OKONOMOS'21

Hansraj Economics Society

9th Edition

The Annual Economics Journal of Hansraj College

MESSAGES

Hans Raj College is a prestigious institute that has always been one of the sought after colleges in India. In its 69 years since inception, it has acquired the distinction of being one of the top six colleges out of 13500 colleges in the country.
The heritage of the college is distinctly visible from the accolades it has achieved across fields in academia and other non-scholastic spheres.
I'm extremely delighted to share that the Economics Department of Hansraj College is publishing 19th Edition of their Economics journal 'Okonomos'.
It is a creative channel for students to express their views on pertinent economic and social issues concerning our lives.
I congratulate the department for their initiative and I wish them best of luck for more such endeavors.

DR RAMA
PRINCIPAL, HANSRAJ COLLEGE

Okonomos is a tradition that we at the department of economics at Hansraj are proud of. It is an annual culmination of the learnings and intellectual interactions among the students and faculty and a reflection of the widening academic horizons of our students. As the head of the department I congratulate the students for having kept this tradition alive and come up with another brilliant edition inspite of the odds that the pandemic has presented to us. Happy reading and may you all learn on!

MS ALKA KAKKAR
HOD, ECONOMICS DEPARTMENT

This academic year has been extraordinary due to the novel Covid19, with classes being conducted remotely we all strived to continuously find ways to learn and work as a team. I would like to congratulate and thank the entire team of the prestigious Economics council and editorial board for coming out with yet another edition of this journal. Even in these trying times, when the students are not able to meet physically and communication is a challenge, the economics council has displayed exemplary team work and dedication. I wish the students all the very best for all their future endeavours. May all of you have a safe time and be at your creative best while spending days away from college.

MS SONAM
STAFF ADVISOR, ECONOMICS DEPARTMENT

EDITOR'S COLUMN

CREAMY GARG **KASHMIRA SAHOO**

When we were completing the last year's edition of Okonomos on the Indian Banking sector, COVID-19 had just made its way to India and even during that short span of time, it had a major impact on the journal's content as many of the articles and interviews had a 'new COVID angle' added into the general perspective. It has been a year now and it looks like we are back at square one with infections and deaths rising ever than before, lockdowns being imposed again and economic activity taking a back foot making the hopes of recovery doubtful. The virus also proved to be a reality check on the fragile heath-care system of the country, lack of social security systems and the election- focused vendetta of the political parties. The first wave hinted that India was relatively less affected with the virus and gave false complacency to people but it was shattered with the onus of second wave which is the painting the picture of cry and helplessness with people gasping for oxygen and pyres burning in huge numbers. The mental and physical trauma is further worsened with financial problems as the business activities of lower and middle income group have come to a near halt resulting in a very weak demand in the economy. This issue of Okonomos, thus, tries to cover the myriad issues and policies regarding the virus in a series of articles written by the members of the Okonomos team.

Keeping in mind the importance of and the value that expert opinions add, Okonomos also presents the interviews of prominent personalities, discussing the policy approach towards handling of the pandemic. We have had the privilege of talking to Dr. Chakravarthi Rangarajan, former RBI governor of India and Dr. Arun Kumar, Malcolm S. Adiseshiah Chair Professor. This year's Okonomos also includes articles from guest authors, on several topics such as the expunging taxes, Nudge Behavioural Economics, Redefining the role of HR professionals and NPA crisis in India. We sincerely hope the reader find this issue of interest and finds pleasure in reading about the nuts and bolts of the various aspects of the topics covered.

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INTRODUCTION- THE VIRUS AND ECONOMY

BY VINITA YADAV
Undergraduate Student, Hansraj College

A virus can be simply defined as an obligate intracellular parasite. Viruses are a major threat to humans. Over the last century, viruses were responsible for many more deaths. For instance, smallpox, influenza, HIV, etc. have put millions of people to death. In modern societies, with individuals in better health, viruses are also an important cause of morbidity and loss of productivity.

COVID-19 is in charge of the current outbreak of pneumonia that began at the beginning of December 2019 near in, Wuhan City, China. As COVID-19 started to propagate across the globe, the outbreak contributed to a significant change in the broad technology platforms.

We are in the middle of a global Covid-19 pandemic, which is inflicting two kinds of shocks on countries: a health shock and an economic shock. Given the nature of the disease which is highly contagious, the ways to contain the spread include policy actions such as imposition of social distancing, self-isolation at home, closure of institutions, and public facilities, restrictions on mobility and even lock-down of an entire country. These actions can potentially lead to dire consequences for economies around the world. In other words, effective containment of the disease requires the economy of a country to stop its normal functioning. This has triggered fears of a deep and prolonged global recession. On April 9, the chief of International Monetary Fund, Kristalina Georgieva said that the year 2020 could see the worst global economic fallout since the Great Depression in the 1930s, with over 170 countries likely to experience negative per capita GDP growth due to the raging coronavirus pandemic.

The countrywide lockdown has brought nearly all economic activities to an abrupt halt. The disruption of demand and supply forces are likely to continue even after the lockdown is lifted. It will take time for the economy to return to a normal state and even then, social distancing measures will continue for as long as the health shock plays out. Hence demand is unlikely to get restored in the next several months, especially demand for non-essential goods and services. Three major components of aggregate demand- consumption, investment, and exports are likely to stay subdued for a prolonged period of time. Already several industries are struggling owing to complete disruption of supply chains from China. The longer the crisis lasts, the more difficult it will be for firms to stay afloat. This will negatively affect production in almost all domestic industries. This in turn will have further spill over effects on investment, employment, income and consumption, pulling down the aggregate growth rate of the economy. In addition, there are multiple unknown factors such as the true extent of impairment suffered by the different sectors of the economy, the magnitude of deterioration of the balance sheets of economic agents such as firms and households, the ability of both the formal and informal sectors to bounce back to normalcy once the lockdown is fully relaxed and most importantly, the potential destruction of the productive capacity of the economy. Therefore, it is difficult to fully comprehend the extent of the damage that the Indian economy is currently incurring.

Overall cargo throughput at majority of the Indian ports was down by around 20% year on year in March and April, particularly in cargo segments such as petroleum products, thermal coal and containers. India's aviation, tourism and hospitality industries have already sustained maximum damage because of the Covid-19 outbreak, and after the lockdown, it is questionable to what extent they will be able to ride out this storm. The shutdown is bound to push India's fast-growing aviation industry into peril. With all non-essential businesses closed, most industries have been witnessing a drastic decline in sales. Revenue losses will force businesses to either close down or opt for wholesale retrenchment of workers. Operations of a large number of companies in specific sectors will not see business getting back to normal even after the lockdown ends, as the labor has moved out. Even Capital -Intensive sectors such as real estate, consumer durables, and jewellery may not see a demand revival for several months or quarters. e to survive. They have to pay rents, salaries, debts etc., even as their revenues will steadily keep falling as people change lifestyles and cut back on expenditures. Many of these firms will end up defaulting on their loans due to persistent fall in revenues. Over and above the domestic problems, the Indian economy will also continue to get affected by the global recession that may last for a while. This is bound to have spill over effects through financial and trade linkages of India with the rest of the world. Already foreign investors have been pulling money out of the Indian financial markets and are fleeing to safe assets as stock markets have crashed.

The agriculture sector is critical as large number of workers and the entire country's population are dependent on this sector. The performance of agriculture is also key to the state of rural demand. The adverse impact of Covid-19 on agriculture has been much less as compared to manufacturing and services. However, the initial lockdown did affect agricultural activities and the necessary supply chains through several channels: input distribution, harvesting, procurement, transport hurdles, marketing and processing. Closure of restaurants, transport bottlenecks etc. reduced the demand for fresh produce, poultry and fisheries products, affecting producers and suppliers. Media reports show that the closure of hotels, restaurants, sweet shops and tea shops during the lockdown affected the milk producers adversely. Due to lack of demand, the dairy farmers dumped the milk in the drains. Media reports show that the closure of hotels, restaurants, sweet shops and tea shops during the lockdown affected the milk producers adversely. Due to lack of demand, the dairy farmers dumped the milk in the drains.

The eventual damage to the economy is likely to be significantly worse than the current estimates. On the demand side, the government needs to balance the income support required with the need to ensure the fiscal situation does not spin out of control. The balance struck so far seems to be a reasonable one but the government needs to find a greater scope for supporting the incomes of the poor. Involvement of the state and local governments may also be crucial in the effective implementation of further fiscal initiatives.

Policy makers need to be prepared to scale up the response as the events unfold so as to minimise the impact of the shock on both the formal and informal sectors and pave the way for a sustained recovery. At the same time they must ensure that the responses remain enshrined in a rules-based framework and limit the exercise of discretion in order to avoid long-term damage to the economy.

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DISRUPTION OF INTERNATIONAL TRADE

BY ASTHA BHATT
Undergraduate Student, Hansraj College

"For the only way in which a durable peace can be created is by world wide restoration of economic activity and international trade."

INTRODUCTION

Over the decades after independence, India launched the program of autarky (national economic self-sufficiency) that included import substitution policies. However, by 1991 the declining rate of the economy combined with forces of globalization leads to a more open Indian economy. This resulted in a gradual rise in exports, imports, foreign trade investment (FDI), and overall economic growth.

In the 1990s, exports of goods and services rose from 6.2% to 8.2% of the total output. By the end of the decade, India's growth in export began to decline due to reduced international demand with the country's main economic partners, the United States and the European Union.

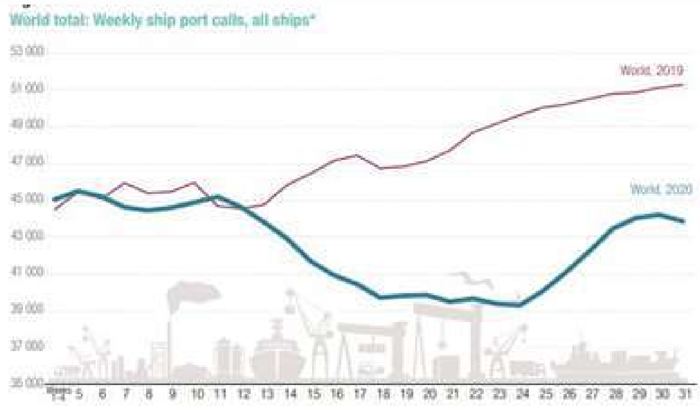
Compared to the past few decades, now, the size of India's foreign trade has expanded in both absolute terms and relative to the country's GDP. Currently, trade represents 40% of the country's GDP. India is mainly the exporter of petroleum (13.2%), diamonds (6.8%), medicaments (4.5%), articles of jewellery (4.2%), and motor vehicles (2.2%). While it mainly imports petroleum oil (21.3%), gold (6.5%), coal, and some other fuels (4.7%), diamond (4.6%), petroleum gas, and other gaseous hydrocarbons (3.6%).

On 23rd September 2020, the World health organization confirmed that the covid-19 infected more than 31 million people, and over 9,63,000 deaths globally were attributed to the virus. The unprecedented global shock triggered by covid-19 infected the worldwide economy and showed a change in health, agriculture, education, travel, automobile, and international

trade. UNCTAD expects gross domestic product (GDP) to fall by around 4.3 percent in 2020, with an expected global recovery of 4.1 percent in 2021. Developed economies are expected to be more affected in 2020 than developing countries, at -5.8 percent and -2.1 percent, respectively, and expect a weaker recovery in 2021, at +3.1 percent compared with +5.7 percent.

GLOBAL DISRUPTION IN INTERNATIONAL TRADE

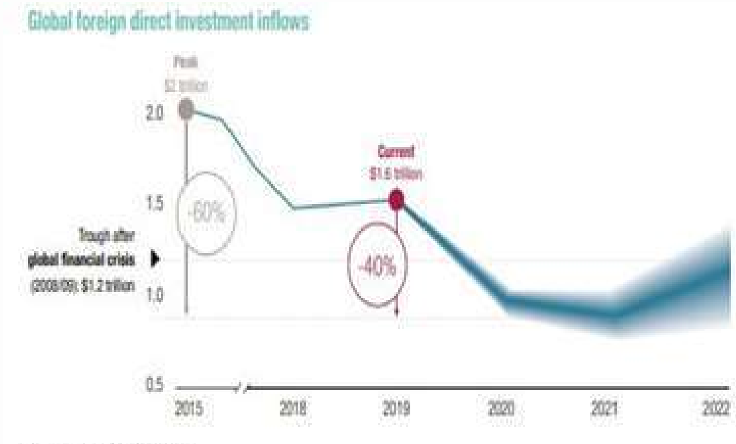
With 80% of global trade in goods carried by sea, Maritime port traffic has followed the pandemics progress. In the first 31 weeks of 2020, port calls by all ships and types were down by more than 10% in the same period in 2019. For the first ten weeks of 2020, port calls for 2019 and 2020 were almost identical.
Afterward, volume for 2020 began to decline. In the second half of May 2020, global port calls had fallen to less than 80%. The impact of covid-19 has not been uniform across different shipping market segments.



Source: UNCTAD calculations based on data provided by Marine Traffic.
* Four-week moving weekly average.

FOREIGN DIRECT INVESTMENT FLOWS HAVE FALLEN DRAMATICALLY

The covid-19 pandemic has had an immediate and negative impact on FDI in 2020. The exceptional global circumstances, as a result, led to delayed implementation of ongoing investment projects and shelving new projects. As a result, global FDI flows decreased up to 40% in 2020 from their 2019 value of close to $ 1.6 trillion.



Source: UNCTAD (2020a).

IMPACT OF TRADE IN INDIA

The pandemic that spread across the world from late January and sluggish international trade affected India's major export markets in the previous financial year. From 2019 to 2020, India's trade with South Asia, the Gulf Nations, China, and North America was reduced. However, some sectors like medical conveyed enhanced success rate. Medical products related to covid-19 such as personal protective equipment, ventilators, thermometer, sanitizers, and many more like that experienced very high growth in the second quarter of 2020.

The export of goods and services accounted for 19.74 %, and imports accounted for 23.64 % of the gross development product of India during the peak covid-19 era. The advent of covid-19 brought disruption in the global import-export market and curtailed free trade between countries. India is one of the developing economies in Asia whose role in international trade has been increasing in the global value chain. However, the impact of covid-19 on trade in India is estimated to be 348 million dollars, and India falls under the category of most affected economies of the world.

Since international trade has curtailed, India decided to boost domestic production and implemented the theory of protectionism. This theory aims to increase exports and decrease imports by imposing various kinds of trade barriers, so the domestic industries get a fair chance to fight with international products and services. In the late 20's India opened its market for international trade as a part of liberalization, privatization, and globalization.

The theory of protectionism was enforced in various ways:

1.Heavy taxes were imposed on imports from others her countries.

2.A restriction on commodities was imported.

3.Subsidies were provided to domestic producers.

The Indian government decided to Boycott Chinese goods and stop trade practices with China and encourage them to adopt the theory of protectionism.59 Chinese mobile applications were banned, and later it increased 118 apps, including the most famous gaming app PUB-G, on the surge of national security, sovereignty, and integrity of India.

