reaped by a developing nation upon increasing its trade barriers. The foremost is that the infant industries of the nation get an opportunity to flourish within its domestic borders in its initial years. Parallelism can be drawn to a child being brought up in his home by his parents before being sent off to college to face what we call the ‘real world’ out there. In this manner the well-performing industries are able to develop a strong consumer base and a good market share in their home country. Further, import substitution is promoted when trade barriers are strengthened and this provides an incentive for more start-ups to emerge in the economy. Over time this leads to decreased levels of unemployment and increased levels of output and income.

Despite the undeniable benefits, protectionism screams trouble in the face of globalization. Consequences brought about by external factors comprise of the retaliatory measures from trade partners. These can be- an increase in the trade barriers levied by the partner nations on imports from the home country in case, or perhaps competitive devaluation of the partner nation’s currency that will affect the home nation’s competitiveness in the global market. The ill-effects originating from internal factors can be thought of like a vicious cycle: In the long run higher tariffs lead to a decline in labor productivity gradually, which in turn leads to lower output and productivity, thereby causing an increase in the unemployment and not really affecting the trade balance much.

This has been proved by a study undertaken by economists at the World Economic Forum, who gathered macro-economic data for 151 countries. The major reason highlighted for higher tariffs leading to a decline in labor productivity is that when protectionism is used by a developing nation then the nation is unsuccessful in efficiently reallocating the resources which leads to what is termed as the 'wasteful effects of protectionism'. Moreover, when a nation has shut its door to the rest of the world for far too long then it is depriving its domestic manufacturers from advancing technologically, to produce better products and services, and its consumers from the large choice of products they can enjoy and the benefits they can yield from the varied prices which consequently lowers their standard of living from a global perspective. Any developing economy needs competition to be world-class. With domestic producers not having to compete with global competition, the spirit of innovation witnesses a downturn and so does consumerism!

After considering both sides of the question put forward, it is safe to conclude that protectionism does benefit the developing nation to a certain extent but these benefits only last so long. It is important to recognize that globalization is no longer an option, it's a need. Thus, the developing nations must employ protectionist policies with a pre-determined 'expiry date' after which the nation should switch to globalization.

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Oceanic Dead Zones

IMPACT ON THE ECONOMY

Dead zones or Hypoxia areas are the areas that exist inside oceans that are incompatible with supporting different life forms on earth. In those dead zones, there is no oxygen left for the survival of the organisms living in the water bodies. There is an area in the Arabian Sea that is as big as the size of Scotland that has no oxygen and has turned into a dead zone. The growth of algae due to increased chemical nutrients in the water bodies is the primary cause of this phenomenon. The algae take up all the oxygen present there which, in turn, suffocates all the other life forms present there. These zones also result in emitting more nitrous oxide due to anaerobic decomposition, which is a more compelling greenhouse gas than CO2.

Does this affect the fisheries industry of an economy?

Analysis of marine and aquaculture produce carried by Dr. Mruthyunjaya, Director, NCAP highlighted, the contribution of marine sources reduced drastically to around 50% of the produce in 2000, compared to the 70% in preceding years. Another analysis on similar lines published in the Economics Times boasts of aquaculture's tremendous growth and forecasts that by 2030, around 60% of fish production will come from aquaculture. This change is evident throughout the world since 2018. The State of World Fisheries and Aquaculture, the United Nations, underlined that aquaculture has come to occupy 45% of produce in 2016, which was merely 10% in 1991.

The fisheries industry saw a rapid addition of employment in aquaculture globally as compared to catching, implying a shift of business towards the former (Figure 1).

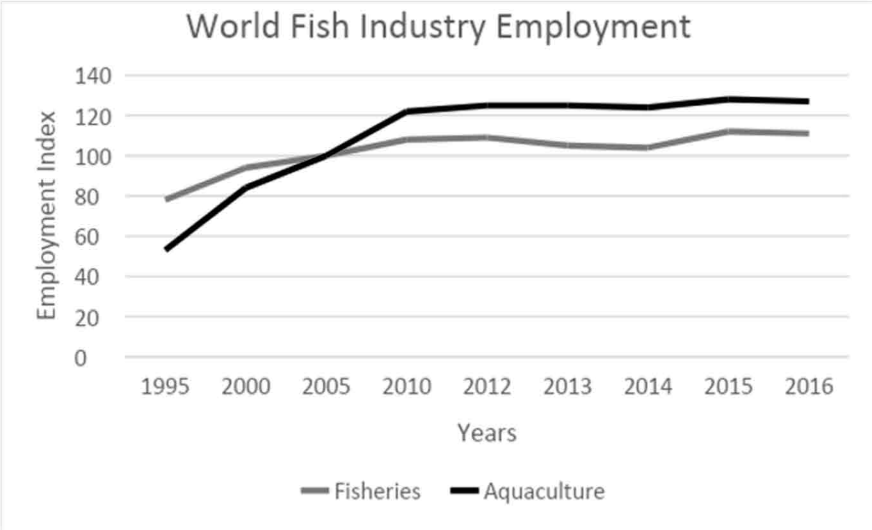

Figure 1: World Fish Industry Employment
Source: United Nations report on the state of world fishery 2018
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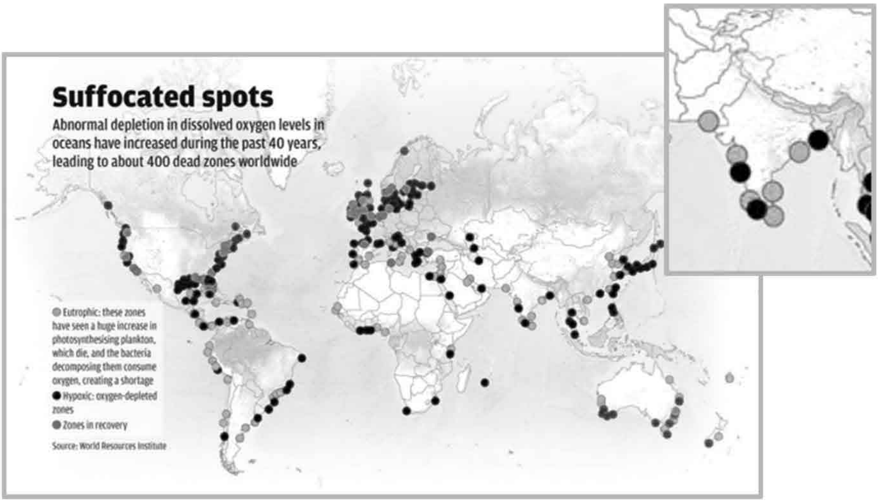

Figure 2: Affected Regions in India
Source: World Resource Institute

Economists have been trying to identify the primary source due to which dead zones come into existence. There are non-point sources of pollution like agriculture and urban areas that are central to the issue related to the process of eutrophication. Reducing pollution from non-point sources will make a significant amount of reduction in the discharge of nitrogen and phosphorus nutrients into the water bodies.

However, fortunately for us, implementing the appropriate measure is viable to shrink the size of these dead zones.
The required measures go as follows;

- Managing livestock waste can help to keep the harmful nutrients out of water bodies.
- Drainage and water management can help in reducing the loadings of nutrients and phosphorus that drains from agricultural fields.
- Plantation of certain crops called cover crops can reduce soil erosion and hence can reduce washing off of harmful nutrients into the nearby water bodies.

To prevent the possibility of long recovery periods, it is essential to be aware of how various environmental aspects are interconnected. Knowledge about how our actions affect the water bodies in the present has become necessary to prevent and diminish the recurrence of the minimum-oxygen zones, aka the dead zones.

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Snowballing The Industrial Sector

THE INORGANIC WAY OF GROWTH

With 'Nourishing Dwarfs to become Giants: Reorienting policies for MSME Growth', The Economic Survey 2018-19 highlighted special focus on the growth of Micro, Small and Medium Enterprises via policies and initiatives to help them flourish and serve the bigger purpose of inclusive growth. The policy of targeting an increase in output and enhancing sales internally to achieve industrial growth is referred to as organic growth. On the other hand, mergers and acquisitions over MSMEs is known as the inorganic way of growth. A small, struggling business can be absorbed by a large conglomerate (acquisition) or two small companies can join forces to become stronger (merger). Several studies find that, compared to large firms, SMEs are more likely to rely on mergers and acquisitions (M&A) as an external growth option. This not only helps them grow but also strengthens them in the process. Using their relatively small size to their advantage, SMEs are found to be more likely to withdraw from a deal if operations don't go right, implying that SMEs are more flexible and better able to avoid deals that turn sour at minimum loss. For SMEs, M&As are more likely to be financed with equity over debt, indicating that the pecking order theory (theory postulating that cost of financing increases with asymmetric information making financing via equity more costly than debt) is of less relevance to SMEs.

One question which comes to our mind is why do SMEs merge! A merger is thought to create cost synergies, as the labor force is reduced, and administration and production costs are streamlined. According to Chatterjee (1986), a merger creates market power gains, as a reduction in the level of competition allows for wealth to be transferred from the firm's customers and suppliers to its shareholders.

Those cognizant of M&A advocate that mergers generate synergies between the acquirer and the target thereby elevating the value of the firm. Efficiency theories suggest that mergers will only occur when they are expected to generate significant realizable synergies to make the deal beneficial to both parties. Hence, if we observe a merger deal, we can rationally expect the deal to be bringing on table positive value creation for both the acquirer and the target.

Now the next question arises as to what should be looked into before going for a merger. A company may wish to expand its footprint, rather than take the cost of acquiring new premises in an area they are not familiar with. It often makes more sense to merge with a similar company. This will help them retain market share and resources of the new entity, as well as give an insight into consumer base and knowledge transfer. Cost-saving is among the major most advantages associated with mergers. The cost to produce and distribute the same item reduces as the market share increases, thus obtaining benefits of economies of scale.

Research has shown, however, that size matters when it comes to performance, and that the two are inversely related. SME M&As face a higher probability of successful mergers than their larger rivals as they face lower agency costs and greater flexibility with exercising the option of withdrawal. Because of this, we believe that SME M&A will, on average, demonstrate superior performance. It is recognized that SMEs can achieve high levels of competitiveness if they work in a cluster environment making the best use of collective specialized sourcing and marketing and extract all benefits of complementarities and spillover effects. Furthermore, collective innovation can be promoted by strengthening linkages and creation of a value chain. These can be achieved through promotion of linkages among firms, strengthening the local position within the value chains, building cluster-specific skill centers to build a cluster-specific labor force, strengthening the linkages with the local suppliers, and facilitating a greater level of interactions among the stake-holders of clusters.

When MSMEs merge and become big, they naturally have a substantial influence to demand and obtain timely payments for their supplies/ services, unlike the struggling individual units. The small-medium enterprises do not sometimes grow intentionally through merging because then they are subject to greater taxes due to a greater amount of capital. Thus there are some tax reforms and recommendations that would encourage them to merge. When we look at other countries, and the measures adopted there to encourage SME mergers and acquisitions, we have a lot to learn. SME Corp. Malaysia is an endeavor to encourage small Malaysian service providers to merge into large entities. They have taken the route of providing incentives to encourage mergers of such strategic importance. The incentives include a flat tax rate of 20 percent on all taxable income for a period of five years effective from the date of the merger and exemption of stamp duty on the merger documents. Professional services, courier services, technical and vocational secondary education services, and skills training services are the sectors that are eligible for incentives.

Also in Greece, SME mergers are exempted from some indirect tax laws, simplifying the process and acting as a stimulus for the same. The capital gain to a merger in Greece is thereby VAT free. Considering the case of South Africa, there are recommendations of tax-free dividends. Dividends are an important concern, as they hugely impact the capital structure of the company. The capital structure further encourages mergers as no dividend tax means the value of the company is being retained, whereas, in India, dividends are taxed substantially. In France, there is an interesting law for losses. If an individual company (SME) before a merger had faced a loss, then the benefit of loss can be taken even after merging.
A simultaneous simplification and strengthening of M&A requirements for SMEs and the use of tax laws to act as an inducement seem to be shaping the way ahead for Indian industrial growth. It's time to consider the inorganic way of growth with mergers of SMEs being the nexus as the dwarfs become giants, showcasing collective strength at play!

Muskaan Mehra
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Examining India's Targeted Inflation Policy in Context to the Lucas Critique

Philip Slater once said – "Our economy is predicated on spending billions to influence people that happiness is buying things, and then insisting that the only way to have a viable economy is to make things for people to buy so they'll have jobs and get enough money to buy things."

Now, while this might appear to be quite a straightforward process, but in reality, it isn't. There are a lot of factors which are responsible for ensuring the proper flow of trade and capital, and therefore the functioning of the economy. One such major factor is – Inflation. Inflation is basically a general increase in prices and fall in the purchasing value of money.

Taking the case of India specifically, often taken as 'catching up with the Joneses (read modern developed economies)', India adopted Inflation Targeting (IT) in late 2016. It was adjudged to be a pioneering framework, providing conceptual clarity to monetary policy-making, as well as a legal cove

Despite a set of critics, the widespread consensus was that it was time for India to adopt Inflation Targeting.

Two years later, unfortunately, the results seemed particularly skewed towards the debit side. To begin, quoting The Economics Times, RBI has consistently over-estimated inflation. Given that at the core of IT is an estimate of inflation, a consistent overestimate of the same has resulted in RBI's interest rate actions being skewed to a significant extent overtime.

The above argument implies that India has consistently run high real interest rates for the major part of 2017 and 2018. There is not much evidence underscoring the impact of high real rates on private investment but, it had most certainly constrained the flexibility of the government with respect to budgetary room.

However, according to the expectations-augmented Phillips curve, it is known that there exists an inverse relationship between the unemployment rate and rate of inflation in the economy. So, it can be estimated that due to the government's attempt to reduce inflation further in the economy, it ended up setting targeted inflation rates to levels lower than those that would have naturally prevailed in the economy. Following the Phillips curve relation, supported by Taylor rule this, in turn, would have led to higher unremitting unemployment in the economy and thus lower output. This can be supported by the RBI paper by Behera, Wahi, and Kapur (2017), according to which, disinflation in India would have required a higher sacrifice of output according to the Phillips curve observed in India. For the economy that was already struggling with a private corporate sector balance sheet de-leveraging since 2013, constrained public spending surely would have acted as a twofold setback. Through monetary policy operations, the RBI was able to bring down inflation from 4.9 in 2015 to 4.5 and 3.6 in subsequent years but this was consequently accompanied by a rise in unemployment.

In the year 1976, the economist Lucas strongly advocated that when trying to predict the consequences of policy changes, it could be deceiving to take as given the relations based on estimates from past data. The logic of Lucas's argument can be explained as follows - If wage setters kept forming expectations of inflation (π^e) by looking at the last year's inflation (π^e), i.e., $\pi^e = \pi_{t-1}$ then the only way to decrease inflation would be to accept high unemployment rates for some time. But, if the rational wage setters were credibly assured that inflation was indeed going to be lower than in the past due to the policy actions undertaken, they would lower their expectations of inflation in response. This would, in turn, reduce actual inflation, without any change in the rate of unemployment. This essential ingredient of successful disinflation is termed as 'credibility'.

The credibility of monetary policy would imply that wage setters believe that the central bank is truly committed to reducing inflation. The credibility view is that fast disinflation is likely to be more credible and effective than slow disinflation which allows opportunities for a reversal. Credibility in the objective of RBI is crucial because if people cannot truly trust that Central Bank is devoted to keeping inflation low, their actions will not actually align to reduce the demand and thus inflation. Moreover, the government does have an incentive to reduce unemployment to gain votes and if it can have the central bank to raise inflation to reduce unemployment, the credibility of the central bank gets at risk. Thus, in the trade-off between low inflation and low unemployment, there lies a possibility of the credibility of the disinflation objective to be hampered. In contrast, credibility decreases the unpleasant cost of disinflation.

So, in theory, if Lucas Critique was applied to India's inflation targeting policy, inflation in the economy could have been reduced, without a substantial increase in unemployment rates and thereby improving the economic status, possibly dodging the current recessionary state, accompanied by substantially lower inflation rates. Since that was not the actual scenario, there must be other factors such as global slowdown, weak industrial base or indeed an environment of weak credibility amongst people towards the central bank's objective of disinflation. For future policy interventions, the credibility of the central bank can be consolidated by ensuring that it is independent of, often unadmitted, the government's influence. It's important for the government to recognize that people's trust in the central bank should be strengthened as it can help to lower down inflation without a substantial increase in unemployment even in the short run. 'Costs to inflation control' can be justified only when they are 'a real requisite'.

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Air Pollution

CHOKING THE ECONOMIES

Environmental problems can be solved, but in the course of indiscriminate economic progress with the tendency of 'centration' and inclined focus on GDP figures, it is becoming increasingly difficult to protect the earth's environment.

In 2015, OECD and WHO estimated the economic cost of premature deaths in Europe to be close to 1.6 trillion USD. These deaths and the economic cost borne are closely linked to the extent of pollution persistently prevailing in the environment and depletion of the stock of natural resources. Even though this data might not correspond to India, we in great plausibility can expect us to be on a similar path. The increasing rates of air pollution around the country have resulted in hazardous effects on the health of the population. Falling way behind the World Health Organization's prescribed levels of air-quality, Delhi emerged as one of the most polluted cities in the world along with several other cities of the country in 2019, which raises critical questions not only on its effect on the health of the population but also on the economy. According to the State of India's Environment (SoE) Report of 2019, air pollution kills an average of 8.5 out of every 10,000 children in India before they turn five and the risk is higher for girls as 9.6 out of 10,000 girls die before the age of five due to hazardous air quality.

Globally, air pollution reduces life expectancy on average by 18-20 months which if we consider, in terms of a nation's growth, leads to lesser working hours by the labor force. It is predicted that by 2060, there will be 3.8 billion lost working days annually due to the effects of air pollution.

Moreover, the reduced overall productivity of labor employed due to reduced cognitive ability of the population exposed to severe pollution has been underlined by many studies. Decreased ability and poor health of the working force not only makes the people worse off individually but also slows down the creation of ideas and, as a result, growth. Polluted cities are also prone to experiencing substantial levels of brain drain, with people migrating to cities with relatively better environmental conditions. According to the Economic Consequences of Outdoor Air Pollution (OECD Report, 2016), the central projection for the welfare costs from mortality due to air pollution for India stands at USD 670 Billion by 2030 and further accumulating up to USD 7260 Billion by 2060. Furthermore, the report categorized the costs of air pollution as Market and Non-Market Costs. Health expenditures, labor productivity, and agricultural yields, both as direct and indirect costs, form a part of the market costs of air pollution. On the other hand, the disutility of illness and mortality form the non-market costs of air pollution.

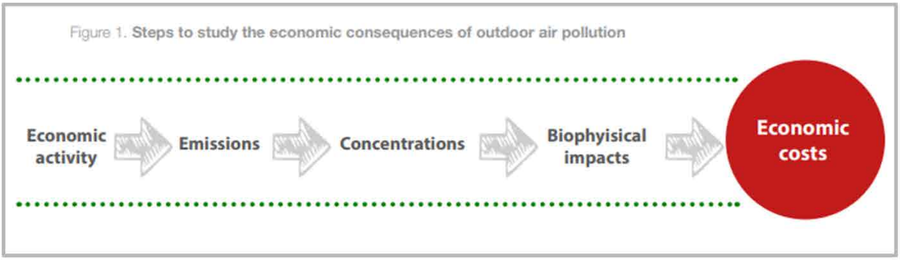

Image Source: The Economic Consequences of Outdoor Air Pollution (OECD Report, 2016)

Air pollution is also closely linked to food production as there is a two-way relationship between the two. Agriculture is a major contributor of pollution via ammonia and other nitrogen compounds. At the same time, evidence supports that food production is threatened by air pollution. Ozone precursor emissions increase ground-level ozone levels causing impaired ability of the plant to develop, hence, damaging the yield of food crops and their nutritional quality and safety. Current estimates suggest that O3 is causing between 5% and 12% yield losses globally in staple crops. In the European context, a study undertaken in the early 2000s underpinned the economic losses due to the impact of ozone on crops to be around 6.7 Billion Euros. This suggests that the cost of air pollution is reduced food security as well as the output production of the country.

Air pollution is a key factor in the degradation of the surfaces of historical monuments which are often representations of the heritage and cultural identity of the region and its community. In the world's eighth-most polluted city, Agra, as response to the alarming deterioration of the marble of the Taj Mahal, the Uttar Pradesh government under the guidelines of the Supreme Court reported the shutdown of 187 polluting units in the vicinity; 42 moved to natural gas and 53 to electricity (which earlier used coal and other polluting fuels). Furthermore, as historical monuments face the agony caused by pollution, it becomes one of the reasons for the loss of tourism. This indirect impact of polluted air on tourism might be small enough to be disregarded, but, the overall loss of output of the tourism industry that is caused, directly, as a result of poor air quality of a state may be worrisome. In November 2019, foreign and domestic tourists were found to be canceling or cutting short their stay in Delhi as hazardous smog envelops the capital, disrupting normal life and causing a spike in respiratory illnesses. A similar trend can be observed on the national level as well; as the air quality index of the country deteriorates, foreign tourism falls.

Here it's important to recognize the fact that where on one side air pollution brings about ripple effects in the economy as discussed above, it is, at the same time, a by-product of important and inevitable economic activity. The shutdown of polluting units is a step towards cleaner air, however, it creates additional cost for the economy as units switch to cleaner fuels and also reduce output significantly. There is no universal solution that fits the needs of all countries. There are large differences among countries in terms of prevalent pollutants and sources of the same. If we wish to reduce the biophysical as well as the economic costs of air pollution then implementing policies that reduce pollution is the way to go, few of which can be incentivizing or requiring the adoption of end-of-pipe technologies that can reduce pollution or of cleaner technologies, especially for energy combustion, as well as implementing air quality standards, automobile emission standards, fuel quality standards, and emission taxes, among others.

There is an urgent need for coordinated global policy implementations. It should be recognized that pollution created in one country is not just limited to that country but can travel to other countries through winds that create the need for integrated global policies. Costs and benefits of pollution occurring at different times should be seen as comparable. Here, the general solutions are working to create cleaner and greener technologies and a global transformation of the energy system as part of any cost-effective policy response along with policies that stimulate energy efficiency, reduce emissions of air pollutants and greenhouse gases. Implementing air pollution policies would lead to immediate benefits thanks to improved air quality and even stronger benefits in the long term, with the addition of reduced impacts from climate change.

But with long-term adaptation and implementation in view, there are trade-offs between different policy analysis that must be recognized. Where 'Positive Analysis' of the problem of air pollution is value-free and a vital input into Normative decision making; concomitantly, a 'Normative Analysis' of the same can be seen as an important input into complex political calculus of policy formation. As in unison, a societal decision emerges, it comes along the cost of operating bureaucracy and the cost of using environment-friendly, but often, inferior quality goods. Pollution control has a substantial cost attached to it, a cost that feeds back to the economy. But if these unnecessary costs of inefficient regulation are left unrecognized, the incentive to follow pollution abatement diminishes at micro-level. Thus as on a global level, the focus moves towards environmental protection, it must take along efficient environment regulation to bring about desired results.

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INEQUALITY IN INDIA

TRENDS AND DIMENSIONS

"It's unjust that the whole of society should contribute towards an expense of which the benefit is confined to a part of the society"
-Adam Smith

India is often lauded for the kind of economic growth it is achieving and keeps conversant optimistic for the same. But unfortunately, the social indicators that represent the quality of living conditions narrate a different story.

Ever since India became independent, the economy has shown a true potential for accelerated growth in per capita Gross Domestic Product. In recent decades, the GDP has been growing impressively. However, this fact is accompanied by another fact; this growth has been far from being equitable. The subcontinent has shown clear signs of increasing inequality since 1991. Inequality is not limited to economic inequality, but also extends to the inequality of education, health and possibly every other social sphere one can imagine. The relationship between labor market outcomes, fiscal policies and tax structures, redistributive transfers, and capital market regulations are not merely outcomes of economic policy but are also driven by existing social and political structures. This phenomenon is higher in societies where access to health, education, nutrition, and other public services are not universal but governed by race, caste, religion, gender.

Strong pieces of evidence are here to suggest that inequality in India started increasing since 1991 and it has been increasing ever since then. This is completely in contrast to the 1980s where growth was paralleled by decreasing poverty.

The various grounds of inequality in India are accompanied by horizontal inequalities based on caste, class, gender, etc. Even though it is difficult to measure these horizontal inequalities however, the available data shows that these have also risen over time, despite social progress. Marginalized groups such as Scheduled Caste and Muslims share a higher degree of burden due to the rising inequalities. Even in the case of patriarchal norms, women bear a heavy burden among these sections.

Let’s dig deeper and try to understand the statistics based on the different dimensions of inequalities;

● Consumption Inequality

The Gini coefficient with respect to consumption inequality was stable at 0.3 in the 1980s but rose drastically to 0.35 in 2005 and thereafter, rose relatively lesser at 0.37 in 2012. According to mean per capita expenditures, inequality grew faster in urban areas than in rural areas. This can be attributed to skill-biased technological change, resulting in the failure of less-skilled and more rewards for the skilled.

● Income Inequality

Income Inequality was relatively stable; The Indian Human Development Survey (IHDS) estimates the Gini coefficient stable at 0.54. The large gap between consumption and income remains unexplained but if consumption levels put India among countries with modest inequality, income inequality puts it among the highest in the world.

● Wealth Inequality

According to All-India Debt and Investment Survey (AIDIS), the bottom-most population, approximately 50% of the population held 9% of total assets in 1991 which fell to 5.3% in 2012, while that of the top 10% rose from 51% to 63% from 1991 to 2012. These figures are distressfully high according to world standards.

● Non-Monetary Inequality

Although India has made considerable progress in health and education, yet we lag far behind many countries with similar levels of per capita GDP. For instance, 38% of children in 2015 in India suffered from child stunting. Inequality is found to be even higher in caste-based comparisons;

44% of ST children compared to 31% of the general category suffered through stunted growth. Furthermore, dropout rates were highest among SCs. Also, inequality can be found to be more pronounced according to regions; the poorest 8 states such as Bihar, UP and others account for 50% of the population and 71% of the instances of infant deaths.

There are a few varied facets that can explain the prevailing stark inequality. The inequalities faced by women are reflected by the labor market, where they are paid lower wages than men and show lower workforce participation rates. Occupational differences also explain these inequalities, where 50% are engaged in agriculture and 93% in the unorganized sector, the share of which in GDP has been falling. In contrast, the highest paying sectors such as IT, Finance, etc. employ around 2% of the population. This widens the productivity gap further. The weak manufacturing sector also explains inequality due to its failure to generate low skill jobs. To add to it, the share of the management profits has been rising more rapidly as compared to the wages paid to salaried employees, leading to divergence in income and wealth shares.

As India moves farther away from social peace, social capital, regional balance and fair access to justice, there is an urgent need to control the rising inequalities. Going big with subsidies is not the way to go, better 'targeting' of social programmes is what we should be looking forward to. On the other hand, 'universal' is the key when it comes to health and education. Pro-poor fiscal policies can help minimize the size of the informal economy. With incentives directed to poor entrepreneurs and micro-small enterprises, they can be encouraged to be a part of the formal sector. Promotive action and participatory decision making should be the essence of any democracy. These two powers, when exercised well, can have a bigger and deeper impact on inequality eradication. But, the foremost requisite for change is realizing the need for broadening the focus from just the conventional economic growth to a broader development path.

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Financial Sector Development and Regulation Bill

Preventing Bank Failures or a Mere Play of Skewed Power?