INDIA'S VERSION TO OVERCOME THE PROBLEM OF LACK OF LOCAL PRODUCTION

In order to overcome the problem of lack of local production, prime minister Shri Narendra Modi gave the ideation of Aatma Nirbhar Bharat on 11th May 2020.

This vision envisages the production of goods and rises India's capacity. It is not just to "Make in India" but for the world. The top five essential features of Aatma Nirbhar policy include economic structure, technology-driven system, vibrant, demography, and demand. India has an excellent opportunity to emerge as a manufacturing hub and produce ready and consumable goods on a large scale. India provides a large market size for the whole world. The objective behind this vision is to make India competitive with the rest of the world. Even during the peak of COVID – 19, India has attracted $38 billion of foreign direct investment. The vision expands to produce goods for the domestic market only but the global market as well.

After TikTok, 58 banned Chinese apps taken down from Google Play store, App store

CHANGES AND RELAXATIONS MADE BY THE GOVERNMENT OF INDIA AFTER THE ADVENT OF COVID – 19:

·The government has launched an Incentive program of Rs 10,000 crore for stimulating the local Active Pharmaceutical Ingredients (API) production.

·In order to recover the economic impact on the economy of the country and boost the MSME sector, the government has come up with some new economic packages to transfer income to the poorer segments in the economy along with complementary liquidity enhancing measures of the monetary authority.

·In order to facilitate hassle-free international trade transactions, the government is allowing 24* 7 customs clearance. Also, the Foreign Trade Policy, which was to end by March 2020, has been extended for an extra one-year time period to encourage import and export within the country.

CONCLUSION

The world has never faced such a compelling crisis where international trade has been put in such jeopardy. This is some way has promoted the objective of Protectionism. In India, this has resulted in supporting domestic producers and products to become Self-Reliant. In order to achieve this aim, the country should have a solid backbone to provide for the required goods with a competitive price and quality. Such local goods should be competitive according to global standards.

LOCKDOWN AND MIGRATION

BY MRIDUL KOTRIWALA
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The never-experienced and fatal Covid-19 virus forced India into a series of lockdowns. As the pandemic was a never seen before one, no administrative machinery had a good insight to deal with the pandemic. The consequence was that the "21 days " lockdown announced on 24th March 2020 had to be extended over and over again until May 31st,2020. Central Government ordered the initial lockdown intending to ramp up the country's medical infrastructure, break the chain of transmission and slow down the rate of virus transmission. Many say that the lockdown enabled the country to produce commodities like PPE Kits, medical ventilators which it never had a comparative/absolute advantage in. This claim veils the gloomy side of the lockdown. The pandemic not only took away the lives of our fellow citizens but also had grave consequences on our economy. The deadliest of the impacts were on the migrant laborers/workforce of the country. Migrants are those people of the country's workforce who move from one state/city to another in search of livelihood.

Since the economy was brought to a standstill, all the major labor recruiting factories, construction sites, mines, industries, and local shops were "shut down". Even those who were allowed to operate(Pharma, FMCG's) had to work following the Sop's and hence had to operate with half the workforce. The version of extended lockdowns added to the woes of business enterprises who ultimately passed on the burden of losses. The majority of them had to trim their workforce, even those who didn't, were uncertain as to when would or would they be able to operate again. And all of us are aware of the fact that a major part of the working population of our country comprises migrants, the woes got even worse. The migrants were forced into loss of livelihood, distress, confusion, lack of food, income, and above all into uncertain and bleak future for their imagination. A third of migrants in salaried jobs became unemployed, and of those that remained in jobs, about a third were on unpaid leave.

Migrant workers were hit hard, as many of them lost their jobs, with no social safety net to fall back on, and little access to family support. Interstate travel was initially banned, and the media reported on desperate migrants walking back home for hundreds of kilometers. The majority of them died due to heatwave, exhaustion, and rail accidents. 198 migrant workers died due to the lockdown, with reasons for road accidents. In response, the central and state governments took various measures to help them and later arranged transport for them.

Despite the launching of special trains and buses by the government, the migrant workers chose to either travel together in large groups in the cargo compartments of trucks and containers, or travel by foot. They did not wait or their turn to board the government-arranged transport, mainly due to starvation. Additionally, they felt that going back to their hometown, they could return to farming and take up small jobs under the MGNREGA. Many added that the exodus of migration was caused by panic created due to fake news being circulated regarding the duration of lockdown and government policies. Shramik special trains were permitted by the central government subject to coordination between states. Between May 1 and June 3, more than 58 lakh migrants were transported through specially operated trains and 41 lakh were transported by road. About 85% of migration during lockdown was observed from the states of Delhi and Maharashtra, two of the greatest industrial hubs. And a major chunk of migrating population was migrating to Bihar and Jharkhand, probably because these states lack enough resources and industries to provide job opportunities to their surplus labor it has. People could be seen overloaded in buses, trucks.

"As per a survey, nearly a third (31%) of interstate migrants did not receive any support from any source (that is, the government, employer, or community organizations). As a result, 31% of migrants reported that their daily food intake was less than usual, indicating high levels of food insecurity among the migrant population. "

This was with what happened during the lockdown, the major concern was what will happen in a post-lockdown India. Probably one thing was sure many would be left unemployed for months, and will only manage to get their job back post-economic and demand recovery, or would the migrants be willing to go back to their workplace failure of which could have compounded the economic grief of the country.

The tourism sector to which the pandemic dealt a major blow was hard hit. The tourism sector being hit by this air-borne disease had its impact on the hospitality and transportation sector as well. Employers were unsure as to when would things get back to normal, hotels and airlines saw a large number of cancellations of bookings. These sectors also served as a huge source of informal employment be it in terms of local markets, tourist guides, street vendors, artists. All of them were rendered with a bleak future. All these people who started returning started becoming a liability for the state administrative machinery as they could have been the potential carrier of the virus. Not only this, the other causes of concern were to provide employment opportunities and relief package to them. States started reserving a large proportion of MGNREGA for their people, trying to provide them with a minimum work of 7 days at the same time ensuring social distancing norms. Some state governments announced one-time cash transfers for returning migrant workers. Many also set up relief camps for the distressed homeless migrants.

One thing that was a major highlight during the lockdown period was that Government had not had enough data and effective policy on the migrant population. India lacks reliable data and policy on migrant workers. A day before the lockdown was announced on March 24, 2020, the government told Parliament that “it is not feasible to keep record/data of migrant labor workforce” because migrant workers tend to move often in search of employment. But over the next 68 days of the lockdown, as an unprecedented migrant worker crisis unfurled in India, it became clear that reliable data were critical to developing an effective migrant worker policy.

THE RISE IN CASES AND HEALTHCARE PERFORMANCE

BY AISHANI KATYAL
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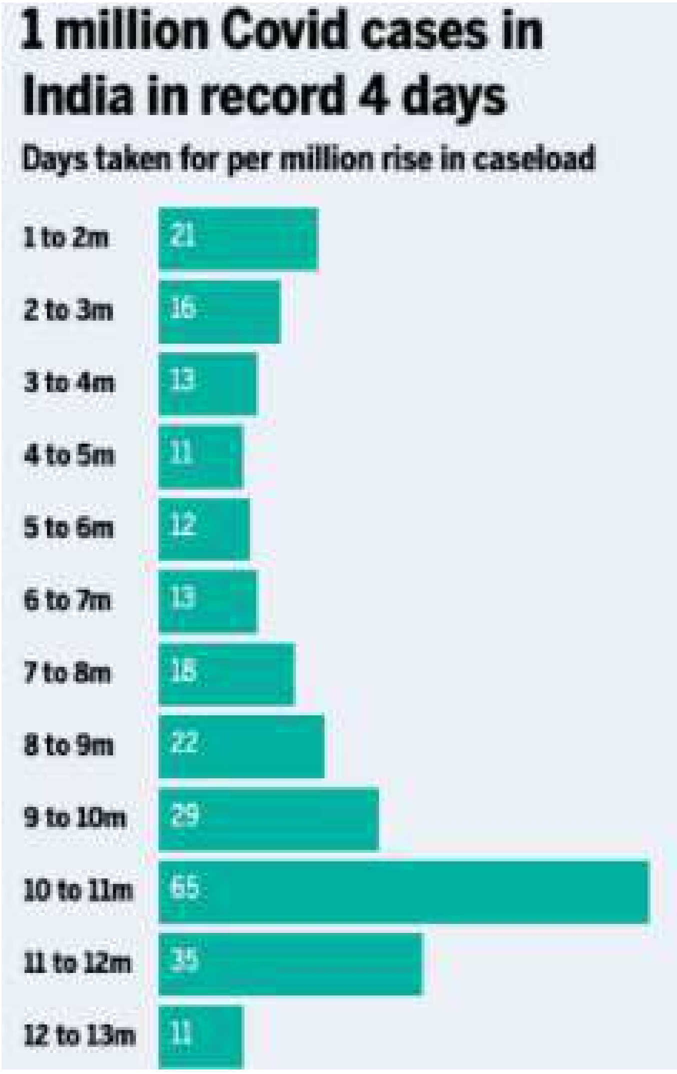
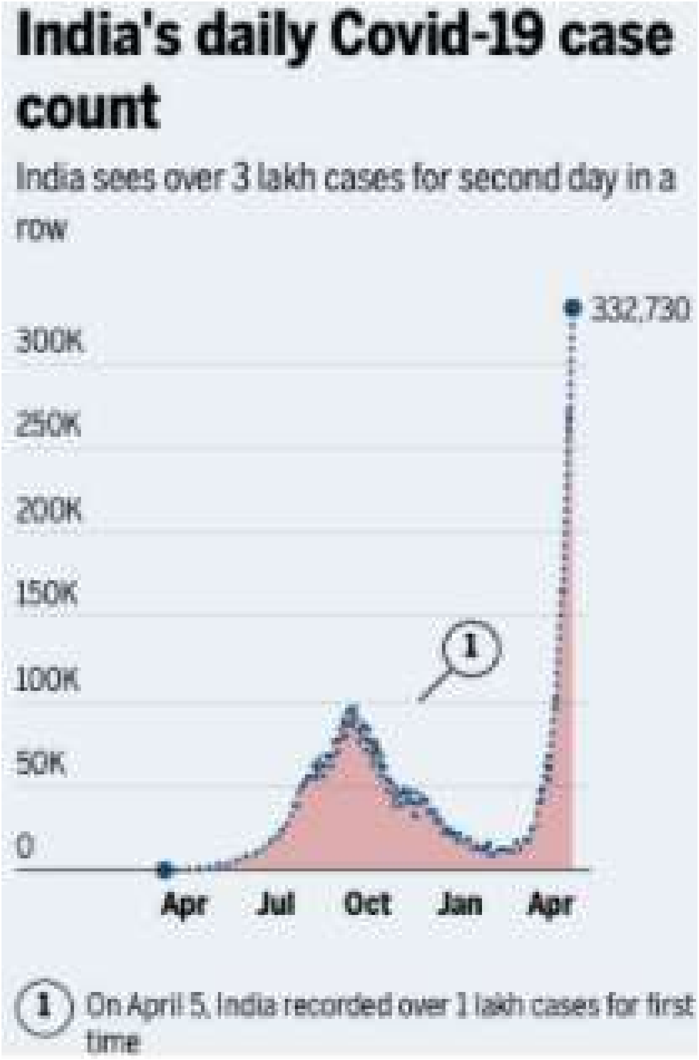
The new severe acute respiratory syndrome coronavirus (SARS-CoV) is presently one of the major health challenges in the world. The entire world has been grappling with the Coronavirus pandemic for more than a year now. Started as an epidemic in mainland China with the first instance being in the city of Wuhan, Hubei province on February 26, 2019, Coronavirus has taken over the whole world due to its speed and scale of transmission, ultimately leading to being declared as a pandemic by the World Health Organisation (WHO) on March 11, 2020.



India currently has the highest number of confirmed cases in Asia and, as of April 2021, has the second-highest number of confirmed cases in the world (after the United States), with more than 16.26 million recorded cases of COVID-19 infection and 186,920 deaths as of April 4, 2021, for the daily case count to rise from 1 lakh to over 3 lakh. During this



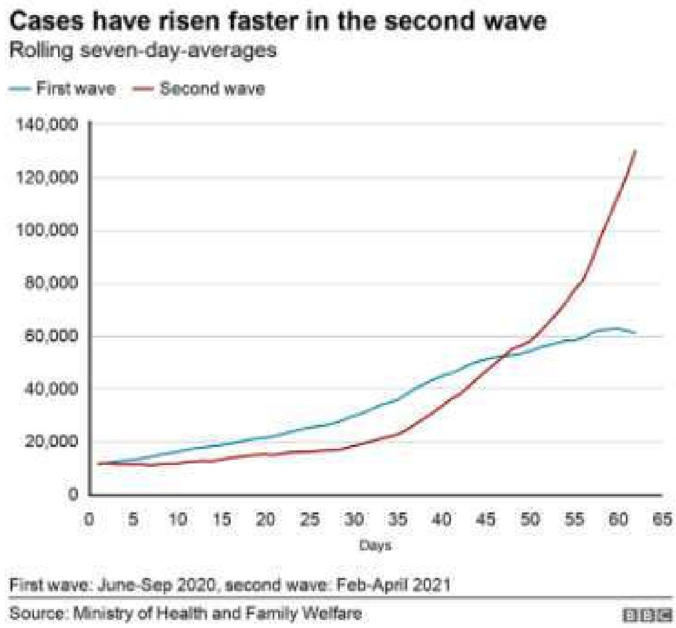
period, cases have surged at 6.76% daily, more than four times faster than a similar growth in daily numbers in the US — the only other country that has recorded more than 1 lakh cases in a day. The deluge of infections has led to a severe health crisis in the country as the demand for medical infrastructure, including oxygen, ICU beds, ventilators and essential drugs, lag far behind its supply.

This sudden surge in covid cases and death in the country came after we anticipated that we had seen the worst of the pandemic, but experts say even these figures are likely an undercount. It has been forecasted that this second wave will be even more deadly and long-lasting than the first wave. This has left us disoriented, and we find ourselves asking only one question; But how did things get so bad?

After imposing the world's strictest lockdown for nearly three months last year, India's government relaxed all curbs by the beginning of 2021. India's caseload began to dip at the start of 2021, with daily infections falling less than 20,000 from the peak of over 90,000 in September. Experts and authorities believe that a false notion of optimism swept over the country when the caseload was decreasing at the start of the year, leading to people letting their guards down. This was partly fuelled by irresponsible statements from several political leaders, many from the ruling government itself, leading people to inadvertently believe that India had defeated Covid. Apart from that, experts also believe that the government's indifferent approach,like lifting restrictions to allow big gatherings, holding packed political rallies for local elections and allowing a massive religious festival like Kumbh at which millions gather, has also led to the worsening of the situation.

Some experts said it is likely that the surge could be fuelled by more infectious variants, which weren't there during the first wave. In late 2020, scientists had detected a new variant, called B.1.617, with two mutations - the E484Q and L452R. This double mutant strain was first detected in Maharashtra. Moreover, other and more infectious (homegrown or imported) variants also exist in different parts of the country. In most samples in Punjab, the UK variant is isolated, while the available evidence indicates the 'double mutant' strain is mostly prevalent in the state of Maharashtra. India has also detected a "triple mutated" variant of the virus, which has been found in samples collected from Maharashtra, Delhi, West Bengal and Chhattisgarh. The Covid-19 virus that is doing the rounds in Bengal is increasingly being found to be an indigenous triple-mutation (B.1.618). There has, however, been no research yet to either corroborate or dismiss the fears over the new variants.

Aside from the governmental approach and emerging variants, experts also add that India also failed to seize the opportunity to augment its healthcare infrastructure and vaccinate aggressively. India remains poorly placed to tackle the rapid spread of coronavirus despite several reforms, and the unprecedented crisis has highlighted the need to increase investments in the healthcare sector. The low level of public spending on health is both a cause and an exacerbating factor accounting for the poor quality, limited reach and insufficient public provisioning of healthcare. With 8.5 hospital beds per 10,000 population and 8 physicians per 10,000, the country's healthcare sector is not equipped for such a crisis. Moreover, the significant inefficiency, malfunctioning and acute shortage of the healthcare delivery systems in the public sector do not match the growing needs of the population. About 68.6% of the infected population have limited or no access to critical medicines. States such as Maharashtra, Delhi, Chennai, and Punjab and Karnataka bearing the maximum load of the pandemic, are already falling short of health infrastructure and equipment ranging from oxygen to ventilators. An increase in the average time of hospitalisation is being seen in the current wave. While earlier moderate cases required around 7-10 days of hospitalisation, now it is taking up to 15 days. Experts point out that several mutations of the virus are to blame for it.



India is a major vaccine producer, but even after halting high exports of vaccines in March to divert them to domestic use, there are still questions of whether manufacturers can produce them fast enough to meet the demand. So far, it has vaccinated only about one in 25 people compared with nearly one in two in Britain and one in three in the United States.

All this leaves us thinking about whether the case count would keep on rising?

Scientists working on a mathematical model to work out the course of the pandemic say there is a possibility of a peak between May 11-15, 2021 with 33-35 lakh total 'active' infections. This means the number of 'active' cases in India will keep increasing roughly for another three weeks before a decline. If the current model shows the trend correctly, the

mid-May peak would be three-time higher than the first peak of over 10 lakh 'active' cases witnessed on September 17, 2020.

The current model shows that Delhi, Haryana, Rajasthan and Telangana may see a peak of 'new' cases during April 25-30; Odisha, Karnataka and West Bengal during May 1-5, while Tamil Nadu and Andhra Pradesh during May 6-10. It shows that Maharashtra and Chhattisgarh might have reached their peak phase, while Bihar will see it around April 25.

India is currently faced with the massive challenge of preventing its health care system from further collapse until enough people can be vaccinated to reduce patients' flow significantly. While many efforts are being put into providing effective treatment to inhibit virus replication, mitigating the symptoms and increasing survival and decreasing mortality rate is ongoing. We citizens need to understand the situation's sensitivity and show compliance with all the measures around us.

COVID CATASTROPHE: DIGITAL DIVIDE AND EDUCATION SECTOR

BY KIRTI TAPARIA
Undergraduate Student, Hansraj College

"It is dangerously destabilizing to have half the world on the cutting edge of technology while the other half struggles on the bare edge of survival."

-William J. Clinton

Hello readers! As the topic suggests, in this article we are going to talk about the impact of covid-19 on education sector specifically in terms of digital divide. So before going about impact of covid-19 let us have a fair idea about, what the digital divide actually is? The digital divide in education is the gap between those with sufficient knowledge of and access to technology and those without it. In the education sector specifically, it is the gap between those who have sufficient means, knowledge and access to e-learning and those who haven't. After being aware of what it is let's now talk about how it has widened further with the outbreak of covid-19.

In most of the countries of the world, as well as India, the Covid-19 lockdown has suspended physical classes in all educational institutions, which moved teaching, learning and even assessment of students to online mode. This shift from a chalk-talk mode to online mode has escalated the digital divide in India's education system.

According to the Remote Learning Reachability report, issued by UNICEF (August, 2020), just 24% of Indian households had internet connections to access e-education. Imagine! Just 24%, which means three fourth of our country will then be deprived of education. It can not only hit the literacy rate very badly, but also can hinder the human capital formation which will further affect the growth rate and development of our nation. Not only this, the report further says, "There is a large rural-urban and gender divide that is likely to widen the learning gap across high, middle & low-income families." It suggests that, due to uneven distribution of e-learning facilities, the rich and educated households can easily provide their children with quality and uninterrupted education whereas those who don't have enough financial means and technological know-how often fail to provide their children with stable and uninterrupted e-learning facilities. If we look around us, we can notice that, even when children have the technology and tools at home, they may not be able to learn remotely through platforms due to competing factors in the home, including pressure to do chores, being forced to do work, a poor environment for learning and lack of support in using online broadcast curriculum.

However, the lack of access to required means is not the only problem. Even the children who have access to the required means, healthy environment, access to uninterrupted internet and high quality education through highly qualified educators are being affected greatly by the pandemic. The online learning also has certain shortcomings which are lowering the willingness and interest of students in online classes. Let's take the example of Delhi University, which is one of the most prestigious universities of not only India but also the world. As I observed, being the student of DU, the number of students attending the online classes regularly is falling continuously, and among those who attend the classes on a regular basis most of the students attend only to get their attendance marked while some others who actually come to learn something are sometimes facing a lot of difficulties in understand the concepts due to the noises in their background. The classes are less interactive in the online mode as compared to the physical classes. For most of the students it is a very difficult job to turn on their mic and ask their doubts and the difficulties they are facing with the concepts. Not only this, the students are becoming very lazy and careless about their studies. The repeated requests and student campaigns for reopening of colleges, shows that they are actually fed up of online classes and they want physical classes to be held as soon as possible.

Moreover, the students are not the lone sufferers. According to the online survey conducted by Learning Spiral, "A staggering 84% of teachers reported facing challenges in delivering education digitally with close to half the teachers facing issues related to the internet both signal issues and data expenses. Two out of every five teachers lack the necessary devices to deliver education digitally; the situation is particularly grave in UP and Chhattisgarh where 80% and 67% of teachers respectively lack the requisite devices to deliver education online." "The challenges are directly linked to a lack of teach preparedness – less than 20% of teachers reported receiving orientation on delivering education digitally while in Bihar and Jharkhand, the figure was less than 5%," the report says, which further escalates digital divide across regions.

"It's no longer a luxury. This is serious. It's really a social justice issue. It's a 21st century civil rights issue."
-Cheptoo Kositany-Buckner
(Advocate for closing the digital divide)

In a recent survey, the Ministry of Rural Development it was found that, "The big and reputed schools in urban areas, with sky rocketing fees often have sufficient means for distant teaching and infrastructural facilities for online education, but the schools in rural areas do not even have sufficient infrastructure for offline teaching. Online teaching is a far cry." This suggests that while students from families with better means of living can easily bridge the transition to remote learning, students from underprivileged backgrounds are likely to succumb to inefficiency and a lack of adaptation either because of the inaccessibility of the technology or the low education of their parents to guide them through tech-savvy applications.

Consequently, we can say that there was a digital divide in education sector even before covid but the pandemic has widened it further. Equal and quality education is the right of every student, who are the future of India. The need of the hour is to make efforts, thinking newer ways and follow such policies which can ensure uninterrupted and good quality education to each and every student. Education is the soul of society.

FISCAL AND MONETARY MEASURES FOR TACKLING COVID-19

BY TANNU KHANDELWAL
Undergraduate Student, Hansraj College

As well said, "Saving a life that is in jeopardy is the origin of Dharma"

-Mahabharata

The Coronavirus or the covid-19 pandemic is the deadliest disease that the world has ever encountered with. It is one of the greatest challenges we have faced since World war II. The pandemic is once in a century global crisis that has created devastating social, economic, and political effects and an unprecedented socio-economic crisis also. Everyday, people are losing their jobs and income, with no way of knowing when normality will return. Every country, therefore, needs to act immediately to prepare, respond and recover from this uncertainty.

Faced with an unprecedented uncertainty at the onset of pandemic, India, too, devised a calibrated strategy for solving the vulnerabilities posed by it.

Therefore, India focussed on saving lives and Livelihoods by taking short term pains for the long term gains. Hence, it implemented the most stringent, intense lockdown at the very onset of the pandemic. Due to this, there was a sharp decline of 23.9% in first quarter of GDP, followed by 7.5% in quarter 2. The pandemic induced lockdowns led to hitting the economic activity.

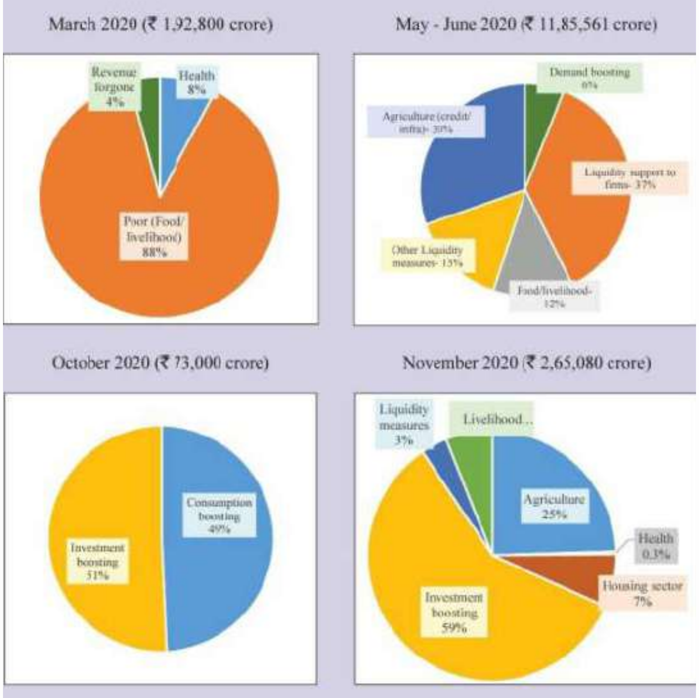
On the economic policy upfront , at the onset, India's economic policy focussed on the demand side. The fiscal policy response of the Government of India was accordingly strategised by a step by step approach. The initial approach focussed on providing a cushion for the poor section of the society and to the business sector especially MSME'S. The much awaited Pradhan mantri Gareeb Kalyan Yojna was implemented that ensured food security through Public Distribution system, direct benefit transfer to widows, pensioners and women, additional funds for MGNREGS, debt moratorium and liquidity support for businesses. Most importantly medical insurance of ₹50 lakhs was announced for each health care person under this mission.

This financial year began with this once in a global pandemic, the management of which led to countries adopting unprecedented measures that brought the economy to a grinding halt.India, too implemented the various policies under the most awaited "Atmanirbhar Bharat Abhiyan". This was one of the front loaded stimulus package announced by government of India in the month of may. A boquet of measures equivalent to ₹29.87 lakh crore, or 15% of GDP were introduced as a measure of relief and support to the economy.

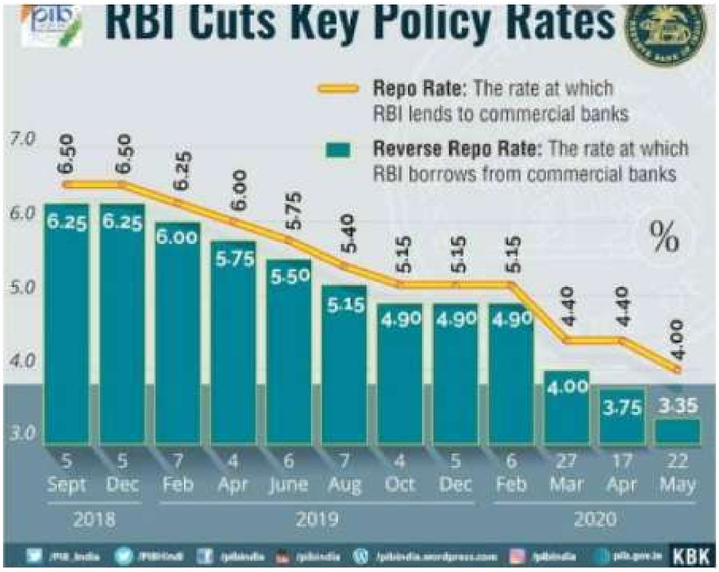
During this phase of stimulus, India focussed on 5 pillars for reviving the country, which were Economy, Infrastructure, system, vibrant demography and demand. The stimulus provided incentives for structural reforms in various sectors. Major structural reforms were introduced in MSMEs. The productivity of the msme's was enhanced by various government incentives like collateral free loan, market support, fund for stressed msme's etc. The reforms in agricultural sector enabled farmers to sell where he gets the best deal.The reforms led to the creation of ' One nation One market' . Around 1 lakh crore National Infrastructure fund was also set up for boosting infrastructure of agriculture. The proposed reforms in mining sector aim to increase the participation of private sector in mineral exploration.These reforms aim to reduce our dependence on the imported coal, and also helped in creating a strong self reliant domestic energy sector, which attract private investments and also generate jobs, and stimulate the Economic growth. Under these reforms, there was a proposed privatisation of public sector enterprise in non strategic sectors as well.

When the Economic recovery began after the lifting up of lockdown, the focus of stimulus measures was shifted towards investment boosting measures like Production linked incentive scheme, which allowed Indian manufacturers to be globally competitive, capital expenditure was also encouraged. In this way, a mix of stimulus measures, that focused on different things at different times,n were announced time to time for an evolving situation to enable a resilient recovery of the Indian economy.

Figure 6: Mix of stimulus measures announced in response to COVID-19

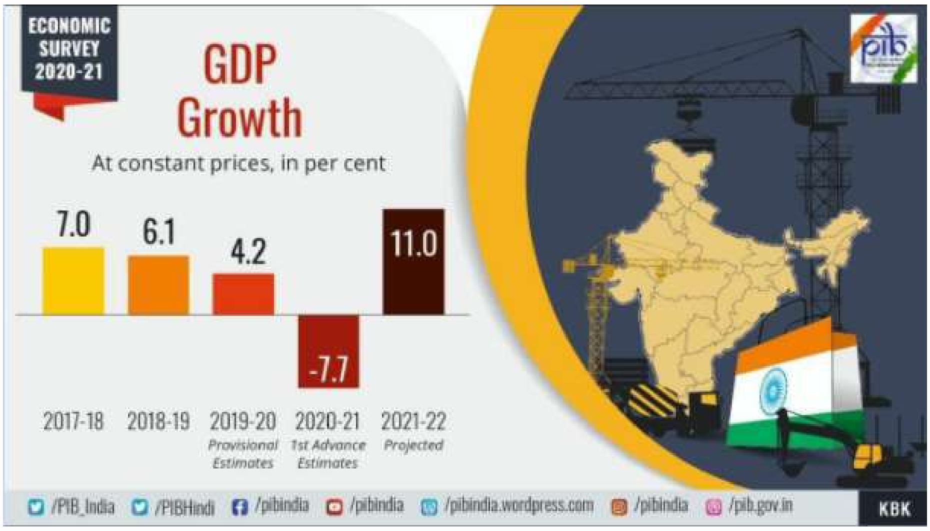


RBI also undertook various multidimensional efforts to maintain financial stability and provide a necessary support to the Indian economy. Given the unprecedented shock of this pandemic, Monetary policy was significantly eased from March 2020 onwards. Since march 2020, repo rate has been cut by 115 bps. Alongside, the reverse repo rate was also reduced by 90bps to 3.35, thus making it unattractive for banks to deposit their funds with RBI and nudge them to use it for lending. Reserve Bank of India also took various conventional and non conventional measures to manage the liquidity in the economy. It includes open Market operations, targeted long term reop operations, and also reduction in Crr requirements from 4%-3%.