Looking forward to the Budget 2020-2021, if sources are to be believed, the government is setting up to roll out a new bill which is tentatively named as Financial Sector Development and Regulation (FSDR) Bill. It will be a re-designed take on Financial Resolution and Deposit Insurance (FRDI 2017) Bill. The former allowed the banks under the cosh, with its bail-in clause, to re-capitalize by converting depositors' money beyond a defined threshold into equity. This raised serious concerns and created a situation of panic, attacking down the core of the banking system, i.e., trust. As a result, the FRDI Bill was pulled back for reconsideration.

As the 'reconsidered' version of the bill is on its way, the worries don't seem to have ended. At the core functioning of the FSDR Bill is a Resolution Authority.

The RA is conjecturally proposed to have its purview restricted to only orderly resolution and not to restoration and recovery, adding non-banking financial corporations under its legislation. The RA will have representatives from all financial sector regulators, i.e., Reserve Bank of India, Securities and Exchange Board of India, Insurance and Regulatory Development Authority of India, Pension Fund Regulatory and Development Authority, and the Central government on board. RA is authorized with powers for resolving banks, such as "power to terminate contracts, write down debt, modify liabilities or set up bridge institutions".

For resolution, corrective prompt action will be based on defined triggers prompting towards the tumbling down financial health of the bank under appraisal. During the resolution process, RA is authorized to bring about changes in the management of banking/ non-banking financial institutions, suspending the board, under corrective prompt action. However, for the resolution of public sector banks a dialogue with the government is a requisite. In the FSDR Bill, the contentious bail-in clause has been removed. Though the right word in place of 'removed' according to the conversant will be 'rephrased'! The RA is entitled to cancel or modify liabilities, which ultimately does not imply much of a change. The deposits beyond the insured limits will be put to the recapitalization of failing banks as and when needed. The power to decide and change the deposit insurance limits rests in the hands of RA. All in all, these clauses exhibit serious concerns of skewed power.

Somewhere in the process of weaving together all financial regulators, the major most stakeholders, i.e., the general public has been left behind amidst doubts. Despite all serious efforts and guidelines by the financial regulators, banks have continued to fail, and Non-Performing Assets have relentlessly mounted up. It is therefore important to look into the irregularities to reach the core of the problem. Bank resolution is the restructuring of the trembling banks to get them back to stability and safeguard public interest. But the bigger concern that needs to be answered right now is 'why are the banks failing?' and what is that needs to be done to prevent the banks from trembling down in the first place. In my opinion, along the discussions of ways to resolution, there is a bigger need to set up stronger institutions that axe the problems of moral hazard and information asymmetry. Rather than skewing the power of decision it’s important to question if, in reality, the government is efficient enough to be given an upper-hand in resolution decisions of PSBs, when in the past, government interaction with PSBs for Pradhan Mantri Mudra Yojna has just resulted in worsening the state of NPAs. It is foremost to strengthen regulations, foster accountability and bearing the cost of it with long-term good in view. Why no corrective force is acting strongly enough on Yes Bank to provide the potential investors about bad loans in written? Why is it so difficult to get a list of failed banks in India, whereas on the other side, the Federal Deposit Insurance Corporation, US, gives out a clear list of failed banks on its official website! The price to pay for greater accountability is reduced lobbying and looking into the economy by keeping the politics out of it for a moment, and if what we gain out of that is a sound system of financial stability and restoration of public's faith in the banking system, I would call it a win situation!

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Landmark Consumer Protection Bill, 2019

COMPREHENSIVELY STRENGTHENING CONSUMER RIGHTS

The Consumer Protection Bill, 2019 has been passed by the parliament which replaces the old Consumer Protection Act, 1986. The act aggrandizes the benefit to the consumers as it shelters broader aspects such as e-commerce issues and invigorates the rights of the consumers.

As in the last three decades, new modes of market and businesses have come into existence, the number and types of unfair trades have also increased significantly. The old Consumer Protection Act most certainly needed an overhaul to accommodate the emerging issues. The revamped act proposes the establishment of the Central Consumer Protection Authority (CCPA), which creates a regulatory structure and will make an intervention, wherever necessary. The authority will ensure prompt actions where the state government fails to deal with consumer issues, with the action being directed towards manufacturers, sellers and service providers. The body is expected to play a pivotal role in strengthening the consumer rights that have endured through decades.

In the world where geographical boundaries are no longer applicable, and sellers meet buyers from corners unknown, the role of e-commerce giants cannot be limited to that of mere aggregators.

The act proposes strict guidelines for disclosure. The e-commerce platforms will have to disclose sellers' details and other conditions related to refund, exchange, terms of contract and warranty on their website to increase transparency. To deal with the issue of fake products sold through e-commerce, the responsibility now lies with the companies, which can be penalized on recognition of such activities.

A big sense of relief flowing towards the customers is that now they can file a complaint from anywhere, which is quite a requisite with the spread of online businesses. As per the 1986 Act, the consumers were required to file a case only at the place where the product was purchased or where the seller of the product has his registered office. The Ministry of Consumer Affairs has formed rules for electronic filing of complaints and has specified norms for paying the required fee digitally. Enhancing the ease of the process for consumers, if an application has been forwarded for hearing through video conference, the commission can allow for such provision. The commission will decide about admitting or rejecting a complaint within a period of 21 days, by which if it's not decided then the complaint is reckoned as having been accepted.

Further, the re-structured act expands the grievances that consumers can complain about. The consumer can claim compensation under product liability action for ‘harm’ caused by the product. The 2019 act defines the harms and injury to the consumers well, whereas in 1986 act what was qualified as 'harm' was not specified. This not only issues clear guidelines to manufacturers and sellers but also in a way acts to prevent the misuse of consumer rights.

Section 2(35) of the Consumer Protection Act allows the consumer to claim of product liability against manufacturer, seller or service provider. If a contract between a manufacturer or trader and consumer tends to cause any significant change in the rights of the consumer, it will be deemed as unfair. The 1986 Act did not provide consumers any means against such contracts. To render a contract to be unfair there are several grounds including terms which specify excessive security deposits, provide for unilateral termination or assignment without the consent of the other party.

Although class-action suits were allowed under the 1986 Act, in effect it was largely incumbent on the consumers to organize themselves into a class and courts were required to recognize such a class. Quoting Mr. Vaibhav Kakkar (L&L Partners), "The new Act establishes a consumer protection regulator who is empowered to file cases on behalf of a class of consumers. This is extremely important as it creates a pathway for the government to act on behalf of consumers who might otherwise not have the wherewithal to sue in their own capacity or through associations.”

All in all, such restructuring of age-old acts is imperative with the dynamic needs of the growing economy. Consumer Protection Act, 2019 will undoubtedly act in the best interest of consumers and will foster consumerism in the right spirit.

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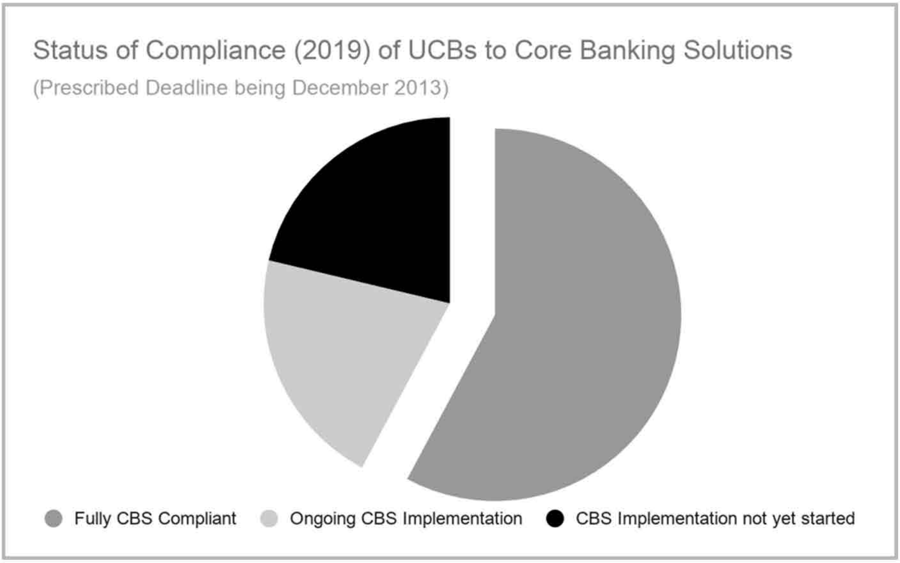
The Fall of Cooperative Banks

CAN RESTORATION OF THE ESSENCE OF COOPERATIVE BANKING UPTURN THEIR FATE?

Professor Muhammad Yunus, the Nobel Laureate rightly advocated credit as a basic human right and the crucial role that cooperative banks play in financial inclusion. Cooperative banks are financial entities established on a co-operative basis and extend credit majorly to finance agriculture, rural industries, and trade by the resources pooled in by its members. Cooperative banks are governed by both banking and cooperative legislation, regulated by the National Bank for Agriculture and Rural Development (NABARD) and Reserve Bank of India. Cooperative banks are broadly categorized into Urban Cooperative Banks (UCBs) and Rural Cooperative Banks, further defined as scheduled and unscheduled. As of March 2019, the 1,544 urban co-operative banks (UCBs) and 96,248 rural co-operative banks brought the total tally of cooperative banks to 97,792.

Cooperative banking is a vital tool for financial inclusion, ultimately paving the way towards inclusive growth. It helps in rural financing, micro-financing, agricultural loans and more. Consequently, the asymmetric growth of cooperative banks, failing to keep pace with the overall growth of the banking sector is a matter of serious concern. Cooperative banks accounted for a mere 11% of the total assets of scheduled commercial banks (SCBs), compared to 19%, back in 2004-05. Disappointingly, with such massive numbers, their share with respect to the total asset size in the Indian banking sector today is not more than 5%. This can be attributed to a variety of reasons. It is often presumed in accordance with the traditional definition that cooperative banking is about taking on banking operations with a limited pool of funds and not with the aim of mastering convenience in terms of services unlike other commercial banks offering priority banking. But in the hypercritical economy, the definition needs to evolve with the dynamic business environment. Though the essence is the same as the former, the scale of cooperative banking has undeniably increased many folds from where it began and to survive in the competitive banking system, it's high time to bid adieu to the latter attitude.

Competitive banking needs a sound technological network. There is an unwillingness among cooperative banks to adopt new technology and implement Core Banking Solutions (CBS), creating a roadblock in the facilitation of a centralized system allowing its customers to conduct their business transactions irrespective of banks' branch. CBS forms the key to other functions like head office needs, asset-liability management, remittances, anti-money laundering, etc. which have proved out to be a major impediment to their growth.



Another noteworthy reason for the downfall of cooperative banking is the decline in cooperative character in the UCBs. A study conducted by College of Agriculture Banking (RBI), Pune, brought to light several loopholes such as low attendance in annual general meetings, restrained practices in the admission of new members, the re-election of the same management or their family members, and below-par discussions in annual general meetings responsible for the decline in the cooperative essence among UCBs. In the process, some of them have become 'too big to be a cooperative'. It was also noticed that the failure of these banks lies within the core of their credit services. The capital adequacy ratio of scheduled urban cooperative banks was as low as 9.8%, with NPAs rising to 10.5%, their return on assets was declared to be negative in September 2019. UCBs are allowed to operate with a capital base of ₹25 lakh compared to ₹100 crores for small finance

banks. An institution termed as a bank with such a low level of capital, the concerns about the stability and security are justified. Increasing debts and mounting non-performing assets result in shut down of UCBs. The other alternative is a forced merger; the tally of forced mergers reaching a total of 129 by March 2017, and the total of UCBs falling from 1,926 in 2004 to 1,551 in 2018 as per RBI data, is certainly an alarming number for an already underbanked economy. Adding to the distress, weak corporate governance is among one of the main reasons plaguing the sector. Dual control of UCBs (subject to regulation by both RBI and state governments) leads to lesser supervision by RBI unlike on other banks and a lot of political interference, creating supervisory challenges.
26 cooperative banks failed in 2010-11 which resulted in credit insurance companies paying over ₹268 crores to depositors. The preceding year witnessed a similar situation of plight with 29 cooperative banks failing.

In September 2019, customers of Punjab and Maharashtra Cooperative Bank, which is often considered as one of the largest cooperative banks, suffered great discomfort and displeasure when the bank was put under regulatory restrictions by RBI under Section 35A of the Banking Regulation Act owing to the inspected lack of transparency and political interference in operations. RBI refused RTI applications seeking inspection into reports of defaulted loans amounting to ₹6500 crores, audit reports of bank and details of action taken against.

Lately, RBI has undertaken steps to keep a check on the UCBs. A screening committee was constituted with outside experts to scrutinize the applications for licenses. It was made compulsory for all newly proposed UCBs to come through a process of graduation from a co-operative credit society on the strength of demonstrated and verifiable track record. It is expected that the issuance of new licenses will include a stronger legal and regulatory framework. RBI entered into memoranda of understanding with all the Central and State governments fostering coordination of regulatory policies and actions through a state-level Task Force on Co-operative Urban Banks (TAFCUB), a set of measures bringing efficiency through the adoption of technology. It is now mandatory for UCBs with a deposit size of ₹100 crores or more to form a ‘Board of Management’ comprising of expert banking professionals and assist the Board of Directors on policy formulation.

Further shoring up the data adequacy standards, RBI directed UCBs to report lending activities amounting to ₹5 crore or more within 30 days from the quarter-end It also recommended that there should be two different umbrella organizations, one to provide settlement and payment services and liquidity support to its members, the other to contribute to the state-level organizations and other agencies that provide management, IT, training, and other services. To address the fall of the cooperative character being reduced to almost family-run institutions and ensure cooperation, RBI prescribed that the proportion of borrowing by nominal members should be limited to 20% of regular members. Furthermore, it is important to empower RBI to implement resolution techniques such as winding-up and liquidating banks, freeing it from cooperative societies' laws and unadmitted political agendas.