All of these reforms have been implemented to enhance efficiency and achieving economies of scale in various sectors.

The fundamentals of the economy remained strong as gradual scaling back of lockdown took place .Along with an astute support of Atma nirbhar Bharat Mission ,it has placed the economy in the path of recovery. The advance estimates for FY 2021-2022 released by National statistical office, manifest that Indian economy is expected to get a V shaped recovery by 11% .This V- shaped recovery is also supported by the mega vaccination drive with hopes of recovery in the other sectors as well.



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COVID VACCINATION ROLLOUT AND EFFICIENCY

BY PRAKRITI
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"There is only one kind of shock worse than the totally unexpected: the expected for which one has refused to prepare."

Corona, a name that was alien to most of the people back in 2019, a virus that was initially considered to be just like any other usual disease, surprisingly emerged out to be a major turning point in the world's timeline. The crisis evoked, death tolls raised rapidly, factories were shut, people became jobless, businesses existence were under threat, trade was at a halt and marginalised population's conditions worsened.

COVID-19, in its envelope, has brought many unexpected situations and has swayed the world like never before. Therefore, it is apparent to figure out that the impact of the virus on India, especially on the health sector has been severe.

After assessing the impending disaster of the coronavirus, the Indian government was prompt in imposing a series of lockdown in 2020. The effects of which, were visible. The Union Health Ministry, in October 2020, could claim the national recovery rate of 97.31 per cent as the highest in the world. However, the circumstances have not been satisfactory thereafter. Currently, India is witnessing more than 3.52 lakh new coronavirus cases in a single day while active cases have crossed the 25-lakh mark.

Given the uncontrollable surge in covid cases since early 2021, India's drug regulator had authorised 2 vaccines in January:

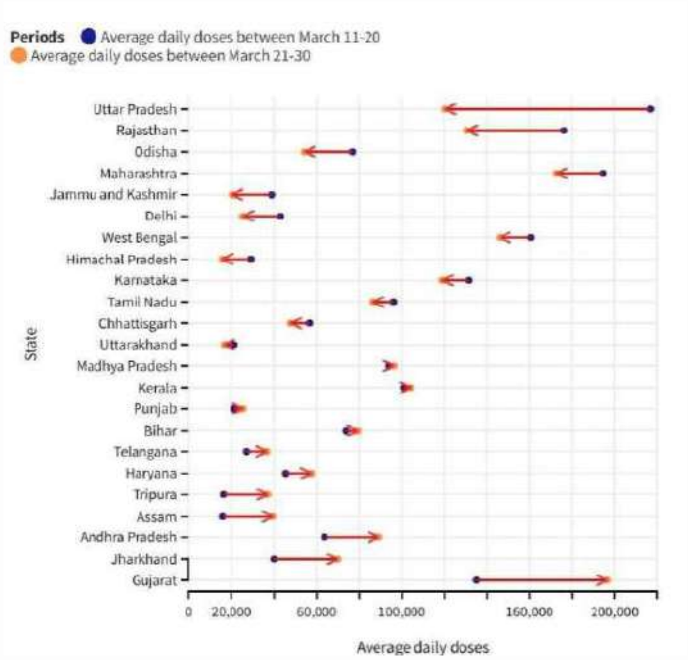
- COVISHIELD- produced by Pune-based Serum Institute of India (The world's largest vaccine manufacturer by volume) after securing a licence from British pharma company AstraZeneca. The vaccine's efficacy is 70% and can reach up to 90% after consuming the full dose.
- COVAXIN - jointly developed by Hyderabad-based Bharat Biotech, National Institute of Virology (Pune) and Indian Council of Medical Research ICMR scientists. As per the company, the indigenous vaccine is 78% effective in the second interim analysis and 81% effective based on an interim analysis of last stage trials.

Russia's vaccine Sputnik V has also been permitted in April for use. Other nominated vaccines are been tested too. Covishield is priced at Rs 400 per dose for state governments and Rs

1200 per dose for private hospitals. Indian citizens can get vaccinated free of cost from government hospitals or can avail themselves of the paid jabs from the state-run clinics and private spaces.

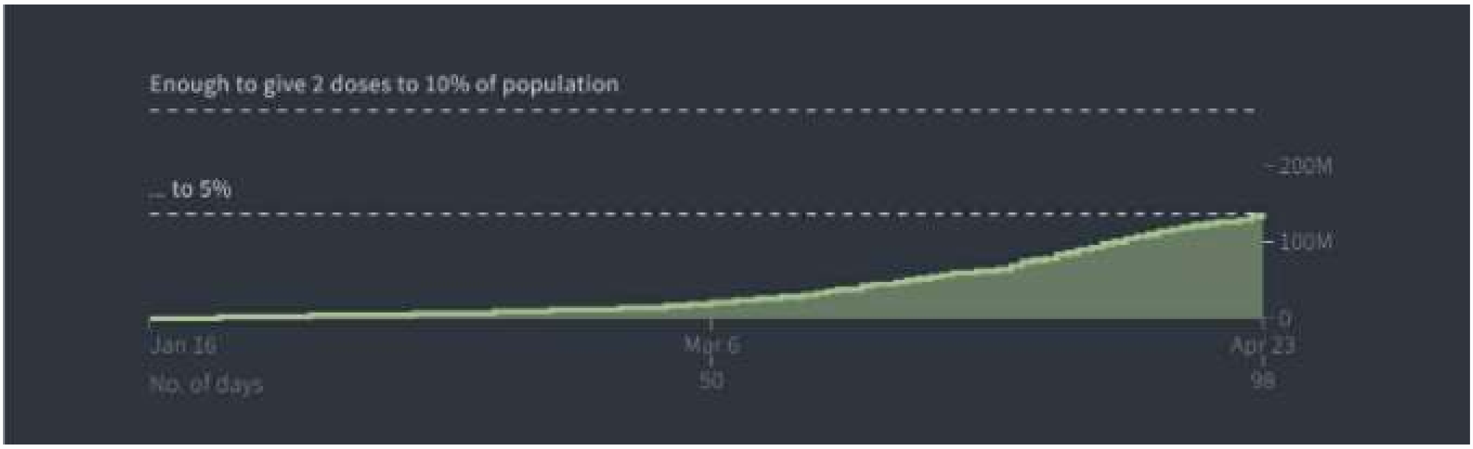
The Indian government has attempted to systematically carry on the National Vaccination rollout in what is known as the world's largest inoculation drive.

1. The first phase of vaccination started on January 16 for the healthcare and front line workers, the Health Ministry said. “A total of 1,23,66,633 vaccine doses have been given through 2,63,224 sessions, as per the provisional report dated 24th February 2021. These include 65,24,726 health care workers (HCWs) who have taken the 1st dose and 14,81,754 HCWs who have taken the 2nd dose, along with 43,60,153 front line workers FLWs (1st dose).
2. The second phase of Vaccination was initiated on 1st March 2021 for people aged above 60 years and those over 45 with comorbidities. The attached chart is an attempt to analyse the National vaccination rollout during the 10 day time period March 11-20 and March 21-30. The National average of 1.89 million doses given between March 11-20 stumbled down to 1.84 million doses in the next 10 day period on account of fall in daily inoculations in 12 states (majorly Uttar Pradesh, Rajasthan, Odisha, Maharashtra); 8 states depicted a significant and 3 states recorded a marginal rise.
3. India began its third phase on April 1 and as per the official statement, 1.74 million people were vaccinated on the very first day. Prakash Javadekar, Information and Broadcasting Minister stated that the aim is to inoculate 27 crore people of age 45 and above, out of which 10 crores are over 60 years of age.



4.Expansion of Vaccination programme is scheduled from 1st May 2021, to include all adults above the age of 18. However, it is to be noted that the target group aged between 18-44 will have to get their jabs from state government or the private hospitals.

India, in April 2021, has declared itself as the fastest country in the world to provide more than 100 million vaccine shots in just 85 days, leaving behind the US and China to achieve 100 million doses in 89 and 102 days respectively. As per the Ministry of Health and Welfare's ‘Cumulative Coverage report of COVID-19 Vaccination’ dated 25th April 2021, the 1st dose has been given to 11,85,80,324 and the 2nd dose has been given to 2,23,36,093 beneficiaries. Thus, making a total of 14,09,16,417 successful doses. Maharashtra, the worst-hit state, received 1,42,30,213 doses, out of which only 19,03,207 people have taken their 2nd dose.
The National Capital of Delhi has administered a total of 29,62,253 shots. Uttar Pradesh has received 1,17,77,209 doses in totality. Nagaland has accounted for 1,72,277 doses, least among the Indian states and Ladakh has the least no. of doses 96,539 among all the UTs.



According to the Vaccine rollout graph presented, India has administered at least 13,83,79,832 doses of COVID vaccines till the early half of April 2021, and this number accounts for double-dose vaccination of only 5.1% of the country's population.

Assuming that daily, 2,556,768 doses are administered averagely, the Nation might take the upcoming 107 days to disseminate vaccination for another 10% of the population.

"India's journey of the vaccination programme, driven by humanitarian concerns, has not been smooth."

- India is under dire circumstances as it has the second-highest number of Covid-19 infections in the world after the United States. As the cases are rising exponentially, it is unlikely that India will meet its target of vaccinating 250 million people by July.
- Vaccine dissemination pace is found to be slower because of scepticism and lack of awareness among the poor and rural about the registration and cost aspects of the vaccination process.
- The real challenge lies in the fact that the benefits of vaccination might not reach the most vulnerable sections of society, and there can be an accessibility and affordability void between the rural and urban areas of India.
- There have been speculations over the government's announcement that 50 per cent of all the doses shall now be routed through the open market. Progressive Medicos and Scientists Forum stated that the Centre's decision is bound to lend the vaccine prices to market manipulation for maximizing private profits.
- There can be many hurdles in comprehensively completing the vaccination drive for the 18-44 age group population since the availability of vaccines in India is under question. At the onset of vaccination rollout, India had provided 56 lakh doses of coronavirus vaccines under grants assistance to many countries. A temporary halt is put on the export of vaccines due to stressed production capacity and deferred second doses.

The only way to make the current vaccination rollout effective is to ensure vaccine accessibility to all, alongside proper surveillance of the process.

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INDIA INC: WORK FROM HOME

BY DEVESH DABRIWAL
Undergraduate Student, Hansraj College

GENERAL OVERVIEW

The recent trends of working from home (WFH) have been mainly due to the continued lockdown. Many industries have suffered while a lot more have realized the benefits of working remotely. Some industries have a future plans to continue WFH system which would be indicated in further.

Despite sudden lockdown, Indian Inc. has adjusted itself o the idea of Work from Home (WFH), which has become essentially the /new-normal'. It is assumed that the future of work in the new normal world would be hybrid, flexible and productive.

PAST, PRESENT AND FUTURE

WFH has become popular since the starting of the lockdown. It is believed that the lockdowns have forced many organizations to adopt the culture of remote workings. In India, in particular, the office culture was on the rise. Hence, the employees working remotely were in minority.

In the current concerns of uncertain virus rampancy, many businesses have chosen to maintain the environment of remote working wherever possible.
The 'Times Jobs' survey has shed light over the scenario regarding WFH. As per the survey found that –

- 42% of the organizations are currently planning to continue the remote workings.
- 40% of the organization shave chosen to follow a hybrid structure (where employee may work from home and office)
- Rest of the 18% have decided to revoke the policies regarding Wfh completely.

India Inc. has started to evolve its business models to adopt itself in relation to the current crisis. Many of the corporations have made plans to include the Work From home (WFH) and Work from Anywhere (WFA) in their long term reforms. It has been said to be permanently become prominent in IT/ ITes/ BPO/ e- learning sectors.
HR professionals have showed their intentions to appraise the current plans for hiring and work.

More than 85% has expressed the need to improve the system in order to survive and grow.

"According to the survey estimates, around 50% of the employees are estimated to continue working remotely for the next year as well. While, 23% respondents to the survey have planned to work remotely on long term basis (extending over five years). "

Many new methods of working have been coming to light. The most prominent ones include co- working, hybrid working models and contractual basis. Many co- working firms such as WeWork, Style works, Regus, etc. have reported average increase of business traffic by 10 – 30%. While hybrid working models have said to be adopted by as many as 40% organizations.

WHY WORK FROM HOME? BENIFITS

The current leaders face the challenge to not only optimizes the current working models but also to how to prepare for and optimize this new hybrid working models for the future. However, when the former can be considered a necessity but the latter is undoubtedly an opportunity.
WFH and emote working provides numerous advantages to both the employer and employees. Some of the advantages involve-

- Increased productivity in employees. According to a report by Harvard business review, organizations have seen productive time increase by 5% or more.
- Increases morale of employees. As employees have flexibility in to devoting their work hours through digital means, reducing times of travel with almost no loss to efficiency.
- Reduced maintenance, infrastructure and operation costs.
- Ensure attracting quality human resource from anywhere and ease in their training.
- Employees from tier-2 and tier-3 cities receive greater job opportunities.
- In the current era, employers gain easier access to talented people, this forces the current employees to improve. They have to focus on agility, adaptability, reskilling, and up skilling to ensure they are trained for upcoming challenges and rapid technology changes, suggested Rajiv Bhalla, MD, Barco India.
- Remote working environment is extremely flexible and removes the time and place barriers.

A survey by BCG showed that three-quarters of the employees in Germany, India, and the US who have transitioned to or remained remote during COVID-19 say that they are at least as productive in performing their individual tasks as they were before the pandemic struck.

And about half report that they are at least as productive on collaborative tasks that normally would be performed in conference or team rooms. These figures show the potential of WFH given time to prepare for it.

WFH: CHALLENGES

Remote working is not without its own challenges and shortcomings. These issues though diverse in nature are not unsolvable. Some can be listed as follows-

- Remote work is not suitable for frontline workers, factory line workers, and many service workers.
- Even apart from these serious issues of equity and fairness, remote work during a pandemic is not without challenges.