In addition to these, we need to take lessons from different cooperative business models to make banks more compatible, more accountable and more transparent. In Europe, the cooperative banking sector plays a mobilizing role, bringing people participation at the forefront. Ordinary citizens can become members with relatively small investments. Furthermore, they have direct participation in all business activities, from governance to strategy and risk management processes. The strong base of their cooperative structure can be seen from the fact that they didn't ask for financial aid from the state during the financial crisis. In Asia, there are many success stories to look up to. Co-operative Information System introduced by Co-operative Development Authority, Philippines, aids the government in creating performance standards, policies, regulations and development programs for the overall benefit of the sector. It also encourages the spirit of cooperative operations by giving banks a platform to exchange information readily for integrated development. All in all, it can be learned that the exigency for the restoration of the 'cooperative' essence of cooperative banking needs to be recognized and worked upon to save the lifeline sector of finance 'for the people, by the people'!

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Data Source: Database on Indian Economy, The Reserve Bank of India

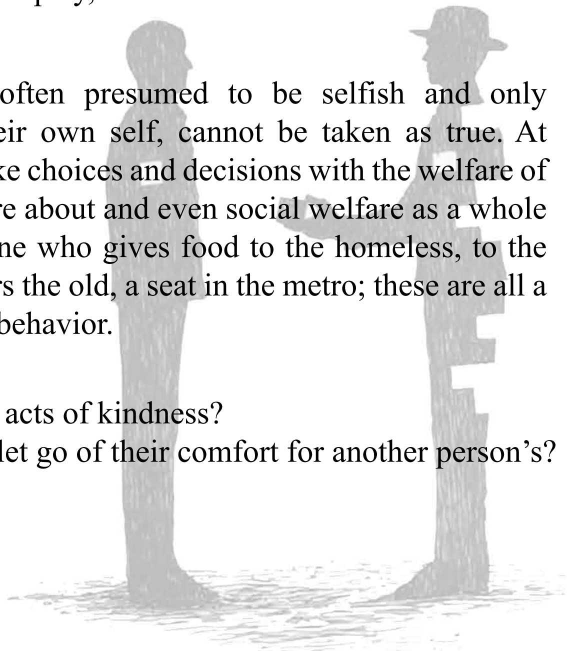
Altruism Economics

DELVING DEEPER INTO PRO SOCIAL PREFERENCES

To anyone even in the periphery of Economics, it is fundamentally known that the branch of knowledge is ultimately a study of choices, preferences, and behavior. Almost every theory and model taking behavior of agents to be 'rational' becomes questionable when one takes a step back and looks at the unimaginable range of choices, with measurement beyond human and economic experience. As the social science evolved, the way for 'bounded rationality' was paved! With imperfect knowledge about the alternative course of actions, the time variables, where the choices made will be affected over the present and the future, it is safe to say that human beings in the most basic terms are wholly incapable of behaving in a perfectly optimum way. Quoting Herber A. Simon, 'Human beings are capable only of very approximate and bounded rationality'. Thereby, it can be established that with bounded rationality at play, the role of 'social channels' is accentuated.

Human beings as often presumed to be selfish and only concerned about their own self, cannot be taken as true. At times, people do make choices and decisions with the welfare of those whom they care about and even social welfare as a whole in view. From the one who gives food to the homeless, to the young one who offers the old, a seat in the metro; these are all a display of unselfish behavior.

But what inspires these acts of kindness?
What motivates one to let go of their comfort for another person's?



Keeping the biological reasons aside, we see the answers to these questions to be hidden under the need and role of ‘social channels’. Fairness and ‘inequity aversion’ emphasize that one cares about inequality in society and desires the same to be low. The second dimension we can look at is that of ‘reciprocity’. It dictates that people behave in the interest of others so that when needed, the same is reciprocated towards them. The third and the most complex to study force involved here is that of ‘altruism’.

> Altruism is an unselfish concern for other people, without expecting them to reward you back. Categorizing further, an altruistic behavior might be pure or impure. The former doesn’t provide the doer with any benefit; the latter, often referred to as ‘warm-glow giving’, enhances the doer’s utility owing to a sense of prestige or emotional reward. The individual’s utility function here is no longer determined only by her own consumption, but also the impact of other people’s consumption and utility.
>
> Comparing two systems, one with altruistic agents, and the other with no altruistic agents (other things remaining the same), studying the overall efficiency in accumulating aggregate utility, Klaus Jaffe found no simple situation where altruistic behavior benefitted the group. Rather, dissipative altruistic behavior left the aggregate wealth of the group neutral or worse off. But, studying for the ‘non-economic factors’, mutual interactions driven by a synergic force enhanced the aggregate utility for the society. This can be related to the play of ‘complementarities’ in decision making.

The part and parcel of studies based on samples and experimentation is that with any change in underlying assumptions or the introduction of heterogeneity within the groups or even the slightest changes in the environment from one system to another, the results are likely to change. So again we are back where we started, the unimaginable range of possibilities, the fascinating land of Behavioral Economics; the biggest contribution of which is re-establishing the fact that humans are not ‘rational robots’, but people who often think beyond self-interest, and then safely attempting to put a price tag on the actions of these ‘bounded rationals’. Ultimately, this is what we call ‘Thinking it the economic way!’

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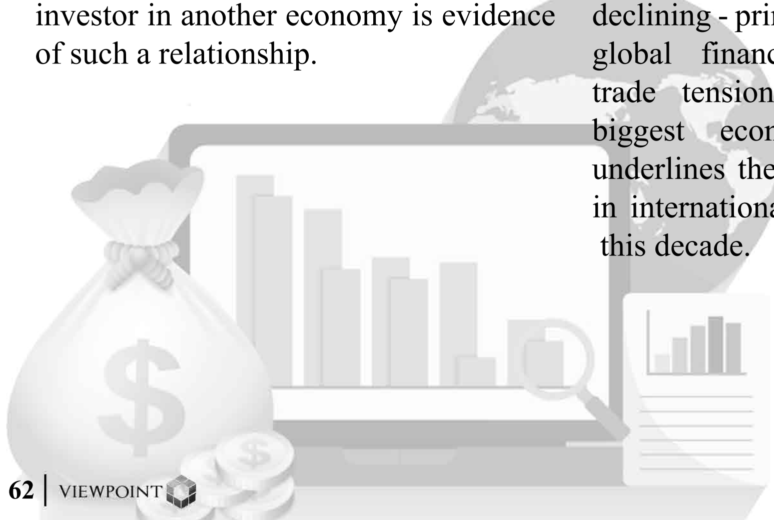
Foreign Direct Investment

What the changing dynamics of financial globalization hold for India?

From barter to bitcoin, the world has most certainly come a long way! With every passing moment, by integrating the international capital markets, financial globalization is paving the way for growth. A powerful channel of dynamic financial globalization is Foreign Direct Investment. FDI is a channel of cross-border investment. What differentiates FDI from Financial Institutional Investment and Financial Portfolio Investment is the presence of 'lasting interest' and a significant degree of influence/ownership over/of an enterprise in another economy in case of the former. According to the Organisation for Economic Co-operation and Development (OECD), ownership of 10 percent or more of the voting power in an enterprise in one economy by an investor in another economy is evidence of such a relationship.

With countries desiring stability in investment, bringing down the leverage of debt, the global macroeconomic significance of FDI cannot be overstated. Many countries have relied largely upon FDI as a driver of real economic growth. Global FDI amounted to roughly $ 1.3 trillion in 2018, according to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2019. This FDI figure of $1.3 trillion was 13% lower than the approximate figure of $1.5 trillion in 2017. This demonstrates that despite the potential, the overall FDI figure is declining - primarily due to the global financial crisis and trade tensions between the biggest economies - and underlines the lack of growth in international investment in this decade.



One of the most important instruments for attracting global investment is Special Economic Zones. The number of SEZs has grown rapidly in the last ten years to more than 5,000. This boom is part of a new wave of industrial policies, and a response to rapidly increasing competition for internationally mobile investment. Most SEZs offer fiscal incentives, relief from customs duties and tariffs, business-friendly regulations with respect to land access, licenses or employment rules, and administrative streamlining and facilitation. Infrastructural support is another important feature, especially in developing countries where basic infrastructure for business is scarce.

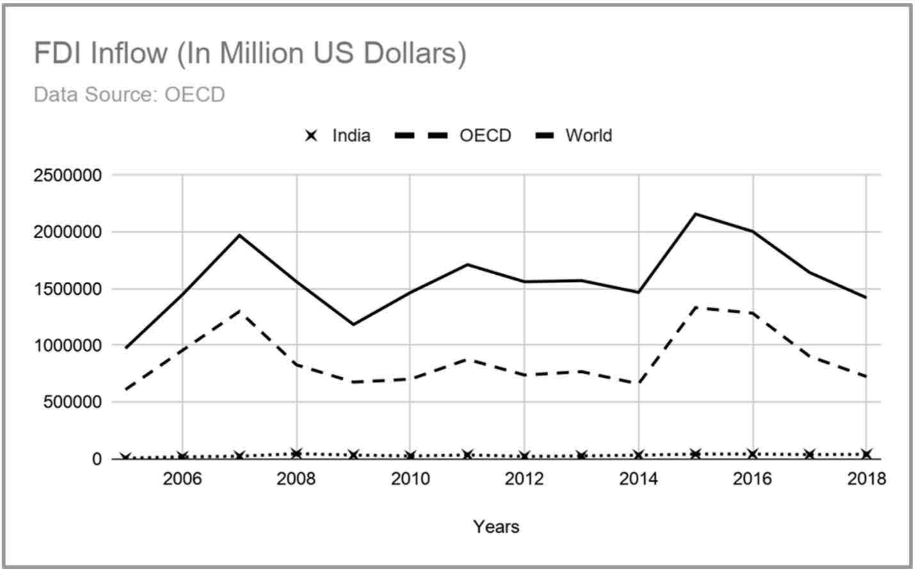
However, SEZs are neither a precondition nor a guarantee for above-average performance on FDI attraction - only about half of the global investment promotion agencies believe that SEZs in their country have given a significant boost to FDI attraction.

The meaning of FDI goes beyond the frontiers of the international movement of capital. FDI inflow is closely linked to the movement of complementary elements such as skills, processes, management, technology, etc. Various so ware companies like IBM - which was initially based in the USA - have ventured their subsidiaries in different parts of India. Maruti Suzuki is yet another example, in which Suzuki of Japan had joint ventured with the Government of India for automobile production.

Trends: Global and Indian

Global FDI flows witnessed a serious downslide in 2018, falling by 13% to $1.3 trillion. The decline was mainly due to the large-scale repatriation of accumulated foreign earnings by multinational corporations (MNCs) based in the USA during the first two quarters of 2018, following tax reforms introduced at the end of 2017.

FDI flows to developed economies reached the lowest point since 2004, declining by 27%. Explanations for the same include declining rates of return on FDI, increasingly asset-light forms of investment, and a less favorable investment climate. Asia being the center for manufacturing investment attracted the highest sum of FDI, especially in high-value projects in natural resource processing industries. A significant part of investment between developing countries, known as South-South FDI, is ultimately owned by developed-country MNCs.



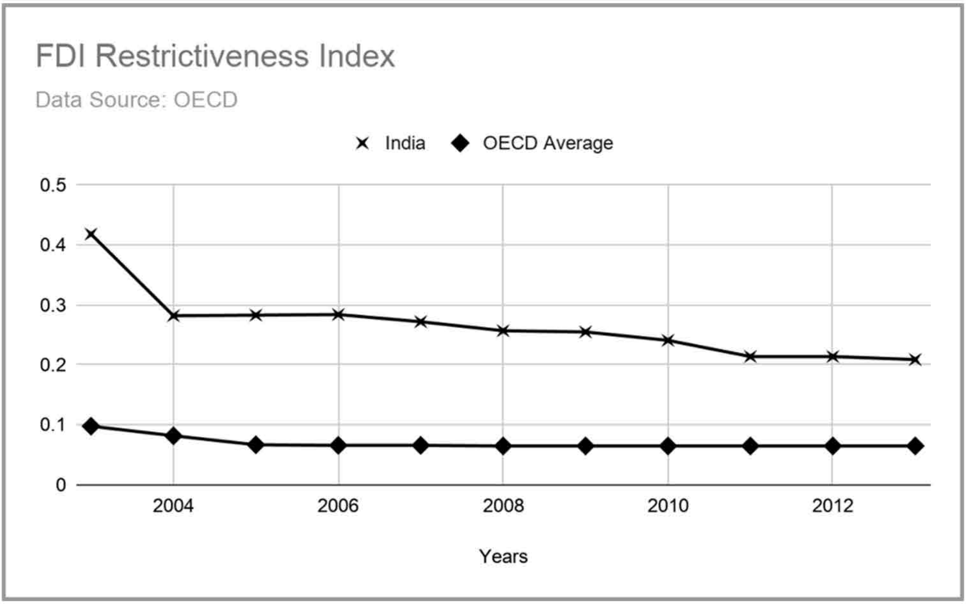
The case for India

FDI is a strategically important source of finances for India's economic development. Relatively lower wages and special investment privileges such as tax exemptions have helped attract a significant amount of investment. Though it is noteworthy that the FDI inflow in India has been quite stable as compared to the world and OECD figures, highlighting the distinct and often appreciated gradualism India has shown towards financial globalization.

Foreign investments being made in a country also result in the enhancement of technical know-how and employment generation. The investment climate in India has improved considerably since the economy opened up in 1991, as a result of major policy changes.

The economic reform strategy introduced in 1991 - popularly known as the Liberalization, Privatization, and Globalization (LPG model) - aimed at transforming the Indian economy and making it the fastest-growing one worldwide. The Government of India has created a policy framework on FDI, which is transparent, predictable and easily comprehensible, and has taken many initiatives in recent years, such as relaxing FDI norms across varied sectors - defense, telecom, power exchanges, and stock exchanges, to name a few.