- Anxiety, depression, stress, and loneliness are more common than ever.
- Microsoft researchers who analyzed the brain waves of participants in video meetings discovered neurological activity associated with stress and overwork after just two hours.
- In addition, childcare obligations remain a challenge, and not everyone is set up to be productive at home. As the crisis drags on in certain countries, fatigue has settled in, too.
- Certain challenges such as time management, distraction, supervision, communication, performance metrics and motivation as also been seen.

These challenges can be resolved by purposefully managing the increase in the amount of work force. They can work for the improvement in their working models to accommodate as much of the work force needs as possible for long term value creation.

WFH: SUGGESTIONS

Work from home is far from being complete and perfect method. It need development, which will naturally adjust as the needs and problems are properly identified.

Firstly, the corporations need to accommodate the need of every group of employee to enable best combination of the new hybrid style of working.

Secondly, corporations need to understand the need to provide support on mental, physical health , social connectivity and family care.

Thirdly, leaders need to adapt to the newer work model before anyone else and ensure that the subordinates are properly navigated towards it as well.

WINNERS AND LOSERS FROM THE PANDEMIC

BY TANISHK KHURANA
Undergraduate Student, Hansraj College

INTRODUCTION

The world was attacked by the coronavirus in 2020. Covid19 has had a huge impact on the global economy. From developed countries to small struggling countries, the pandemic has affected everyone. The coronavirus pandemic initially halted the global economy, but now, while some businesses struggle to find a way to move forward, others are taking advantage of coordinated online transitions.

The COVID-19 pandemic has had far-reaching economic impacts beyond the spread and quarantine activities of the disease itself. According to the IMF, in the course of the pandemic, the total global GDP as of January 2021 has shrunk by nearly $22 trillion. And, according to many, the long-term impact is not fully determined but is expected to reach trillions from 2020 to 2025.

The impact of covid can also be seen in the stock market. The global stock market fell on February 24, 2020, on the account of a significant increase in the number of COVID-19 cases outside of mainland China. By February 28, 2020, stock markets around the world experienced the largest single-week decline after the 2008 financial crisis. The global stock market plunged in March 2020 and the world's leading indices fell a few percent. Global stock markets crashed in March 2020, with falls of several percent in the world's major indices.

Though most of the industries and companies were devastated due to the pandemic, some gained from it too.

WINNERS

IT services

By working from home, the demand for IT solutions has witnessed a rapid increase. Also, the demand for computer hardware such as laptops and servers, screens, ergonomic chairs, and standing desk home office equipment has increased significantly. Remote working applications and software such as ZOOM have witnessed a significant surge in their consumer base, as the company's fourth-quarter total revenue amounted to $882.5 million ($1.1 billion), up 369% over the previous year's period.

Entertainment

What else is there to do if one cannot head out except being a couch potato to watch television and play video games all day? With the cinema out of bounds, the home-based version took off big time, with Netflix building an audience of 200 million on an offer of high-class films and series. Disney, also, launched its Disney+ service in late 2019 and had 95 million subscribers by early 2021.

Pharmaceuticals

The crisis has increased demand for medical supplies and care ranging from face masks and sanitizers to ventilators and oxygen tanks. Already billions of dollars have been spent in the research, development, production and distribution of vaccines .

Online Shopping

Online retailers are definitely going well during the pandemic. Amazon continues to do great. While the company's sales growth has been impressive over the last decade, Amazon has gained a lot of power through quarantine, where consumers can't go to the store and buy goods. The home food delivery business also bloomed as people dined in instead of out, with restaurants and bars either restricted or closed completely. Online grocery stores also profited by offering doorstep service, limiting the need to go out for your necessities.

China

The coronavirus was first identified in a market in Wuhan, but the closely controlled country was able to get a handle on it faster than many others. As a result, China's economy has rebounded and is expected to outshine the U.S. in 2021, with 7% annual growth in China's gross domestic product next year, compared to 4.2% for the U.S. and 4.8% for the Eurozone. China is certainly not alone in both having contained COVID-19 and benefited from the surge in electronics demand from the work-from-home boom.

LOSERS

Airline and Hotels

Air transport was probably the worst-hit sector, with thousands of aircraft mothballed worldwide. Preventive measures of the airborne virus have led to the devastation of any business even closely associated with the tourism industry. Shares of most hotels, leisure, and airline firms have tumbled 60% to date. The IATA (International Air Transport Association) on 24th March estimated a $252 billion revenue loss globally.

Automobile

In India, In the wake of the COVID-19 pandemic and subsequent lockdowns, the automotive industry suffered Rs 2,300 loss crore per day and an estimated job loss in the sector was about 3.45 lakh, as suggested by a parliamentary panel report submitted to Rajya Sabha. Considering the crisis, it is predicted that the automobile industry is likely to go through at least two consecutive years of severe contraction, leading to low levels of capacity utilization, lack of future investment, high risk of bankruptcy, and job losses across the entire automotive value chain.

OIL and gas industry

In the heyday of the first pandemic wave, in the second quarter of last year, oil prices fell off the cliff and even once turned negative due to the global economic downturn. However, production cuts supported by non-OPEC production like Russia helped to gradually

stabilize the market, hoping for a strong economic recovery this year, and prices began to rise.
But It wasn't enough to prevent leading companies like BP, Chevron, ExxonMobil, Shell and Total-A total loss of $ 77 billion in 2020

Retail and consumer industry

In the retail sector, food and groceries account for approximately US$550 billion. Textiles and clothing account for 65 billion US dollars. Durable consumer electronics are worth $50 billion. Each of these sectors is affected by the purchasing power of consumers. The huge blockade has put pressure on people's purchasing power. This is due to unemployment and a lack of other sources of income. Also, people support themselves by reducing spending on unnecessary items in textiles and clothing and durable consumer electronics products.

CONCLUSION

Almost every industry in the world is negatively affected by this epidemic. Some witnessed a big impact while some were affected mildly. The epidemic also changed habits. The current situation is different from before. For example, many people have become used to buying all products online. Once these habits are established, it is difficult to change them. The pandemic has affected all aspects of our lives and careers. On the other side of this disaster, many burgeoning new trends have evolved that will change things dramatically. It includes our health, the way we work, where we live, how we spend our entertainment, shopping, and eating habits. As the world slowly recovers, the entire economic landscape has changed. Some companies have risen while some will take a long time to stand up again. Some businesses will go bankrupt or become ghosts of what they used to be. But over time, everything, including the world economy, is expected to recover. The journey forward is difficult but possible.

THE PATH AHEAD: RECOVERY OF THE ECONOMY

BY SHRUSTI SINGH AND RAJVI KHANNA
Undergraduate Student, Hansraj College

"A mind that is stretched by a new experience can never go back to its old dimensions."
-Oliver Wendell Holmes, Jr.

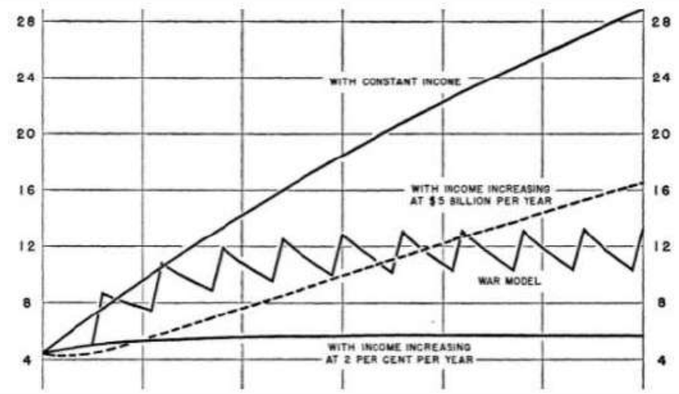
It has been a year since Covid-19 was declared a global pandemic. It has been a year of uncertainties and a year of lockdowns (be it partial or full-time lockdowns). And yet, countries across the world are going back into partial lockdowns to combat the new and emerging strains of this deadly virus. This unprecedented catastrophe has left people asking the one vital question all around the globe: "Is this the new normal?". Will the future be the same? Will our future ever mimic our past? Economies are in turmoil, going into recessions.

The Coronavirus Recession has been termed the worst economic crisis since The Great Depression. It is high time we talk of the recovery path that India will follow, to heal this deep-rooted scar in the Indian economy. The Finance Minister of India Nirmala Sitharaman, claims that India will likely see a K-shaped recovery, with certain sections of the economy registering a stark positive growth with a contrasting negative growth in some sectors. The Ed-tech and Pharmaceutical sector recorded milestone profits and growth rates. Pharmaceutical exports from India grew at 18% in FY21 over the previous fiscal breaching the $24 billion mark. Meanwhile, sectors like the auto sector and the construction sector came to a complete standstill. Furthermore, this disparity is not limited to sectors of the economy, but can also be seen in the socio-economic structure of the country. The Oxfam Inequality Virus report states: "The wealth of Indian Billionaires increased by 35% during the lockdown. This increase in wealth of the richest during the pandemic could keep 40 Crore, informal workers, out of poverty for at least 5 months".

To counter this deep-seated economic pain, the Finance Minister presented a budget like never before "A Growth-oriented budget". The budget made a case for "A Counter-Cyclical Fiscal Policy" with increased spending and reduced taxes. The government should not be fiscally conservative and should not shy away from debt. In such cases, a high debt to GDP ratio is not a major concern of the government. The government needs to be financially responsible. This support should be inclusionary and carefully calibrated to the stage of the pandemic, which can be phased out later as and when demand picks up. Policies of this magnitude come at a huge cost: a high fiscal deficit and even higher debt. We cannot deny the fact that in the present scenario countries need more money. They can raise these huge sums either by taxation or by higher borrowings. But with no profits to tax, borrowings seem the only way out of this economic spiral.

Fiscal consolidation should not be the utmost priority of the government. As Olivier Blanchard proposes a model for debt sustainability, he argues for a case of secular stagnation reflecting: as long as the growth rate of the economy ('g') is greater than the real interest rate (adjusted for inflation- 'r'), i.e., as long as r<g, the debt is found to be sustainable and it does not explode.

Accordingly, the government can run a primary deficit keeping the debt stable (NOTE: fiscal consolidation is not the complete elimination of deficit but reducing the deficit). But if the borrowings increase, who bears the brunt of it? The usual expenses fall on the future generations with enormous taxes on their future incomes. The solution to this problem is straightforward: counter compound interest with compound growth.



Source: Domar, 1944 paper titled: “Burden of the Debt and National Income (Domar)” (pp 815)

This graph was derived by Evsey D. Domar in his 1944 paper titled "Burden of the Debt and National Income". Domar in this paper concludes that "the problem of debt burden is a problem of expanding national income". We can see that in the above graph. With a stagnant GDP or a constant income, the tax rate grows linearly over the years. But when the GDP (income) grows at a constant rate of 2% (same as the interest rate in the model), the tax rates remain constant.

So the obligation of the government is to keep these future tax rates in mind while judiciously using the borrowed money. To make sure that the GDP grows, the government needs to invest this money into long-term assets that will generate employment and returns over the year, i.e., it should accelerate economic growth. Handing out subsidies and matching revenue expenditures without returns will only increase the debt burden for future generations. Since the cost of every Re.1 spent by the government is Rs.3 to the public, a lot is at stake here. Therefore the decisions have to be prudent.

The advent of the coronavirus shook the foundation of the entire society. The most prominent impact, as expected, was on the healthcare sector. A global pandemic raging for over a year now undoubtedly led to both the public and private sector working in conjunction to control the situation.

Before COVID-19, India’s healthcare system was not up to par with other nations. In 2018-19, Indian health expenditure was only 1.28% of GDP. The Organization for Economic Co-operation and Development (OECD) nations averaged about 8.8% of GDP in comparison. India is aiming to reach 2.5% of the GDP by 2025. Even though India is still nowhere near the expected mark, it is a step in the positive direction. An increase in hospital beds, isolation rooms, hiring more medical staff, and improving testing capacities- all point towards a higher commitment to healthcare.

Not just physical, but technological developments too have been observed- from the Aarogya Setu app to the COVID 19 feedback, several applications have been launched at both pan India and state levels.

When it comes to developing vaccines, it was apparent that brilliant minds all over the world put their best efforts into it. Since this one project saw the collaborative efforts of the best in the science field, the vaccine roll-out was faster than ever seen before. Some groups argue that companies and governments rushed through the process when in actuality the rush was only through red-tapism to get the vaccines in the market. This is because each vaccine developed has to get the approval of several medical associations and other bureaucratic bodies.

A surprising fact was that although the entire world came to a halt after the imposition of lockdowns in 2020, productivity levels have seen an unforeseen recovery rate. Even in India, several financial agencies have improved the growth forecast for the current financial year. For instance, Moody's upgraded the growth forecast from 10.8% to 13.7% which it previously estimated. This rate might not be matched with the trajectory India was on in the pre-covid era, but that does not mean that progress is not being made. The Indian markets and companies are recuperating at an unexpected rate.

A large part of the economy moved indoors and online. Since most of the work now had to be done remotely, adequate technology had to be invested in to ensure that there is not a huge slip in productivity. This led to several new applications coming up, new companies being instituted and the work culture all in all being revolutionized. Stocks of companies like Apple, Microsoft, Facebook, Google, and Amazon have rallied due to tech becoming an essential part of everyday life. Indian startups like Unacademy, Zerodha, Nykaa, and Razorpay all joined the unicorn club. People shifted from cash to online payment. Board rooms and classrooms moved to video calls. All this led to avant-garde technology being developed to facilitate smoother, easier usage in the online world.

While the impact of COVID-19 can not be underplayed- it disrupted human lives, made the economy come to a standstill, caused a migrant crisis in India, and pulled the economy back several decades in terms of development- a silver lining can be spotted. For every industry that fell during these times, whether it is the tourism and hospitality sector or the aviation industry, another industrial sector experienced a boom. FMCG, pharmaceuticals, online stores, AI and software companies, education apps- all have seen tremendous growth worldwide during this global catastrophe.

With the vaccination drives in full gear in several nations across the world, people are hopeful that everything will return to, or improve from, the economic status quo before the pandemic. The times are trying but a fresh start is just around the corner.

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IMPACT OF COVID-19 ON TRAVEL AND TOURISM

BY RICHA RAI
Undergraduate Student, Hansraj College

A comparison of data over the past few decades shows that the tourism industry has grown steadily and has become one of the fastest growing industries in the world. In the past ten years, the number of international tourists in the industry has increased by 59%. In 2019, it was 1.5 billion U.S. dollars, compared with 880 million U.S. dollars in 2009. The tourism industry contributed US $8.9 trillion to the global GDP in 2019. It should also be noted that there is one-tenth of jobs in the global tourism industry, which is equivalent to 330 million jobs.

Although there have been considerable developments in history, the COVID-19 pandemic has been a nightmare for the tourism industry as the world fell into isolation at the beginning of 2020. The fear of the deadly virus, the fear of losing a loved one, the fear of the virus spreading, and most importantly, the fear of death, and this constant living with fear is an emotion that will take a long time to disappear; and until then travel & tourism industry is likely to remain in the dumps.

Since the virus spread, travel and tourism have become one of the worst-hit sectors due to planes parked on the ground, hotels closed and travel restrictions. The number of tourists arriving in the first quarter of 2020 is much lower than a year ago.

Various factors determine the impact of the epidemic/pandemic on tourism demand. The geographic distance to the epicenter (the epicenter of the infection) and the intensity of the infection are two very different factors. Other contemporary determinants are media attention (Internet revolution) and related hysteria. Climate conditions and terrorism and global conflict conditions affect the demand for tourism. Oil prices and environmental conditions also have a major impact on the number of international tourists traveling. In addition, the occurrence of epidemics coincides with economic shocks at home and abroad. In the past 53 years the seasonal nature of tourism and its vulnerability to external factors make it difficult to measure the impact of any single factor. As it can be seen in table 1 (where the destruction by different viruses have been compared), the destruction caused by COVID-19 is not even close to the previous deadly viruses faced by the world, this calls for measures never heard of before.

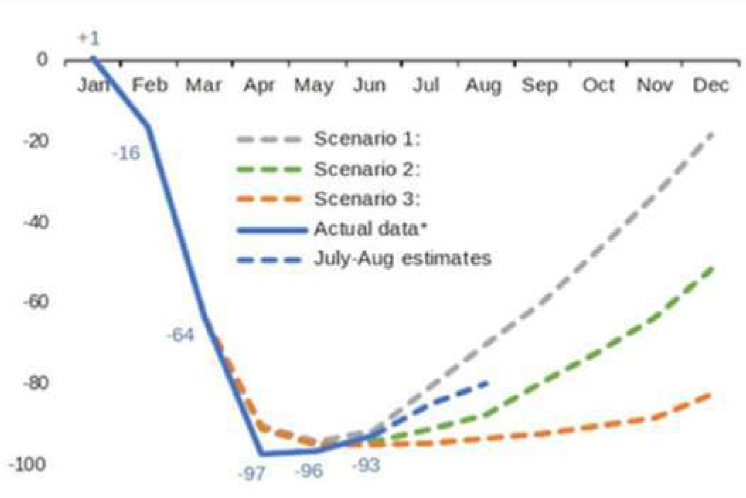
Outbreaks	Infections	Deaths
Marberg (1967)	466	373
Ebola (1976)	33,577	13,562
Nipah (1998)	513	398
SARS (2002)	8096	774
H1N1 (2009)	762,630,000	284,500
MERS (2012)	2494	858
H7N9 bird flu (2013)	1568	616
COVID-19 (2020)	146,218,253	3,098,834

In recent years, tourism has contributed the most to India's GDP, increasing from 6.70% in 2017 to 9.20% in 2018. The Government of India (GOI) in recent years, has adopted various support measures and is committed to making India a global travel destination, and promotes schemes such as "Incredible India", "Atiti Devo Bhava", "Swadesh Darshan" and programs like the "pilgrimage of pilgrimage and spiritual progress (PRASAD)". The 2020 World Travel and Tourism Council (WTTC) reported that the tourism industry created 39.821 billion jobs in India in 2019, accounting for 8.0% of the total employment in 2019. According to the WTCC, the Covid-19 pandemic is expected to cost the tourism industry at least US$22 billion, thereby losing 50 million jobs worldwide.

The tourism industry of India will decline significantly if situation is not controlled. The Indian government plays a vital role in revitalizing and developing the tourism industry. The Indian government urgently needs to take action to exempt the goods and services tax (GST) to minimize the impact of COVID-19 on the tourism industry.

Due to the nationwide lockdown, the summer vacation was completely cancelled, and the hotel and entertainment industries bear the brunt of the COVID-19 quarantine. To gain confidence in the safety of their property from potential travelers and in order to build trust and show interest, hospitality and leisure sector need to pay more attention to cleaning and disinfecting their property. High-end hotels that mainly focus on MICE travel and company bookings need to shift their focus to single travelers, they need to develop attractive plans and offers to attract guests and increase occupancy rates. Due to the pandemic and related restrictions imposed during and after the closure, the tourism industry may be the industry most affected by the disaster, therefore, rebuilding the industry should be the main concern of the Indian government. Tourism industry in India requires a push for its revival and immediate reliefs under GST laws will bring an impetus to this sector to survive from this never-seen before global economic crisis.

The graph shows the predicted scenarios of recovery by UNWTO.



Looking ahead to 2020, based on the gradual reversal of the pandemic, the use of the COVID-19 vaccine, a significant increase in travel confidence and the assumption of a significant decline in the United States, the number of international arrivals is expected to rebound by 2021. The anticipated recovery is also the result of massive demand that has curbed border closures and travel bans for months. While the revival of this industry must be made into a prime concern for the GOI, it is also essential that post COVID-19 the Indian tourism industry makes a move towards adopting a more sustainable, hygienic, and responsible form of tourism; the mantras being: hygiene, safety, health, quality, and value for money.

WHERE DO WE LACK FOR THE COMPLETE NORMAL

BY MOHD. AKSAM
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The year 2021 has already begun and the V-shaped recovery from the pandemic is already underway. Then the question arises if we've survived the pandemic successfully and are back to our "normal" lives. As the entry to the majority of public places remain restricted and the education sector continues to depend on online mode of study whereas the 'work from home has become a staple in the corporate world, we are still far away from our ideal 'normal' way of life. However, with the continuing decline of air quality and increasing levels of pollution being a staple in the pre-covid times an even further important question arises- Do we even need to go back to our "completely normal"?

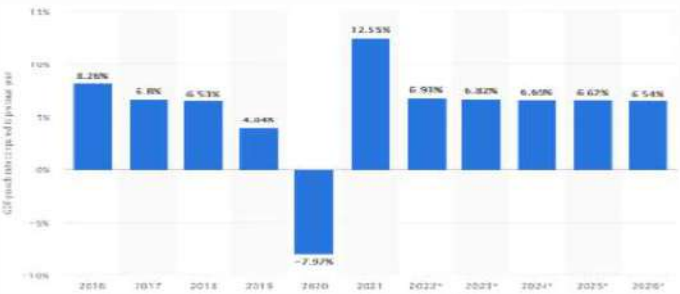
The impact of the COVID-19 pandemic had been unprecedented on India from both an economic as well as social perspective. The production and investment had come to a standstill during the lockdown whereas lakhs of people were directly affected by the pandemic creating fear and chaos all around the nation.

However, pulling back of lockdown as well as various government policies like Atmanirbhar Bharat Mission has demonstrated a V-shaped recovery. We analyze the recovery of India from the pandemic and compare it with pre-covid times to arrive at what we lack for the complete normal in this section.

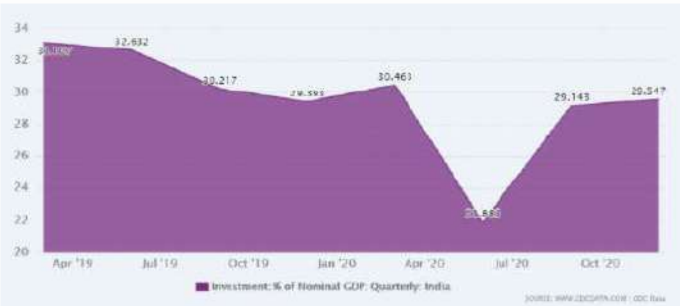
The Gross Value Added continued to rise till the first quarter of 2016-2017. From the second quarter of 2016-2017, the growth rate of GVA began to fall. It fell from 9.3% in Q1 of 2016-2017 to 3.5% in Q3 of 2019-2020 and 3% in Q4 of 2019-2020. This was because the macroeconomic indicators universally associated with a rise in economic growth —investment rate, savings rate, the share of exports in the GDP, and the growth of domestic bank credit— had begun to decline after 2011-2012 itself. The slowdown in the major macroeconomic indicators after 2011-2012 also had a direct impact on the lives of people. This led to a corresponding rise in the level of unemployment and a rise in the head-count ratio of income poverty between 2011-2012 and 2017-18. In summary, the Indian economy was slowing down gradually after 2011-2012, and slowing down at a faster rate after 2016-2017. The Indian economy was slowing down gradually after 2011-2012, and slowing down at a faster rate after 2016-2017. The Indian economy was already in a state of slowdown and it was at its most vulnerable when the pandemic hit.

ECONOMIC PERSPECTIVE

All the sectors of the economy had been adversely impacted by the pandemic and the current state of these sectors continues to fall short before the pre-covid times. The GDP growth rate in 2019-20 in India was 4.04% while the GDP growth rate in 2020-21 is -7.97%. The GDP contraction is one of the biggest concerns and hurdle to get back to normalcy. A diverse range of monetary and fiscal policies, investment stimulus packages, as well as the resilience of government and citizens, are required to boost the economic growth in the nation which was already declining before the pandemic.



On the other hand, the investment as a percentage of GDP reached its lowest(21.88%) during the lockdown in contrast to 30.463% before the lockdown. The investment rates are again picking up now but the second wave of COVID-19 is supposed to affect it adversely making the path to complete recovery and normalcy extremely difficult.



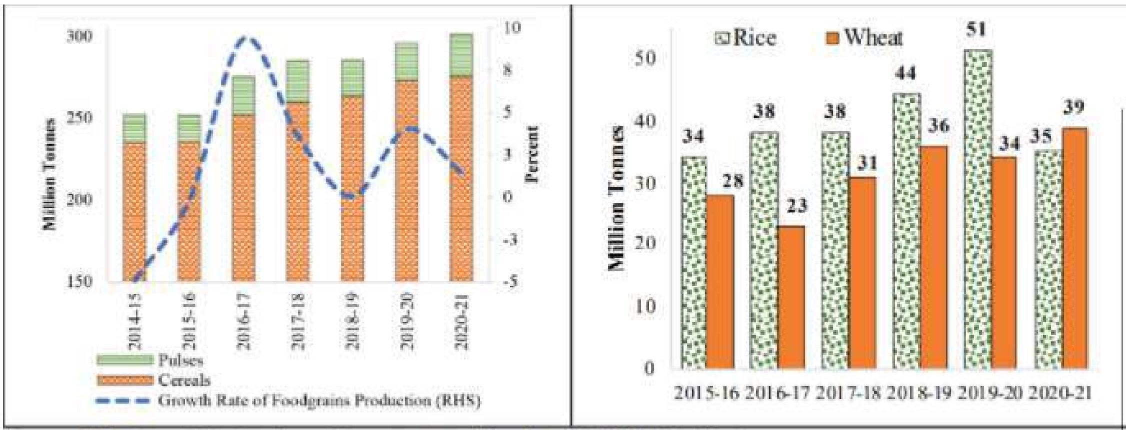
PRIMARY SECTOR

The COVID-19 pandemic resulted in the shutdown of international trade as more and more countries closed their borders due to health concerns. This led to a breakdown of global as well as domestic food supply chains and falling farm-gate prices. The result was the drastic reduction in market arrivals of agricultural goods. The market arrival of wheat in terms of 2019 was only 60.4%(March to September) while the other major crops also experienced a drastic reduction in market arrival reflecting the contraction of the primary sector as compared to pre-covid times. The majority of crops' market arrival is steadily improving but it is still far from normal.

Crop	Cumulative quantity of market arrivals for specified periods in 2020 as a share of corresponding quantity of market arrivals in 2019 (%)		
	March to September	March to June	July to September
Paddy	87.2	88.1	86.2
Wheat	60.4	57.7	62.6
Barley	51.6	43.6	58.8
Gram	39.7	34.8	43.7
Pigeon pea	60.6	62.5	58.8
Lentil	76.5	79.1	74.4
Potato	60.6	64.3	57.7
Tomato	86.2	84.6	87.3
Onion	46.8	47.0	46.6
Cabbage	82.1	86.3	78.6
Cauliflower	73.4	77.1	69.9
Peas	39.4	39.2	39.6
Lady's finger	75.1	75.2	75.1
Banana	86.9	89.4	85.3
Mango	46.8	35.1	51.6

Source: Computed from the CMIE commodities database. Available at: <https://www.cmie.com/>.

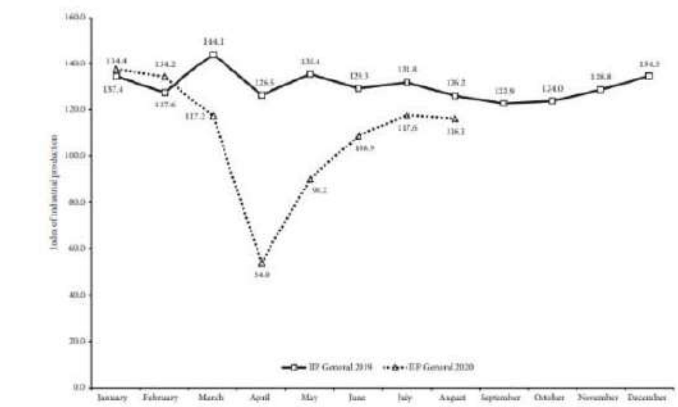
The state of agriculture has been the most optimistic during the COVID-19 pandemic on the Indian economy in 2020-21 with a growth of 3.4 percent in both Q1 and Q2. It is the only sector that has contributed positively to the overall Gross Value Added (GVA) in both Q1 and Q2 2020-21. Thus, this sector has been the closest to the normal and it is expected to get back to its trajectory very shortly.



Source: Ministry of Agriculture, Department of Food and Public Distribution
Note: Production figures for 2020-21 are estimates. Procurement of Rice is as on 15 January 2021.
The target for procurement of rice for 2020-21 is 495.37 lakh tonnes

The secondary sector had been the worst hit by the pandemic and the path as well as the current state of recovery looks grim. India's Index of Industrial Production (IIP), which stood at 134.2 in February 2020, fell to just 54.0 in April 2020. While it rose after April till July 2020, it fell again in August 2020 and continued to be considerably below the levels for February 2020 or August 2019. A survey by the All India Manufacturers' Organisation (AIMO) in May 2020 which took a sample of 46,525 companies showed that about 35% of MSMEs reported their future as "beyond recovery". On the other hand, 39% reported that their recovery would have to be at least six months away.

Figure 8. Index of Industrial Production, India, monthly, 2019 and 2020, base year 2011-2012 = 100



Source: Ministry of Statistics and Programme Implementation, GoI Available at http://www.mospi.gov.in/>.

SOCIAL PERSPECTIVE

The COVID-19 pandemic had been very harsh on people from every sphere of society. Lakhs of families have suffered in India as they lost their near and dear ones while they frantically searched for hospital beds all over the city but to no avail. On the other hand, a million others have constantly suffered from the fear, uncertainty, and anxiety that that virus has created all around the world. Thousands of small-scale industries have been destroyed and as a result, thousands more have lost their jobs in these trying times. The travel had been severely hindered as many countries closed off their borders to restrict the transmission of the virus resulting in many people trapped in foreign nations away from their families in these difficult times. All of this has further added to the misery and pain of people.