The government's favorable policies and robust business environment resulted in India receiving a record FDI of US$ 223 billion between 2014 and 2018. Sectors such as services, computer software & hardware, telecommunications, trading, and construction attracted the highest FDI



India's attractiveness as an FDI destination

For any multinational corporation, FDI in India is an avenue of low-wage supported production markets with a massive number of consumers, and thereby a good site for business operations. It can avail limited resources such as fossil fuels and precious metals, both skilled and unskilled labor and management expertise. FDI also enables an organization to lower its cost of production, by utilizing cheaper resources or going directly to the source of raw materials rather than buying them from third parties. Additionally, there are various tax advantages that accrue to a company undertaking FDI, particularly in SEZs.

Tax benefits can also be derived in cases where India has a more beneficial tax code than the country in which the MNC is based. But still, the OECD FDI Restrictiveness Index underlines the significantly high level of restrictiveness in the economy towards FDI as compared to the OECD average that might be playing against the potential growth, keeping aside the approach of gradualism.

The Way Forward

Amongst the conversants, the services sector is seen as a bright avenue to attract investment. Despite the sector witnessing moderation in business activity owing to the overall slowdown in the economy, the Economic Survey found the sector still attracting over two-thirds of the total FDI inflows in the economy. India was identified as the most attractive emerging market for global partners' investment by a recent market attractiveness survey conducted by the Emerging Market Private Equity Association. But with other countries proving out to be the dark horse, FDI investors can be seen to be sitting on the fence. This underscores the need to harness the right kind of incentives, and a good amount of work over land and labor reforms, clearances at customs, and strong basic infrastructure. It is envisaged that FDI will be a significant facilitator as the economy moves further up the growth trajectory, but the nexus to such strength flowing from the international domain remains a strong domestic arena.

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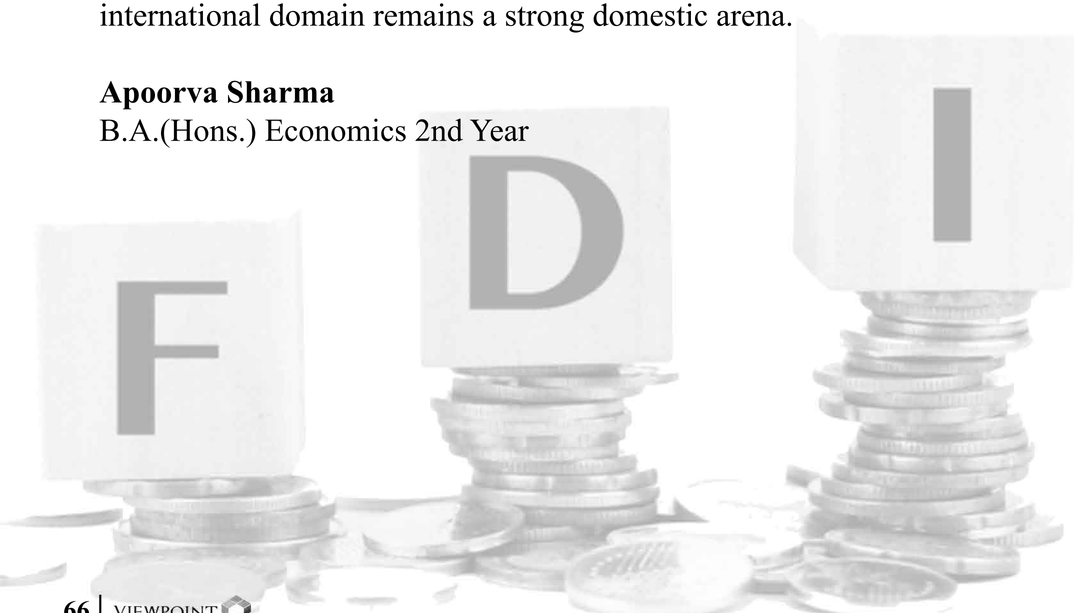

US-CHINA TRADE WAR
IMPACT ON THE INDIAN ECONOMY

Indian economy showed a fairly impressive growth at the rate of 7.5% in the year 2018, which was the fastest among all the major economies in the world. India was able to achieve this growth rate despite the fact that issues such as Demonetization and implementation of GST were expected to cause a slowdown. We realize that these were only short-term blips that are being overcome swiftly. Surprisingly, India's growth rate in 2019 fell to a six-year low of 5% in the June quarter. This is an outcome of a number of factors. One such economic disturbance is the increasing tension between the US and China, due to the implementation of tariffs.

This had initiated a full-blown trade war amongst two of the biggest economies of the world. The impact of this trade war between the superpowers had severe implications that have impacted the global as well as Indian economy.

Since the first round of tariffs was announced in June (2018), businesses worth $100 billion (out of the total business of $635 billion) faced major difficulties. However, the main threat came with the announcement of the $200 billion tariff imposition on China's export in the latter part of June 2018.

Impact on the Indian economy

The basic principles of economics, i.e., demand and supply, will once again come into play. The shortage of supply of a good, either finished material or raw material, will increase the final consumption price for the consumer. Moreover, the burden of increased tax from the duties will also be borne by the final user. Some ways in which the Indian economy got impacted (and is likely to get affected further) are as follows:

1. The value of Indian Rupee dropped to an all-time low, making exports favorable.
2. Negative impact on India's trade deficit; amid the trade war, China felt no need to correct the trembling trade balance with India owing to the border disputes.

3. Key indices of Indian share market saw regular plunges in points due to cautious investors.
4. India can boost export of 300 products to the US and China amid the trade war. However, it is surprising to see that India is getting the advantage of the trade war as its production cycle is also affected by it. As per experts, a 10% shift from Chinese exports to Indian exports would result in a 75% increase in Indian exports.

How can India extract the advantage of the trade war?
Under the present circumstances, Indian CEOs have a significant role to play in maintaining the stability of the business world. Their strategic plans could prove to be crucial, and hence, there is a need for initiating different plans, as per the requirement of the changing economic environment. The strategies that need to be implemented are:

- India needs to focus on becoming a global hub for exports with a positive impact on competitiveness and job creation. Pharmaceuticals, engineering, and chemicals seem to be the positive avenues to begin from, as India is already doing well in these.
- There is an urgent need to shift the focus to building competitive infrastructure as it directly improves the chances of attracting investment flows.
- More focus should be created on Global Value Chains (GVCs). To establish domestic capacity for export hubs and GVCs, a strong presence of 'lead firms' that manage the GVCs becomes an essential aspect. These attract the attention towards the stark need for easing labor laws and land laws.
- It's imperative for Center and State reforms to work in synergy to oil the wheels of reforms in the direction of change.

For competing with other nations and discoursing the investments from China, India needs to emphasize and improve the implementation of support policies, with a new flagship programme, 'India: Making for the World'. Major global companies shall make investment decisions significantly based on ease of operational conditions and stable policy regimes. 'Where two are fighting, the third wins'; it's time for India to bring the proverb into action!

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India Heading Towards Recession?

Tip - Toeing on the Knife - Edge

A rising disquiet that is gaining widespread attention from all economists to the commoners, is the economic slowdown that India has been facing since 2018. India's retail inflation in November 2019 jumped to a 40-month high at the time when the country's growth rate is backed off to a 6-year low. All four significant contributors to economic growth – Domestic Consumption, Foreign Consumption (Exports), Private Investment and Government Depending – have taken a downturn. Many economists have been giving serious warning signals that the country is one step away from entering into a stagflationary phase. Stagflation is characterized as a situation of high inflation accompanied by negative output growth and high unemployment along with stagnant demand.

According to the RBI reports, Annual Retail Inflation increased to 7.35% in December 2019, surpassing the rates of 5.54% and 4.62% of the preceding two months respectively. At the same time, the Index of Industrial Production (IIP), an index which details out the growth of various sectors in the economy such as mineral mining, electricity, manufacturing, etc. continues to severely contract, worsening the situation. The significant weakening in India's economic growth momentum reflects the sharp slowdown in the manufacturing sector. The weakest sector has been the auto manufacturing sector. India's investment cycle is experiencing a severe cyclical slowdown. The ongoing IIP and CPI (Consumer Price Index) mix is strongly prompting that the economy is heading towards stagflation and in a great probability, towards a new low.

What can the government do?

Awaiting the clarity on inflation and quantum of impact, the time is running by. Time and again, any government find it feasible to take quick general measures, most of which are believed to have a short-run positive impact on the economy. But to fight stagflation and abstain from confronting a recession, the country would need to adopt a list of radical strategies. Developing such strategies and their viable implementation by the government is the need of the hour.

> Reduction in Unemployment Benefits, like Unemployment Insurance, can be expected to have a dual impact. On one side it can be seen to result in a reduction in the government's expenditure thereby, improving the budget deficit. On the other hand, this can result in a reduction in the 'Natural Level of Unemployment', which is described as the minimum unemployment rate resulting from real or voluntary economic forces. Natural unemployment reflects the number of people that are unemployed due to the structure of the labor force such as those replaced by technology or those who lack certain skills to gain employment.
>
> Looking deeper into the mechanism, reduction in unemployment benefits can be expected to reduce the bargaining power of workers. Hence, wages would decrease, implying a lower cost of production, giving firms incentives to charge lower prices, lowering down inflation. Lower wages increase the profitability of firms and encourage them to produce more. This induces firms to hire more workers. Since the current unemployment rate is alarmingly high, the firms would be able to employ workers at the same wage rate. Thus, there shouldn't be a substantial increase in wage rate and the cost of production is expected to not increase significantly.

After a bad year of performance, the Indian Auto Industry seems to be in dire need of support. Following the proposition of the Society of Indian Automobile Manufacturers (SIAM), the government can opt for an 'incentive-based' scrappage policy.

Pushing old and polluting vehicles off-road can help in generating demand and catering to environmental concerns, only when accompanied by some incentive in the form of a road tax or GST rebate. There's a need for special attention towards the implementation of BS-VI norms as the initial stage of implementation is expected to bring about a volume loss. Production of sustainable automobiles is becoming an important strategic tool across the globe. As auto sector companies are stepping into exploring new ways to manufacture automobile that promotes sustainability and have the potential to foster demand, providing incentives can help in boosting investment in the economy.

Another area of critical concern is the dwindling investment in the economy. Foreign companies invest in India with a view to avail the advantage of relatively lower wages and special investment privileges such as tax exemptions, etc. Some favorable factors for FDI growth in India are still at work. Driving forces such as investment opportunities triggered by cheap asset prices and industry restructuring, large amounts of financial resources available in emerging countries, the quick expansion of new activities will presumably trigger, sooner or later, a new pickup in FDI flows. Public policies will definitely play a major role in the implementation of such favorable conditions for a quick recovery in FDI flows. It is prominent that the Indian government is permitting FDI inflows in various sectors; some of them have managed to get a permit of 100 percent FDI inflows. The last Corporate Tax cut and the constant efforts of integration of the economy with GST look promising in the context.

Together with the above strategies, the government should also focus on the optimum utilization of resources. The next step from hereon is to strike a balance between allocating the resources towards consumption and investment expenditure. Where the former seems appealing with the short-term view and supports faster growth revival, the latter with a long-term view promises stability and gradual, yet stronger revival. All in all, it's high time to stop ignoring the balefire and stepping forward towards facing the double-edged sword, with strategies credibly strong enough to make the economy land onto the favorable side of it.

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RAINBOW CAPITALISM

FIGHT AGAINST THE SOCIAL COST OF STIGMA

Ranging from discrimination, mistreatment, physical assault and illegality- that allows for the arrest or at times even the death penalty, sexual minorities (a term used for gender, sexual identities and expressions that differ from cultural norms) are often illtreated around the world. As of December 2019, same-sex relationships are illegal in 72 countries with the death penalty being applicable in 12 countries. Discrimination in the law leads to discrimination in practice- especially when it comes to accessibility and recognition of basic human rights.

The relationship between the inclusion of LGBT and economic development is a two-way street. On one side, LGBT inclusion can enhance economic development by increasing the workforce available which will lead to a decline in the dependency ratio and simultaneously using existing human capital more efficiently, a country can move towards achieving the demographic dividend. On the other side, a developed economy can enhance the inclusion of the LGBT community by making society more open to individual rights. According to the statistical analysis of the World Bank's 'World Development Indicators,' there is a positive association between greater levels of human rights for the LGBT community and economic development. It underscores the fact that countries with more equal LGBT rights also tend to have higher levels of economic development than countries with fewer rights. Furthermore, per capita income in emerging economies is higher in countries with more rights for the LGBT community.

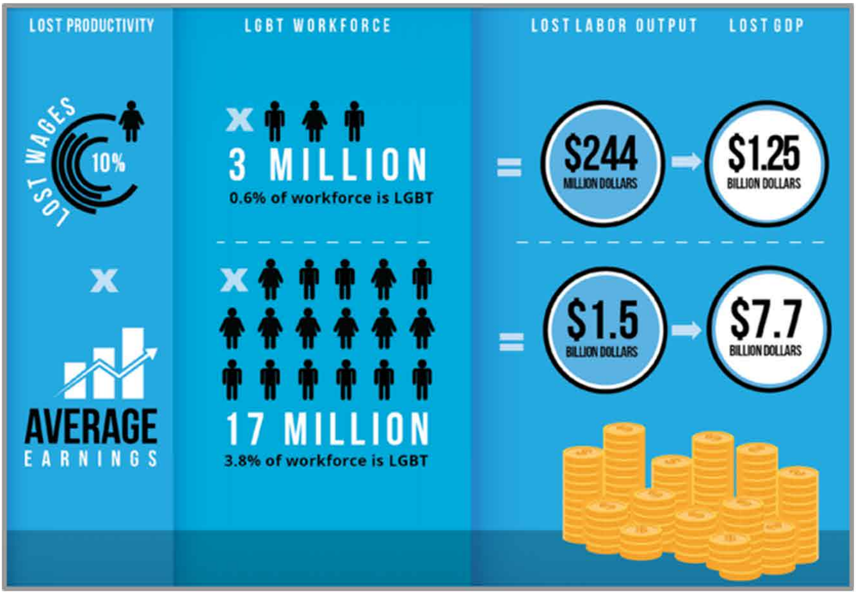

Image Source: Badgett, M.V. Lee (2018); Link Between Economic Development and New Measures of LGBT Inclusion

In India, there are approximately 2.5 million LGBT people, and many of them face multiple issues due to the stigma they face as members of a social minority. World Bank estimated that up to 1.7% of a year's GDP is lost due to homophobia and exclusion of the LGBT community. But on 24th August 2018 LGBT community in India triumphed when the Supreme Court invalidated Section 377 of the Indian Penal Code, which criminalized same-sex relations. Thus after the decriminalization of homosexuality, India is creating a more inviting atmosphere for international companies to enter the market, who will no longer have to fear the maltreatment of their own employees who may be part of the LGBT community. It is believed that the decriminalization of homosexuality in India will lead to significant economic change within the country, especially regarding the growth of the 'pink economy,' the growth of international business within India, and the lessening of discrimination towards employees. Broadening the reach of resources aimed at enhancing the well-being of the LGBT community can help break down barriers to complete participation in the economy. To grasp the essence of inclusive growth it is important to shift the focus from mere social justice to socio-economic justice!

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The Plight of Indian Farmers

AN INSIGHT

We live in a country where the land and its produce are worshipped, but the distressful plight of the ones working on it, producing the basic most element responsible for human survival, grabs no attention beyond newspapers. It's unfortunate how the attention span to something as alarming as farmers' suicide circles around first as a political manifesto in words and then on papers. It's abysmally sad how the redressal to such grievances starts and ends on rounds of farm loan waivers and monetary compensations.

Before talking about the problems of the sector, let's first look into some key facts and figures. Agriculture is the primary source of livelihood for about 58 percent of India's population. As per 2018, agriculture employed 50% of the Indian workforce and contributed 17-18% to the country's GDP. Gross Value Added by agriculture, forestry, and fishing is estimated at ₹18.53 trillion in FY18. The Indian food industry is poised for huge growth. The Indian food and grocery market is the world's sixth-largest, with retail contributing 70 percent of the sales. The Indian food processing industry accounts for 32 percent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 8.80 and 8.39 percent of Gross Value Added (GVA) in Manufacturing and Agriculture respectively.

By now we know that the Agriculture sector is not the star performer for India. But most certainly it has the potential to do so. This makes it important to question that where is it all going so wrong that we end up with statistics like 'a farmer ends his life every 41 minutes somewhere in India'?

● Instability- Indian agriculture is majorly dependent upon monsoon. As a result of acute changes in climate, monsoon is often delayed. Hence, it is common to know that agricultural production is largely affected by the instability of the monsoon season. What worsens the situation here is the lack of something as basic as a dependable irrigation system.

● Land ownership- Land ownership in India is starkly unequal. It is believed that large quarters of land in India are owned by a relatively small section of the rich farmers, landlords, and money-lenders, while the majority of farmers own very little amount of land or no land at all. A large farmer here holds 45 times the land with a marginal farmer. States like Punjab, Haryana, Maharashtra, Gujarat, Karnataka and Madhya Pradesh have holding size above the national average which leads to unequal and fragmented landholdings. Such conditions lead to a situation wherein the farmers are not only poor but end up facing debt traps. Further adding to the plight are cases where irrigation projects end up as government's stake in the landholding; how much does that new project benefit the production is questionable.

● Marketing of Agricultural Products- We all know that marketing can make it or break it. Most of the farmers are unaware of the new-age techniques of agriculture. The poor farmers do not have access to platforms where they can rightly market their produce. What this ends up in is a dependence upon a number of middlemen who consequently eat up the hard-earned profits.

● Informal lending preceding formal lending- Around 70% of the farmers have to depend upon loans for producing different crops. The lack of knowledge and resources disable them to take loans from appropriate financial institutions like banks and as a result, they have to depend upon zamindars or moneylenders who charge a hefty amount of interest, leading them into a situation of debt traps. High interest rates despite the presence of NABARD, MFIs and cooperative banks highlight the underlying high-risk premium, lack of transparency and weak faith in the system.

● Inadequate Storage and Transportation facilities- Storage facilities in rural areas are either totally absent or grossly inadequate. Under such conditions, the farmers are compelled to sell their produce immediately after the harvest at the prevailing market prices that are bound to be low. Such an unfair sale deprives the farmers of their legitimate income. Another handicap is the lack of cheap and efficient means of transportation. Even at present, there are a number of villages which are not well connected with main roads or with market centers. This can logically be associated with banks' reluctance to lend due to the high risk involved.

These are just a few basic problems faced by Indian farmers. The list continues and so does their misery.

But then what's that should be done?

- The Need for Price Stabilization: The need of the hour is to frame and execute proper price stabilization policies for the farmers. The Agricultural Prices Commission takes up a number of aspects of price policy, such as minimum support prices (MSP), procurement prices (PP), issue prices of food-grains (IPF). The well to do farmers who have some basic education and knowledge has definitely befitted from such policies but what about the illiterate ones?

In recent times, the Government has undertaken a number of schemes and policies which can provide aid to the farmers. Some of them are listed here:

- Prime Minister of India, launched the Pradhan Mantri Kisan Samman Nidhi Yojana and transferred nearly ₹2000 crore to the bank accounts of more than 10 million beneficiaries in 2019.
- The Government of India has come out with the Transport and Marketing Assistance (TMA) scheme to provide financial assistance for the transport and marketing of agricultural products in order to boost agriculture exports.
- The Government of India is going to provide ₹2,000 crore (US$ 306.29 million) for computerization of the Primary Agricultural Credit Society (PACS) to ensure cooperatives are benefitted through digital technology.
- With an aim to boost innovation and entrepreneurship in agriculture, the Government of India is introducing a new AGRI-UDAAN program to mentor start-ups and to enable them to connect with potential investors.
- The Government has allowed cent percent FDI in the marketing of food products and in food product e-commerce under the automatic route.

What does the road ahead look like?

Conversants expect India to achieve the ambitious goal of doubling farm income by 2022. The agriculture sector in India is expected to generate better momentum in the next few years with the help of increased investments in agricultural infrastructure such as irrigation facilities, warehousing, and storage. Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers. The government of India targets to increase the average income of a farmer household at current prices to ₹219,724 by 2022-23 from ₹96,703 in 2015-16.

The figures can turn glitzy, but can this be attributed to real growth?
In my opinion, No! Real growth must take along the well-being of farmers. Financial inclusion, fostering awareness about savings and insurance instruments through the formal channels, need to repeal agriculture land ceiling laws and modification of implementation channels, this is what the road ahead should look like if real growth is the final destination. But where should one start from? One needs to start from facing the downright truth of India's biggest crisis, and I say, it's high time to do so!

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EUROZONE DEBT CRISIS

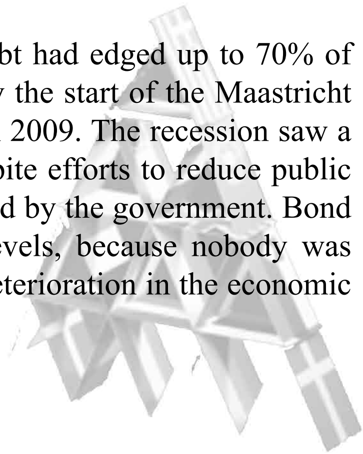
THE STRUGGLE BEYOND CROWNING POLITICAL ACHIEVEMENTS

The European sovereign debt crisis was a period when several European countries experienced the collapse of financial institutions, high government debt, multiple defaults in payments and skepticism regarding the future of the Eurozone by some.
The European debt crisis started in 2008 with the collapse of Iceland's banking system and spread primarily to Portugal, Italy, Ireland, Greece and Spain (PIIGS nations) in 2009.
A few causes of the sovereign debt crisis include- the financial crisis of 2008, the succeeding economic recession, and the real estate market crisis in several countries. The European Debt Crisis peaked from 2010 to 2012. Multiple factors caused the situation to worsen.

Here is a timeline, country-wise analysis of the nations and why this happened-

Iceland- The crisis was triggered by the collapse of the banking system in Iceland. The three largest banks in the system Kaupthing, Landsbanki and Glitnir had multiplied in size before 2008 owing to cheaper access to credit in the international market. The sub-prime mortgage crisis of 2008 led to poor investor sentiment taking money out; led to the rapid depreciation of the Iceland kroner and eventual default in their foreign debt.

Portugal- The level of public sector debt had edged up to 70% of GDP; much above the 60% limit set by the start of the Maastricht criteria, by the start of the debt crisis in 2009. The recession saw a rapid increase in the level of debt, despite efforts to reduce public spending and austerity measures pursued by the government. Bond yields rapidly rose to unsustainable levels, because nobody was investing in them. This led to a rapid deterioration in the economic situation of the country.



Italy- Italy is the third-largest economy in the Eurozone, just behind France in terms of GDP. It has and had a huge debt load and slow growth and has so far managed to defend its financial position by means of increased taxation, limited spending cuts, and more borrowing. This has led to unsustainable debts which pose a risk to the European markets even now.

Greece- The Greek crisis started in late 2009 when Greece revealed that its previous government had grossly underreported its budget deficit, signifying a violation of EU policy and spurring fears of a euro collapse via political and financial contagion. The crisis was triggered further by a combination of factors including the turmoil of the great recession, depressed international macroeconomic climate, inherent structural weakness in the Greek economy and inflexible monetary policy.

Spain- The Spanish crisis was caused primarily due to a housing bubble burst which had a major impact on its economy. The government had been financing itself by the high revenues earned from the booming property investment and construction sector prior to 2008. This kept revenues in surplus even with a rapid rise in government expenditure. When the bubble burst, there began a recession.

Ireland- Ireland had been experiencing a golden period of economic growth from 1990 onwards to 2007 owing to primarily low corporate tax rates, soft surveillance of banking sector and low ECB interest rates. The recession was triggered by massive banking scandals emerging in 2007, capital flight post the great recession and the burst of a property bubble. Ireland was the first EU nation to hit a recession and triggered a wave across Europe.

Now the PIIGS nations form a part of the 19-member eurozone which is a monetary union i.e. countries having a common currency; the Euro. What is interesting to note is that through the Eurozone and the European Union, the countries are very-closely inter-related and their banking industry significant exposure to each other's markets. Anything happening in one nation leads to created ripples in the whole of Europe

The Eurozone debt crisis was characterized by crises happening simultaneously in the PIIGS nations which exposed other nations of the union also to the crisis. But eventually, in many nations, the economy recovered owing to measures discussed further. However, several nations still inch very close to another crisis and have to be prudent.

Many of the nations plunging into crisis dealt from common challenges including- fiscal indiscipline, contagion from the great recession, an inflexible monetary policy due to the European Central Bank, and housing bubbles bursting in multiple nations.

The crisis was solved by taking a host of measures-

1. The crisis in Greece was the most severe. In 2009 Greek debt was downgraded and the government was on verge of bankruptcy. The Troika consisting of the European Central Bank, European Commission, and International Monetary Fund extended emergency lending to the nation in the form of multiple bailouts starting from 2010 through 2016. In return, the creditors asked Greece to implement austerity measures, tax reforms, cut-down on public spending, privatize state assets and reform labor laws. There were multiple referendums and elections in Greece which contributed to stabilizing the situation.
2. The European Central Bank has been key to helping resolve the situation in several countries. As a trend, it had been purchasing the government debt of several countries to finance expenditures while overseeing economic restructuring in them. It also maintained a lower euro which has helped boost exports in countries such as Portugal, Greece, and Spain with improved exports to solve the crisis and boost economic growth. The Troika and countries like Germany and France are major stabilizing forces in Europe. The crisis was solved by parties involved aiding the affected countries and thinking about the greater good of the Union. Germany has been a long-term champion in sacrificing short-run gains for long-run prosperity and has been the key driving force in realizing the European continental dream of a trade and monetary union.
3. Currently, Ireland is suffering from a rental price crisis and the economic performance across nations including Italy remains unsatisfactory. Austerity remains unpopular because it involves governments making a cut in public expenditure and an increase in taxes which leads to a loss in jobs and lower disposable incomes.

Avnish Roperia
B.A.(Hons.) Economics 2nd Year

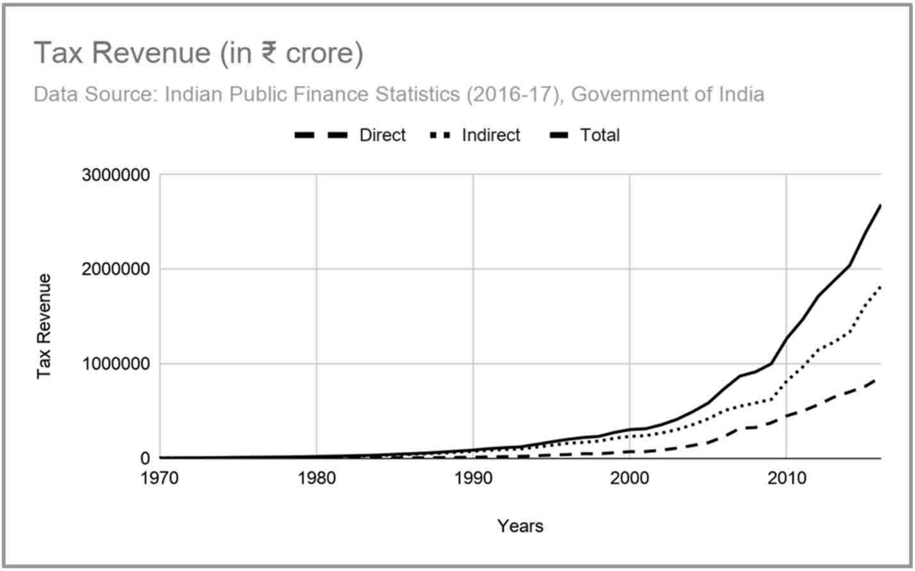
Tax Reforms in India

THE JOURNEY FROM 11 EXCISE RATES TO ONE - STOP GST

Tax revenue for any economy is the prime most component of government revenue, thus, by and large, the foundation of public expenditure. For a complex economy like India, the evolution of the tax system has been noteworthy and has its roots laid back in the 1990s. The transition from a chiefly centrally planned closed economy to the pro-market liberalized open economy has been remarkable. Liberalization accentuated the need for tax revenue to meet the growing requirements of social and physical infrastructure. With the changing needs of the open economy, the role of the state in development changed too. Combining all the factors above, in the wake of the Financial Crisis of 1991, the Indian tax system underwent major reforms. With every tax reform down the lane, attempts have been made to achieve a comprehensive tax system that minimizes distortions and thus ensures international competitiveness. Over the years the emphasis has shifted from vertical equity, i.e., high marginal tax rates with minute differentiation, to horizontal equity dealing with broad-based simple and transparent taxes, subject to low and less differentiated tax rates. The Goods and Services Tax subsuming a large number of indirect taxes, with its comprehensiveness invigorates the above idea.