UNEMPLOYMENT

The unemployment rate in 2020 was 5.4% as compared to 5.36% in 2019. The size of the labor force shrank in March and April 2020. There was some recovery from May 2020, but the total size of the labor force in October 2020 was still lower than in February 2020 by 13.2 million persons. the total number of employed persons was less by 8.9 million in October 2020 compared to February 2020. The total number of salaried jobs in India was 86.1 million in 2019-2020 (Vyas, 2020a). In April 2020, this number fell to 68.4 million. By August 2020, it had risen to 73.8 million but was still 12.7 million less than in February 2020. Thus, the employment in the nation has shrunk as compared to pre-covid timed and this unemployment problem can only be solved through economic recovery in the form of high rates of economic growth.

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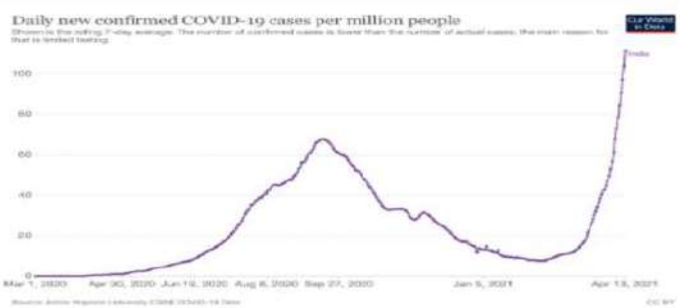
THREAT OF VIRUS

The threat of the virus is still very real especially since the advent of the second wave of COVID-19. The number of cases is increasing more than ever and the desire to achieve “completely normal” seems almost out of reach and surreal. As the cinema halls across India continue to be shut and every sphere of human activity switched to an online mode, we are still very far away from our normal.



The only way to get back and even exceed where India was before the pandemic, is through a quick and effective vaccination drive as well as other safety protocols like social distancing to control the pandemic.

SHARING ECONOMY: WILL IT SURVIVE THE PANDEMIC 2020?

BY KETAN RAJPUT
Undergraduate Student, Hansraj College

"We don't need goods, we need the wants, services, needs, and fulfilment."

Every common household owns a bunch of goods that they don't use regularly, for instance, ladder, drill machine, and even cars (especially now in the age of cab services). It won't be far-fetched or impractical to rent such commodities instead of spending a fortune on them but never really putting the money to good use.

This is where the concept of 'sharing economy' entered the digital world. With a technological and digitized twist to the age-old concept of "barter system" here we are with the concept of 'shared economy' and the above idea of renting instead of buying enables 'shared economy'.

Sharing economy, also referred to as Collaborative consumption or peer-to-peer consumption (P2P) or access-based consumption (among several other names) is a framework or system of an economy that includes exchanging the pre-owned assets as well as sharing the underutilized assets. In the view of Rachel Botsman, today Collaborative Consumption is divided into three types namely, redistribution markets, collaborative lifestyle, and product-service system. Redistribution Markets generally include the exchange/ swapping of pre-owned items, Collaborative lifestyle includes sharing skills, time, and money and product - service system mainly focuses on the aspect of paying for the benefit for the product rather than owning it.

This new revolution of boosted sharing behaviour along with the advancement in the field of digital technology has given birth to a new Peer-to-peer business model such as Airbnb, Oyo, Landshares, Loosecubes to name a few. P2P business models have given a new opportunity for people to share their underutilized assets ranging from parking spaces to co-working spaces with people (especially, strangers) who need it and generate income from their assets. P2P has evidently, therefore, increased the number of Micro as well as solo entrepreneurs around us. Moreover, this new wave of technology has brought with it the revolution of building trust between strangers and empowering us to expand and build greater networks and connections. This sustainable model of working is able to match wants with the haves, giving a new face to what economists generally say, 'double coincidence of wants.'

Digital trust and reputation are the backbones for this type of consumer behaviour and sharing economy. In the words of different researchers:
Leena Ajit Kaushal in her paper 'The Sharing Economy and sustainability: A Case Study of India' wrote "Trust and reputation are two main pillars that facilitate the frictionless functioning of the sharing economy. The trust and faith of people build up over time through frequent exchanges, interactions, communication, and a better understanding of the processes. An individual's trust is based on the reputation of the platform."

Transacting and dealing with the unknown strangers for the risk of doing something new or different to the way we have always done, be it, booking the first UberPool car or renting an Airbnb house for a night, has a void of uncertainty lying below it. Trust being the elusive concept, makes it difficult for others to believe in it. But various studies have concluded trust being the new valuable currency in the world of commerce.

Keeping in mind another face, companies have put up a system of rating the user's experience, which is actually what we call 'reputation'. Reputation is another pillar of the economy, measured by how much the user trusts you. Reputation has been considered the latest socio-economic lubricant. So, online trust and reputation capital stand accountable for change in decisions and consumer' behaviour.

According to Rachel Botsman, "The economy of new currency is trust."

PANDEMIC VS. SHARING ECONOMY

It has been rightly said, "crisis doesn't create the character, it reveals it", and, indeed, Pandemic 2020 has rightly unfurled the face of the Sharing Economy.

As per the reports:
- Hello World and Nestaway, Accommodation start-ups, experienced a huge slump in demand.
- Smartworks, a co-working start-up had to reduce the pricing by 10-15%.
- Ride sharing start-ups, Ola, and Uber showed a trend of reduction in demand by 80-90%.
- Work-from-home culture served to be a threat to the co-working spaces because it exposes employees to high risk.
- Designer wear sharing start-ups showed a tremendous downfall in its consumption demand.
- The intensity of impact varied from nature-to-nature of the start-up as Furlenco – a furniture sharing start-up is at low risk, because people usually buy the furniture for at least more than a year.

These unprecedented times have revolutionized the taste, attitude, and preference of consumers and successfully shifted from affordability to safety. Health and social distancing being the topmost priority are what contrasts these business models.
'Is this the end of the Sharing Economy?'

The sharing economy start-ups tried their best to accommodate these times of loss and change. Carpooling start-ups shifted to self-driving, cab companies to moving packages, Rapido and Zypp – the bike and scooter sharing start-ups to delivering groceries along other such start-ups have changed their business courses to go up with the ongoing condition. Not only this, many start-ups, rather than changing their whole functioning of models, changed the way they operate, like Airbnb launched an enhanced cleaning initiative, co-working start-ups also injected less human interaction by increasing area, reducing the no. of employees, contactless cards, and facial recognition among many more.

The sharing economy is just being subjected to changes but will make a stronger comeback. Conclusion: A mere pandemic can never make an untapped market and business opportunity fall. This situation has brought with it a short-term pause to this 'future of the economy' and its revival will take time. This has brought in the forefront the importance of:

- Dynamicity and flexibility: This is how important; it is for the employees and it's management to adapt to quick changes to curb the effect of a dynamic environment. Innovation and Technology, today serves to be the need of the hour.
- Customer preferences: Being rigid against the changing customer preferences and tastes may become the reason for losing them. Today, many businesses successfully tapped for changed customer preference that shifted from affordability and sharing to health and safety
- New opportunities in the short run: The Covid-19 crisis has made the sharing ventures move to explore the untapped and available opportunities.

Undoubtedly, this is not the end of the Sharing Economy, rather a revamping or restructuring of the existing model of the same.

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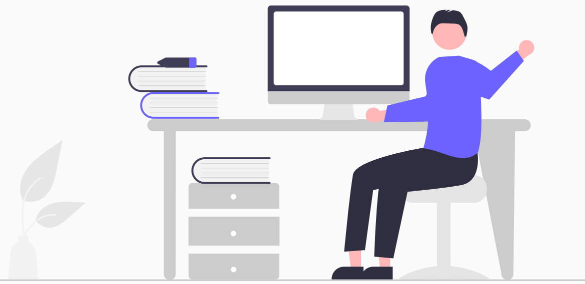
CONCLUSION
COVID-19 AND FUTURE



With people's emotions ranging from being sanguine when the vaccines first rolled out, to feeling void as the second wave took over India, it became inevitable for us to address and acknowledge how coronavirus has affected the Indian economy and our lives. We have made meticulous attempts to cover the crucial economic aspects and industries. India's annual budget in February was extolled with alacrity that it would set the economy on its track to revive from its deepest recorded slump, but it failed to account for the second wave of covid-19. As the budget heavily relied of investment in infrastructure and health with a high degree of privatization, the varying degrees of lockdown across the country has stanched the growth projects and pushed India towards debt accretion. Can covid-19 really be labelled as a black swan event? Coined by Nassim Nicholas Taleb in his book, a black swan event refers to an unpredictable event, like sightings of black swans in Australia surprised Europeans when they first landed on the continent. With many politicians labelling the pandemic as one, it becomes really convenient to absolve themselves of all or any accountability. While this claim that the first wave was not a black swan event might be up for debate, what is not is that the second wave was definitely not a black swan event and hit the country and the economy badly. The economy needs to be "pandemic ready" for the future and should have been before it as well. Epidemics and pandemics are becoming increasingly preponderant. Though the economy took a major blow in the first wave, we could have been wary and prepared for the second wave. As the fear of the third wave mongers over our head, I hope the readers feel more informed in terms of having a general picture of how our economy has been impacted by the most life-altering event our generation has witnessed. In addition to this, our guest articles provide us with an insight into the increasing importance of HR professionals, help us to understand and make an opinion whether eradicating the direct tax regime is more of a malediction or a boon, acknowledge the ubiquitous presence of psychology and economics, explain the NPA crisis and creation of Bad Banks, the impacts of immigration to Canada and finally, a riveting article on motherhood from an economic perspective. We hope this year's Okonomos edition did justice to the readers and the previous editions.

EDITORS-IN-CHEIF

-Creamy & Kashmira Sahoo

EXPUNGING TAXES , ENNOBLING ECONOMY
A BLOW BY BLOW DISQUISITION OF EFFACING OUT THE DIRECT TAX REGIME

By - Deepansh Bhati , Shaheed Bhagat Singh College

INTRODUCTION

It is a common credence that the concept of Income Tax has its provenance in the recent past but sufficient quantum of historical evidences testifies the uncommon fact that imposition of taxes on income and wealth had its roots in the ancient and medieval economies as well. References pointing in the same direction have been found in Ancient manuscripts and documents like 'Manu Smriti' and 'Arthashastra' , delving in those domains has no connotation with this article but the rationale is to establish that tax on income and wealth is not a contemporary innovation. Implementing and carrying on with an age old practice in an agile society and advancing economy seems a bad idea. This perplexity gets succored by the picture of taxation painted on India's canvas.

It is imperative here to note that in the World's largest democracy entailing near about 140 Crore people, less than 2% are tax payers. The Tax to GDP ratio, which is a crucial indicator of efficiency of taxation regime of an economy, is far below the ideal level for India. As per International Monetary Fund (IMF), economies must have at least 15% of tax to GDP ratio in order to mobilize the funds and investments for bolstering growth and development. India has been a serious underperformer on this front when juxtaposed with the other major economies operating far ahead than the standard benchmark set by the IMF.

The diagram below explicitly manifests the gravity of the issue, with India's tax to GDP ratio plunging to a decadal low. The majority share of the direct tax collection for the taxation department comes from salaried middle class population; this is so because, 75% of Income Tax fillers declare their annual income below 5 Lakhs, thereby sidelining themselves from the schedule of tax payers. Out of remaining 25% of the fillers, merely 1% declares their income beyond 50 lakhs. Consequently, the salaried middle class shoulders the burden of taxation in India. In a country which houses nearly one fourth of global poverty, has majority of earners beyond the tax net owing to their low earnings while on the flip side, the super earners or so called 'Crorepatis' have devised their own legal mechanisms to play with the loopholes and evade taxes. In such a scenario, when we have low income tax revenue and burden is shouldered by the salaried middle class population, it might be right to deduce the fact that phasing out the process of direct taxation ought to be beneficial. The ongoing pandemic stripped thousands of workers of their jobs and effected the GDP in a negative manner which might gain up even more impetus if stringent actions not taken up. This is where we consider abolishing the

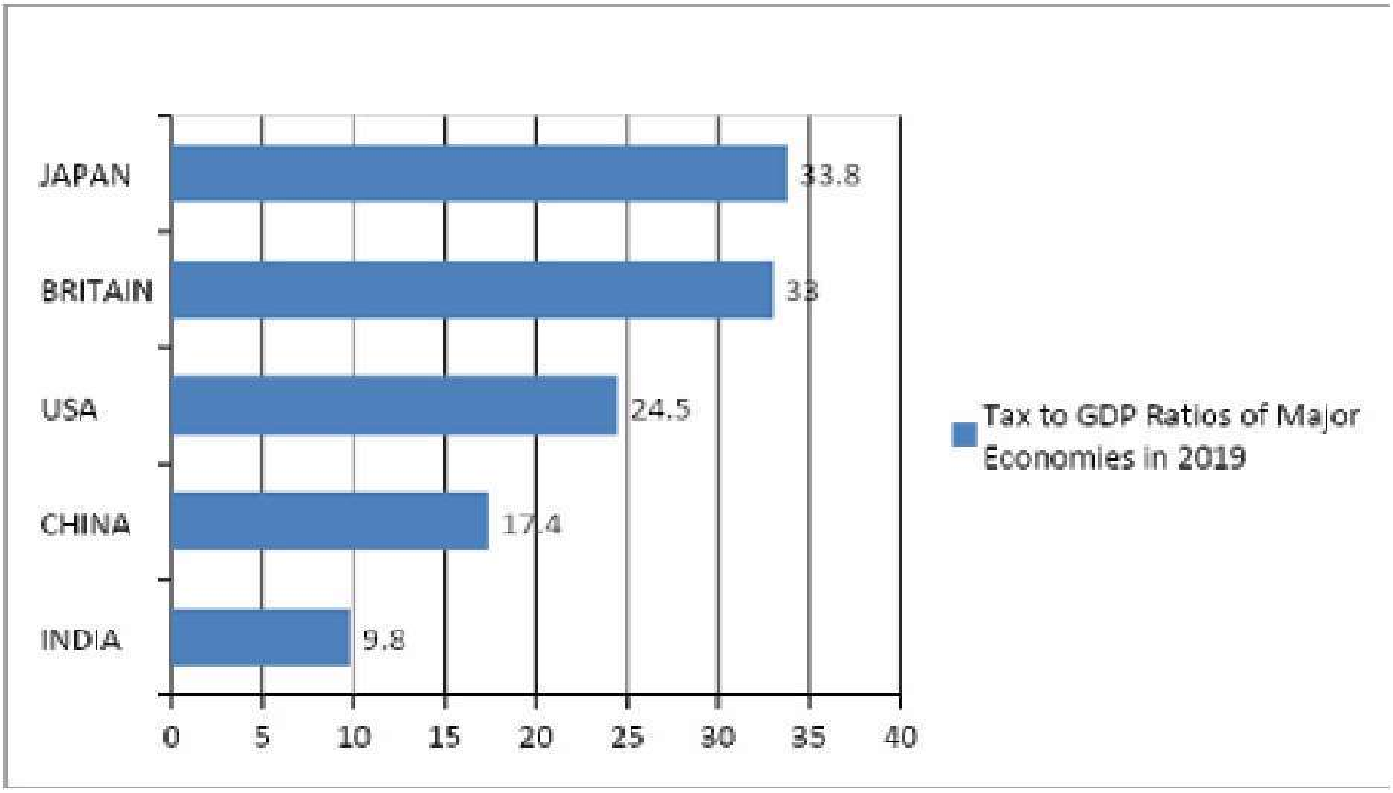


Figure 1: Tax to GDP Ratios of Major Economies

direct tax mechanism. Prima Facie, a hefty question pops up which stands to ask an alternative revenue mechanism for the government, since given all constants on the negative side, direct tax revenue is a major source of government funding, and the proportion is too big to be ignored. This alternative mechanism can be devised using the tools of indirect taxes/consumption taxes and requisite policy tools. Nature of implementation might have to play the cornerstone role in clinching the elusive objectives this scheme has to offer.