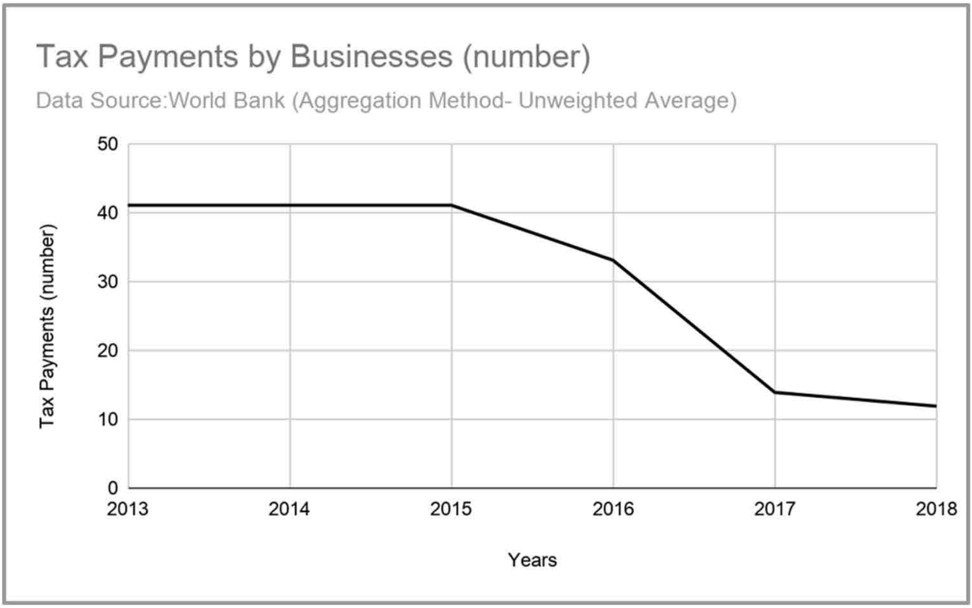
The dynamic nature of tax reforms in India can be best approximated by its journey from being an economy moving towards economic liberalization, starting with 11 different excise rates, to an at par economy being able to successfully implement a one-stop indirect tax regime like GST.

Citing Shankar Acharya's study (Thirty Years of Tax Reform in India, Economic and Political Weekly; 2005), for the economy that had around 24 separate tax rates under which commodities were categorized, union excise duties ranging anywhere between 2% to 100% (even higher on tobacco and petroleum products), import duties skyrocketing to 200%, company tax rates as high as 60%, and 8 income tax slabs until 1985, we have surely come a long way. In 2019, the picture has radically changed; 3 income tax slabs prevail (5%-20%-30%), corporate tax is down to 25.17%, average customs rate of 10-12% and a number of indirect taxes being subsumed by GST (5%-12%-18%-28%).



As the economy is moving forward on its growth trajectory, it is experiencing another paradigm shift. Direct taxes overtaking indirect taxes, the contribution of corporate tax growing at a faster rate than personal income tax, growing revenue from the services sector, with the exponential growth of the sector itself, highlight the gradual change. Personal Income Tax remains an unanswered concern to date. According to the Economic Survey (2017-18), only 4.5% of the total population pays income tax and counting in for the refunds made, the real revenue generated from PIT is abysmally lower than what it can be. Another concern is the low contribution of Public Sector Enterprises. Corporate tax coming from PSEs accounts for a mere 10.7% of the total corporate tax revenue, exhibiting the uncompetitiveness and building inefficiencies.

Organisation for Economic Co-operation and Development (OECD Economic Survey of India; 2017) recognized the need for reform of income and property taxes to complement the landmark GST reforms, adding to the integration of the economy and improving efficiency. Making income and property tax more growth-friendly and redistributive can play a pivotal role in improving universal access to core public services. India is a member of the Convention on Mutual Administrative Assistance in Tax Matters, acting swiftly towards fighting off-shore tax evasion and avoidance.



Improved tax administration, reduced exemptions, limited number of tax rates and many folds increase in simplicity is being acknowledged by the rest of the world. According to Doing Business 2019 (A World Bank Group Flagship Report), with 13 reforms, India stood among the top 10 improvers. Enhanced ease of doing business can be directly related to the taxation system of a country as it influences incentives and thus the behavior of economic actors and the economy's competitiveness.

The way forward from here requires working on establishing a clear mandate to divert attention towards reforms in spheres of personal income tax to play a complementary role to GST, which is already integrating the Indian tax system. Intensifying the quality of audit and overcoming the loopholes of GST needs constant efforts. The latter also requires acceptance and understanding among all stakeholders in the right spirit of cooperation. Redesigning the system of exemptions and reducing it only to the most crucial avenues can significantly improve the fiscal position. Lastly, but most importantly, ensuring that the tax revenue is mobilized into building social and physical infrastructure honestly can be seen as a real incentive by all stakeholders. This seems promising to foster tax compliance and curb tax evasion in real sense. After all, where the tax revenue goes is as important as where it comes from!

Nitya Baaga
B.A.(Hons.) Economics 3rd Year

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Attaching a Cost to India's Economic Growth

When an economy grows, the common man may come under the impression that everything is growing! India may statistically sound to be performing at a world-beating rate, but even growth has a cost to it.

For example, if there is infrastructure but nobody is utilizing it, it is quite easy to include the value-added of construction work to our national accounts, but there is no accountability for the land usage. Similarly, if we waste electricity, it pumps up the electricity consumption and hence affects our national accounts, but there is no explanation for the resulting loss of electricity.

In short, we can continue to show growth even while exploiting resources. In this article, I explore two problems of a similar nature, which I term as 'costs', where either a resource is being entirely wasted, or our lust for economic growth has severely handicapped our banks.

Starting with the financial system, in 2004, a recommendation was submitted to the RBI which loosened the tap of financial regulation and credit, and investment flooded the economy. Now just as investments result in growth, they can dampen it too.

In his book, "Breakout Nations", Mr. Ruchir Sharma has concluded that if the banking sector lends at more than 20% p.a for more than 5 years, a crisis may follow. In the 2015-16 financial year, the RBI announced that the balance sheets of the banks and the companies were impaired. Hence, the "Twin Balance Sheet Problem" emerged, banks had alarming levels of NPA, and this was a result of the boom of the 2000s. The rapid flow of credit and expanding investment led to companies overleveraging themselves, announcing massive capital expenditure and infrastructural programmes and they slowly and slowly ran out of cash. Till date, approximately ₹3.38 trillion remains trapped in unfinished infrastructure projects. The TBS problem led the banks to put a cap on lending and the corporates to raise debt as they were already leveraged.

The peculiarity I observed was decreasing labor participation. With fertility rates going down, logic dictates that more women should be entering the workforce, as the average number of children per family has dropped down to 2 (In the 1960's it was around 5). However, since 2005, female participation in labor has significantly dropped from 33.87% to 24.84% thought the decline for men has been much slower.
An analysis conducted by Rukhmini S from Livemint showed that on an average, more than three out of four women over the age of 15 in India are neither working nor seeking work. (The age of 15 is the cut-off used for global comparisons by the International Labour Organization.) This would imply that they are most likely running the house and taking care of children.

Teenage girls are availing primary education and more women are being pushed into the service sector, which are huge positives, but the economy has failed to produce jobs for women aged 30 and above. A study by the ILO has shown that despite a world-beating growth rate, India has failed to absorb women's labor force - the concerned sectors haven't shown growth. This shows that the rural industry remains severely underdeveloped. When we consider the example of Bangladesh, we see that the women employment rate there has soared due to a development in the garment sector and an ease of finance in the microfinance industry; if India similarly realizes and acts on the mentioned shortcomings, the IMF projects that our country could be 27% richer - which implies a better income distribution pattern, and consequently, a faster way for people to escape the poverty trap. Hence, we observed that banks were not exposed until after the 2015-16 financial year, and started reporting record losses and increasing provisions. There is economic growth, but it is still being paid for the lower strata of society.

It is not about how fast we are growing but is our growth justified, are we wasting our resources, and are we right in our decisions to move forward with our policies? We need to decide if our growth is justified and whether we are right in our decisions to move forward with the implementation of policies.

Varun Mehta
B.A.(Hons.) Economics 1st year

Robert Solow

LIFE AND WORK OF AN EXTRAORDINARY ECONOMIST

Robert Solow was born in 1924 in Brooklyn. His parents were Jewish immigrants and he was the first generation of the family to go to college. He obtained a scholarship to study at Harvard University and in 1945, started his doctoral studies in economics from the same institution. His doctoral dissertation modeled changes in wage distribution and unemployment and the thesis won the Wells Prize at Harvard which offered not just publication as a book but also $500.

After he received his Ph.D. in economics, he joined MIT where he became a professor in 1958. He was interested in public policy throughout his career. He worked with the President's Council of Economic Advisers from 1962-8 which focussed on Keynesian policies. He spent a brief spell as a central banker when he was the chairman of the board of the Federal Reserve Bank of Boston from 1975-80.

He received several accolades during his distinguished career. In 1961 he received the prestigious John Bates Clark Medal as the best US economist under the age of forty. He served as the president of the American Economic Association in 1979. He received the Nobel prize in economics in 1987. Due to his long public service, Solow was awarded the Presidential Medal of Freedom in 2014, the highest honor granted to civilians by the United States Govt.

Among his influential works, the Solow growth model occupies a special place in growth theory. The best-known result from his growth models is the Solow residual. This residual captures the technological progress which generates more output from a set of inputs. It also captures anything else that is not related to inputs of labor and capital and so a temporary rise in monetary easing or in government spending also gets included. So, a part of the Solow residual is the technological progress that is needed to sustain economic growth over the longer term.

> There was a strong association between the period of high economic growth and rapid technological progress. Developed nations all grew well between 1950 and 1973 and then slowed together during 1974-87. The strong period of growth in the 1950s and 60s was associated with post-war technological advances in transport and industrial robots.

However technological advances between the seventies and the nineties decade comprising of computers, information and communication technologies did not raise productivity across the economy. Solow explains this by saying that it takes time for businesses to learn to use computers productively, so the early years were not a good indicator.

Solow was skeptical about the productivity inducing effects of the computer in the early years of computing. In his own words, 'I always thought that the main difference the computer made in my office was that before the computer my secretary used to work for me, and afterward I worked for my secretary.' In his opinion computers and the internet would not generate as much economy-wide productivity improvement as the Industrial Revolution that led to general-purpose technologies like steam engines, electricity, etc. Other economists disagreed and felt that productivity will improve once the digital technologies become embedded into businesses. The developers of endogenous growth models also criticized Solow for not explaining where technology came from.

The endogenous growth theorists treated technology to be determined within the model ie endogenously determined by the capital and labor within the economy. These models say that educated researchers and investment in R& D are what generates technological progress which boosts economic growth.

A second criticism of the Solow growth model was discussed by Douglas North. According to Solow the differences in growth across countries stems from technological progress. So institutions play a little role in explaining why some countries are wealthy and some are not.

The Solow model explains the conditions for convergence among countries. If countries have the same level of technology, investment rate, and population growth then the developing country will grow faster than the developed one because of diminishing returns to capital.

Empirical studies of convergence have produced mixed results. Some poorer and middle-income countries (for e.g. China) have grown faster and began to catch up with wealthier nations. However, there are other poor countries that have grown slowly. In terms of the world income distribution, instead of seeing convergence, there have been signs of polarization between rich and poor countries.

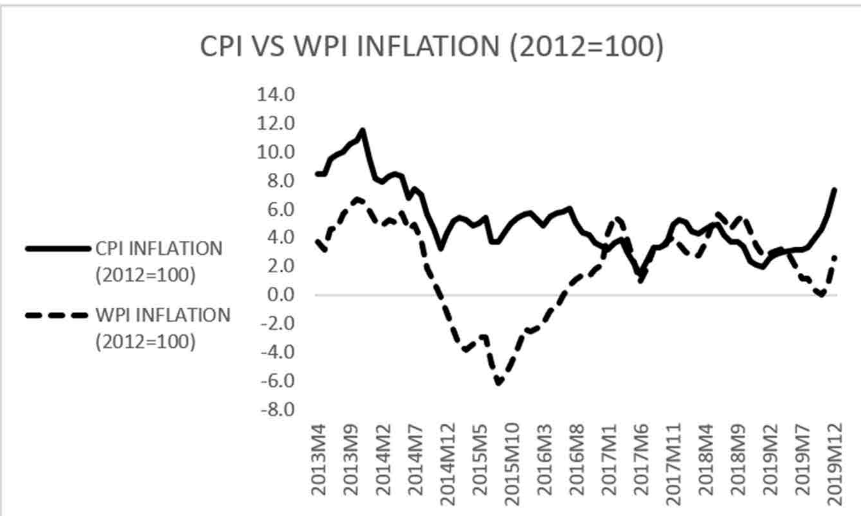
Robert Solow is not only a scholar but also understands the importance of contributing to public discussions of economic issues. He once wrote an essay entitled 'How Economic Ideas turn to Mush'. He observed that it was challenging to convey complicated ideas outside one's profession. His advice is, 'Try to answer one question at a time and insist on that. And above all….don't omit qualifications. Never claim more than you actually believe or can justify.'

Dr. Suvojit L. Chakravarty
Associate Proffessor, Aryabhatta College

MEASURES OF INFLATION IN INDIA

In India, inflation is measured using various price indices. Indian inflation is measured by WPI available for the economy as a whole, segment specific CPI, namely, CPI-IW, CPI-AL, CPI-RL and CPI-UNME and a national level CPI-Combined (rural + urban) which was released in 2011. The most commonly cited indices are Wholesale Price Index (WPI), which is a measure of average change in wholesale prices of goods in the economy and the Consumer Price Index (CPI), which measures the changes over time in general level of retail prices of selected goods and services that households purchase for the purpose of consumption. There is also the GDP deflator, which is a complete measure of inflation derived from National Accounts Statistics (NAS) as a ratio of GDP at current prices to GDP at constant prices and Private Final Consumption Expenditure (PFCE) deflator, which is also derived from the NAS and provides an implicit inflation estimate for the economy.

GDP deflator and PFCE deflator are available on a quarterly frequency with a lag of two months since 1996. The two price indices which are prominently used in the literature for all empirical assessments are WPI and CPI index.



Source: Ministry of Statistics and Program Implementation, CSO,GOI

CPI in India is compiled for four different segments of the population that is industrial workers (IW), agricultural labour (AL), rural labour (RL) and urban non-manual employees (UNME)[1]. Recently the Central Statistics Office (CSO), started releasing Consumer Price Indices (CPI) on base 2010=100 for all-India and States/UTs from January 2011. This new index of CPI is known as CPI-Combined and includes price indices separately for rural and urban population. New CPI comprise of computational changes as compared to the old CPI which are done to make it more robust. This index is constructed to ensure better comparability with CPI of other countries. The inflation target set by the central bank for monetary policy is now given in terms of an all-India CPI-Combined index.

The components of WPI are divided into three groups:
(a) Primary Articles, which mostly consist of Food items;
(b) Fuel & Power; and
(c) Manufactured Products.

WPI series is compiled and released by the Office of the Economic Adviser, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India. WPI with base year 2004–2005 was launched in September 2010. Its next revision occurred recently with base year 2011–2012, which synchronized it with the base year of other important indicators such as GDP, IIP etc. The new series was introduced in May 2017.

In the WPI series with base 2011–2012, the highest weightage of approximately 64% is assigned to Manufactured Products. This weightage is similar to the weight assigned to this component in the series with base 2004–2005. Primary Articles amount to a weight of about 23%, which is slightly higher as compared to 20% for the series with base year 2004–2005. Fuel and power have a weightage of about 13% as compared to 15% for 2004–2005 series.

1 CPI-UNME has been discontinued since April 2010.

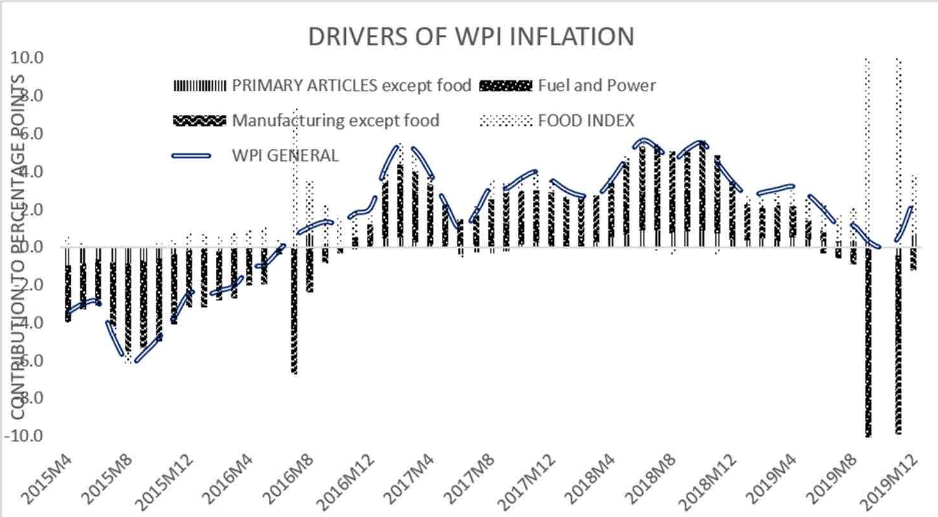
The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation started releasing Consumer Price Indices (CPI) on base 2010=100 from January 2011. These are:

- CPI-Combined for all-India and States or Union Territories
- CPI-Rural for Rural areas
- CPI-Urban for Urban areas

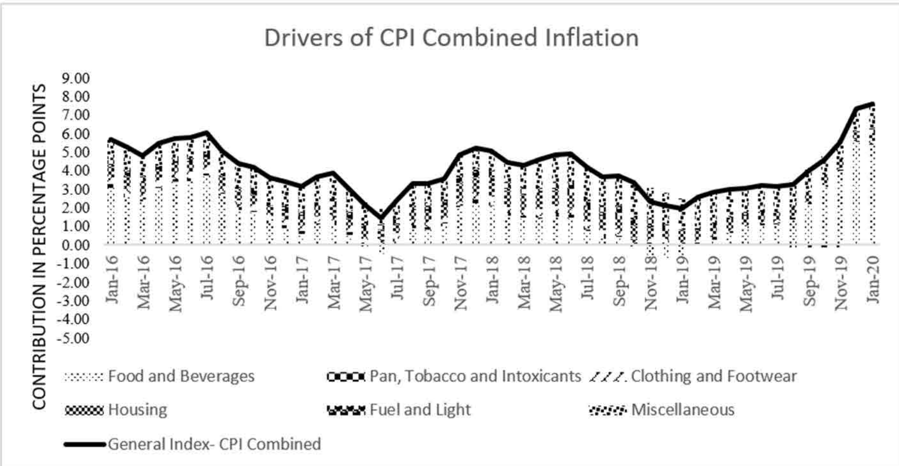
The components of CPI-Combined are:

- Food and Beverages which constitute a weightage of 46% in the index.
- Pan, Tobacco and Intoxicants constituting a 2% weight
- Clothing and Footwear has a weightage of 6%
- Housing constitutes 10% weight in the CPI index
- Fuel and Light has a weight of about 7%
- Miscellaneous category, which comprises of household goods, education, recreation, health services, transport and communication and personal care and effects constitutes a weight of 28% in the index.

In comparison to WPI food has the largest weight in CPI index including both CPI-IW and new CPI-Combined. This implies that any change in the prices of food products in the economy would have a larger impact on CPI index as compared to the WPI index. This can be inferred from the following two graphs which represent the share of different components of CPI and WPI inflation.



Source: OEA, DIPP, Ministry of Commerce and Industry, CSO, GOI



Source: Ministry of Statistics and Program Implementation, CSO, GOI

Dr. Deepika Goel
Associate Professor, Aryabhatta College

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THE ACTIVITIES AND ACHIEVEMENTS OF MIND OVER MATTER

Whilst juggling all the assignments, internals and the demanding curriculum offered by the Eco (H) course, the students managed to organise some academic and co-curricular activities while registering their participation in some of them. They also enrolled for various projects and internships.

Our college strongly believes in the concept of holistic education and strives to expand our knowledge beyond the traditional classroom studies.

■ To achieve this goal the economics society organised various seminars and workshops, the session started off with a seminar on the topic "$5 Trillion Indian Economy - A real possibility or a farce?" by Prof. Ram Singh, Professor at the Delhi School of Economics, Delhi University and an alumnus of Harvard University.

■ In this academic year, students from all the three years have secured one of the top three positions in various inter college competitions. Some of our achievements are as follows:

- Rishabh Singh, Varun Mehta and Vedant Gupta from first year secured the first position in the "Evision", National Research Paper inter-college competition organised by the Finance and investment Cell of Sri Ram College of Commerce.
- Sufiya Salim, Naina Singh, Sankalp Rawal and Anisha Kalita from first year secured second position in an event organised by 'Vyapaar' the entrepreneurship cell of Delhi College of Arts and Commerce.
- Sufiya Salim, Naina Singh and Anisha Kalita from first year secured the third position in 'Fennexia', organised by Janki Devi Memorial College.

● Sahaj from first year participated in 'Merger Mayhem' organised by the College of Vocational Studies and won 1st prize.
● Naina Singh, Anisha Kalita and Sankalp Rawal first year secured second position in 'Bid Wars' organised by Motilal Nehru College.
● Nitya Bagga, third year student published two articles namely "IPOs-Gaining Charm,Losing Relevance" and "Mass Customization: Reshaping Business Strategy" in the online edition of Times of India.

■ Many students worked with various organizations and companies as interns in the academic year. Internships help to gain the requisite skills and knowledge and establish important connections in the field and help students to continue to expand beyond the conventional career opportunities.
Students from the second and third year who took up internship at various organizations are:

NAME	INSTITUTION	DURATION
ECO (H)-II YEAR		
Aishwarya Sabharwal	IDBI Federal Life Insurance	4 weeks
Ayushman Rai	IGNCA	4 weeks
Bhavya Aneja	Resumod, Pharmeasy, Medlife	8 weeks
Dhruv Gujjar	Phaze Experience	7 weeks
Himanshi Bakshi	Slurrp Farm	5 weeks
Lakshay Kumar	Bank of Baroda	8 weeks
Raj Midha	India Shelter Finance Corporation Ltd.	4 weeks
Sarthak Malhotra	BRIEF India Pvt. Ltd.	12 weeks
Somansh Arora	Bank of Baroda	4 weeks
Trived Kullapa	PWC	6 weeks

ECO (H)-III YEAR		
Anmol Gaba	Ministry of Water Resources, River Development & Ganga Rejuvenation, Central Water Commission	4 weeks
Charvi Jindal	Niti Ayog	8 weeks
Divya Bhardwaj	Dugain Advisors	8 weeks
Drishti Malhotra	Reliable Enterprise Publishing House	12 weeks
Garvit Malhan	Urbanclap technologies limited- Business development	8 weeks
Harshita Gupta	Genpact	8 weeks
Jai Sharma	HDFC	6 weeks
Medha Mathur	- Commutiny- The Youth Collective on a project funded by UNDP - Ministry of Health, GNCTD + AAP Media Cell	- 16 weeks - 12 weeks
Muskan Sehgal	Quill Foundation	20 weeks
Nihar Ranjan Behera	Steel city securities limited, Visakhapatnam	4 weeks
Sarah Khan	Santosh Finlease Private Limited	4 weeks

■ The department also organised a 7-day adventurous trekking trip to Gidara Bugyal, Uttarakhand. A trip to the mountains gave students a break from the classroom atmosphere and an opportunity to spend time with each other.

STAR ECONOMICS MENTORS

Shri N.M. Singh, Dr. Surajit Deb, Dr Kartikeya Kohli, Dr Deepika Goel, Dr Astha Ahuja, Dr S.L. Chakravarty, Shri Harish Dhawan, Dr Gursharan Rastogi

VIEWPOINT TEAM

Himanshi, Cherry, Nitya, Apoorva
Mudit, Dhruv, Ayushman, Aakash

STAR ECONOMICS FUTURE

Ayush, Ujjwal, Aryan, Saarthak, Raju, Shubham, Satyam, Omansh, Anand, Lokesh, Vedant G, Anubbav, Rishabh, Samay, Krish, Sanklap, Pratham, Sahaj, Kartikeya, Ujjwal, Harshit, Varun, Nitin, Devashu, Sarvesh, Nitin, Yash, Saurabh K, Mandeep, Jagbeer, Karan, Vinayak

Jyotika, Willinlui, Gayatri, Khushi, Shreya, Sneha, Nisthi, Naina, Sufia, Vaishali, Bhoomi, Ritika, Priya, Asmita, Vanshika, Khushboo, Rishika, Anu, Ageetika, Kavya, Rashi

STAR ECONOMICS FUTURE

Somasnh, Avnish, Aishwariya, Simran, Lakshay, Sarthak, Gaytri, Digij, Suryansh, Kisalaya, Abhishek K

Raj, Sana, Meghna, Kheema, Dhruv, Amisha, Himanshu, Abhishek M, Himanshi, Apoorva, Tarunika, Bhavya, Shatakshi, Tulkia, Rajnesh

Tushar, Trived, Lakshay A, Aditaya G, Ayushman, Rohit, Uday, Sakhsam, Samarth, Vedant

STAR ECONOMICS FUTURE

Drshti, Ashmita, Nitya, Abhilasha, Panjab, Apaala, Pavitra, Anmol, Bhavya, Mudit, Sarah, Bharti, Menka, Saarthak, Deepika, Kareena, Divya, Pushmeta, Mansi, Rashi, Sahil, Somya, Garvit, Palak, Harshita, Deepankar, Heemani, Navneet, Nitika, Nihar, Anjali, Ashish K, Vrinda, Ranjan, Aisha, Rashil, Ashish A,Ojasvi, Charvi

Kashish H, Grantha, Aastha, Bidisha, Nikhil, Arshiya, Muskaan, Cherry, Prince, Vishal, Anshul, Arpan, Sahil D, Miraj, Muskan S, Aakash

ViewPoint

Of The Economics Department, Aryabhatta College

Under The Guidance of

Mr. Harish Dhawan,

Dr. Deepika Goel,

Dr. Gursharan Rastogi

&

The Economics Department,

Aryabhatta College

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