VIRTUES OF AXING DIRECT TAX MECHANISM

Doing away with the direct tax mechanism in India poses a daunting challenge of coming up with an effective alternative revenue mechanism for the government. The interesting observation here is that diamond cuts diamond, implies that effacing of tax mechanism itself has the potential to disentangle the lurking threats and perplexities. Following are the virtues which are explicitly manifesting potential of confronting with the challenge and seem promising enough to emerge out in a manner that would drive up the economic growth.

Elevated Aggregate Demand: - As per the Union Finance Ministry, India recorded approximately 9.45 Lakh Crore Rupees out of direct taxation regime for the financial year 2020 – 21. At a time when the economy will do away with this regime, this 9.45 lakh crore rupees will directly enter the Indian market by the way of consumption expenditure, savings or investments due to the higher real income of households, thereby inflating the aggregate demand in the economy. As students of economics, we are well aware that aggregate demand and employment are positively related up to a fair extent. Therefore, employment level in the economy might witness a spur. When aggregate demand tends to inflate, supply cannot be left untouched, it ought to increase. When supply of an economy grows, the Gross Domestic product (GDP) also witnesses a rise resulting in to economic growth which later translates itself into economic development.

Stimulated GST Revenue and Excise Duty: - The Goods and Services Tax, popularly called GST, is an indirect consumption tax which was implemented with the rationale of simplifying the indirect tax regime and to abolish the practice of overlapping tax burden. The GST is the requisite potential to serve as alternative of direct tax regime in the case of India. Effacing the direct taxes implies channelizing the raised real income in to the market through consumption, savings or investments. Higher the consumption reaches in an economy, more is the consumption revenue collected. Therefore, a higher consumption will imply inflated GST revenue for the government. As per a press release by the finance ministry in last week of April, GST revenue is operating at its zenith with all time high collection of 1.4 Lakh Crore Rupees. This stipulates that the framework of GST is effectively implemented with a higher acceptance rate, given that the majority of states in India are under some kind of covid restrictions and markets are not operating on their optimum. In such a scheme of things, GST manifests a greater degree of potential in acting as an alternative revenue mechanism.

Higher savings and investments for households: - Over The Top real income for the households will translate into higher savings and investments for general households. Demand for mutual funds, corporate bonds, debentures and instruments of secondary market will witness a gush thereby opening new avenues of profits and higher increased incomes for households. On a macro level, incremental per capital income will contribute towards better standard of living and economic development as a whole. With households enticed towards the saving and investment instruments, capital gains tax (CGT) might also manifest increased collections.

Higher Corporate Tax Collection: - With surge in the stakeholders of secondary market instruments, corporate bonds, debentures and other such instruments, fund availability for the corporate sector might increase which can potentially push the profitability for the firms in the Indian market. Higher profits directly imply higher corporate tax collection for the government.

Money Multiplier and Currency Deposit Ratio: - Money Multiplier refers to how an initial deposit can lead to a multiplied increase in total money supply in an economy. Going by the theoretically established framework, money multiplier is the reciprocal of the Cash Reserve Ratio requirement mandated under the Reserve Bank of India Ac, 1934. Keeping the current CRR (4%) in view, money multiplier shou

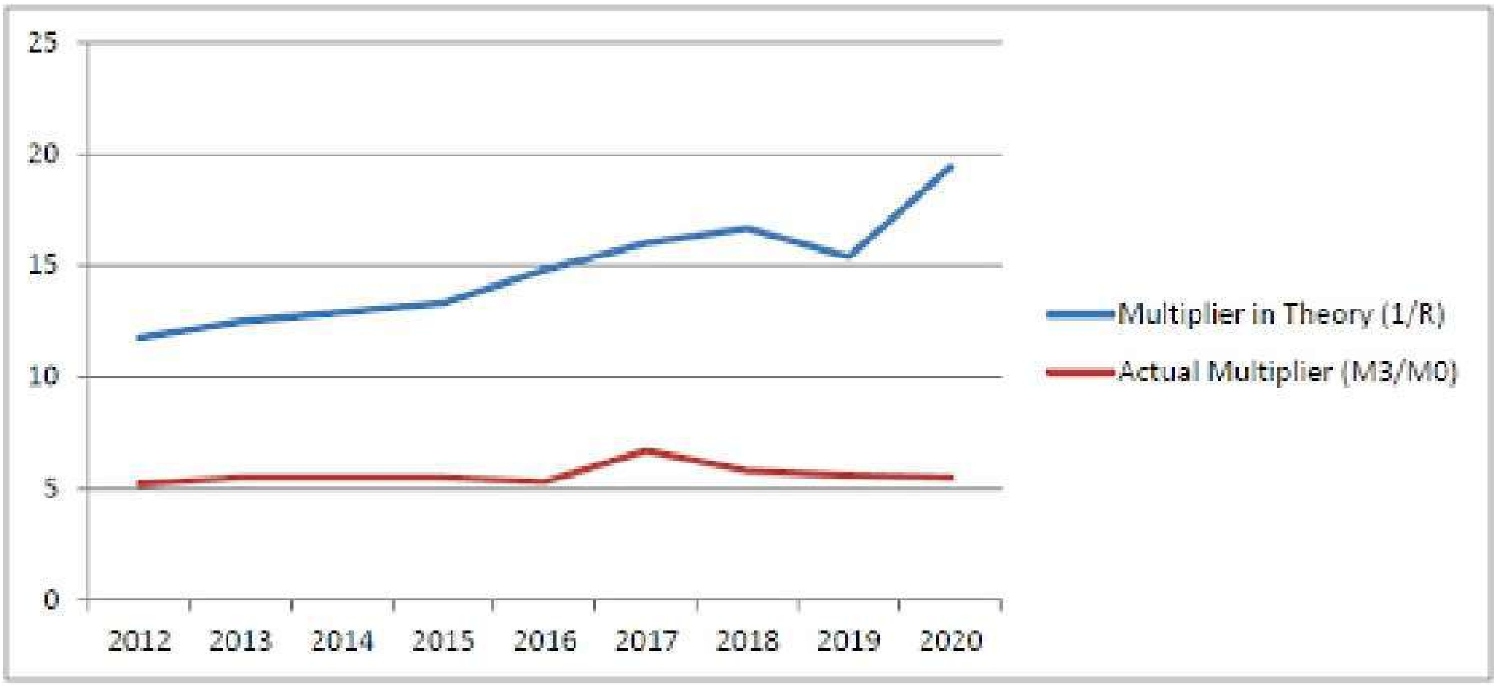
current CRR (4%) in view, money multiplier should be 25 times but in reality, the figure is far less and remains averaged around 5 – 6% when calculated by the ratio between total money supply (M3) and High Powered Money. In India, Theoretical money multiplier has always been far greater than actually operating in the economy. This has resulted in slow economic growth process and credit generation in our economy.

With the direct tax regime effaced out, higher liquidity is a given constant with the taxpaying households. This over the top liquidity will enter the formal banking structure thereby bridging the ever increasing divorce between the two crucial variables. Consequently this will provide a greater impetus to the pandemic hit economy.

Doing away with the direct tax structure would also reduce the administrative burden on the taxation department and the workforce could be effectively utilized in data mining the evaders, black money and other financial crimes. This might prove to be a panacea for India's economic recovery from the onslaught of the pandemic.

PERPLEXITIES IN EFFACING THE DIRECT TAX REGIME

Economic policies can never be characterized as total black or a total white, rather it has to be a shade of grey. With charms comes challenges and this is inevitable, especially when an economic policy decision is on the table of consideration. The hefty challenge which will be confronted first is about the alternative revenue regime for the government. It can be concluded that the abolishment might itself create out revenue for the government as discussed above, and bolster the economic growth but a perplexity here is the time frame. This might stretch to long run and in the meanwhile, already expanded fiscal deficit might witness a spur. This can be tackled by a phased and targeted implementation of the policy. A policy with such a gravity and nationwide impact cannot be abruptly implemented, as we experienced in the case of demonetization. Abolishing the direct tax regime in a phased manner will give a 360 degree view of the prospective concerns and challenges with still time left for curbing them out. Secondly, it is imperative to note that the department of taxation not only collects



Divorce between Actual Money Multiplier and Theoretical Multiplier in India

revenue rather performs a cornerstone function of maintaining a fiscal database and keeping a check on evaders, black money and other financial crimes. Abolishing the direct tax regime should not mean curbing this essential feature of the taxation department. Rather it needs to be provided additional impetus for its even better implementation and a greater degree of check on the associated crimes.

The idea of abolishing the direct tax structure has its provenance in the fact that Indian economy has a very low tax base and the majority of the burden is shouldered by the salaried middle class population. However, it is an evolving idea which indeed requires debates and discussions in order to chalk out the best version of it along with an effective as well as efficient plan of action which would entail phased and targeted implementation. Therefore the effacing process of direct tax regime of India seems a promising endeavor yet it has its own perplexities and challenges which demand adequate rounds of debates and discussions and finally a clearly laid down efficient plan of action.

NUDGE BEHAVIOURAL ECONOMICS : PUSHING US TOWARDS A BETTER LIFE

By - Diya Nagpal, Maitreyi College

Metro has always been a convenient source for travelling, especially if you live in Delhi. During my short journey in the metro, I used to take escalators for going up and down the platform. This was a habit until a new drive was initiated by Delhi metro. They affixed several boards near the staircase on which a simple message was written- “Use stairs, stay fit”. The motive was simple, to persuade and help people embrace a healthier lifestyle. Just looking at this board made me push myself to take the stairs, instead of the escalator. This, in the field of behavioural economics, is called “nudge”.

Classical economics is centred on Rational Choice Theory (RCT), which holds that humans are rational units who make choices based on a simple cost-benefit equation that emphasises the decisions that have the greatest value (i.e., profit). Behavioural economics combines psychology and economics to investigate why individuals make incorrect choices and why and how their behaviour differs from what economic models expect. Most people face choices about how much to pay for a cup of coffee, whether to go to school, whether to live a healthier lifestyle, how much to save for retirement, and so on. Over the past years, behavioural economics has gained high popularity and legitimacy. To assess economic decision-making, behavioural economics builds on perspectives from psychology and the behavioural sciences. (India Infoline, 2018)

The basis of nudging is behavioural economics, which was proposed by Thaler and Sunstein in 2008. Nudge theory gained the international spotlight in 2017, when Richard Thaler won the Economics Nobel for his research in behavioural economics. In their book Nudge, released in 2008, Richard Thaler and Cass Sunstein wrote, “By knowing how people think, we can make it easier for them to choose what is best for them, their families, and society.” (Chu, 2018)
The idea of the nudge theory is that humans being irrational, often need motivation or conciliation- a nudge- to keep moving and do what is ideal for themselves and for the society, as a whole. Nudge theory suggests that consumer behaviour could be affected by small recommendations and constructive reminders. Proponents of nudge theory argue that strategically positioned "nudges" can help minimize consumer loss, save the government money, promote favourable behaviours, and improve resource usage.

Nudges will take advantage of heuristics to redirect them in the desired direction, taking advantage of human behaviour’s "shortcomings" to provide positive outcomes. This is accomplished by manipulating, restricting, or removing people's options. Nudging isn't about punishing them or restricting their rights if they don't behave in a particular way; it's about making their decision-making process simpler.

Nudge theory is present in almost every aspect. It has benefited the workplace especially, but how?
When problems emerge, effective management arguably necessitates continuous re-evaluation and the pursuit of new approaches. The concept of “nudging” in management is one of the most current developments that has caught the interest of practitioners. In the workplace, management effectively nudges employees towards better organisational results. Using gentle "nudges" or "shoves" to actions, "nudging management" promises to help overcome workplace challenges by further aligning job behaviour with organisational priorities.
Employees work well and remain committed when they feel respected and rewarded for their efforts. When workers are acknowledged by their colleagues, it not only honours the achiever, but it also demonstrates to the rest of the staff that hard work pays off. (Agarwal, 2020)

Despite the fact that nudging is an unquestionably promising and quick, concise tactic, it may aid encouragement but is not a solution for all problems. It is impossible to determine how people will respond, whether the consequences will be as anticipated, or whether the nudges will function in the first place. Behavioural economics, like rational choice theory, deals on preconceived ideas about the human mind, which aren't necessarily fruitful and can have negative consequences. Taking a "nudge-view" guided by behavioural observations makes for interesting takeaways about organisations that can be useful for administrators and working professionals alike without using "nudges" explicitly, despite the fact that nudge theory has been criticised. (Tiefenbacher, 2020)

According to The Economic Survey 2019, behavioural economics has the potential to bring in social change which in turn could India transit to a $5 trillion economy by 2024-25. It has placed a strong focus on government using behavioural economics as a method to change results, from reminding people of biblical tenets to help them reimburse their obligations and not wilfully default on their loans, to improving the effectiveness of government social programmes. It has called for the use of the ‘nudge' behavioural economics principle to promote desirable social and economic reform in the world. The survey, which was tabled in Parliament on Thursday by finance minister Nirmala Sitharaman and penned by chief economic advisor Krishnamurthy V. Subramanian, said Prime Minister Narendra Modi's flagship initiatives, such as the Swachh Bharat Mission, Jan Dhan Yojana, and Beti Bachao Beti Padhao, "provide evidence to the prospects for behavioural reform in India."

They also believe that gender equity, a safe and beautiful India, savings, tax conformity, and credit quality are all problems that behavioural economics can help with.

Swachh Bharat Mission was launched on 2nd October 2014, on the birthday of India’s most esteemed ‘role model’ Mahatma Gandhi. The day was chosen to capitalise on his ideals and thereby establish a social movement towards a cleaner India along the lines of "satyagraha." SBM's emblem is based on Gandhiji's thoughts. The SBM movement has successfully followed behavioural economics' emphasis on the importance of experience in shaping choices and decisions. Behaviour change techniques such as Participatory Rural Appraisal and Community-led Total Sanitation encouraged people to come together, assess their community’s open poor sanitation situation and plan the next course of action. (Policy for Homo Sapiens, Not 02 Homo Economicus: Leveraging the Behavioural Economics of “Nudge,” 2019)

Though behavioural economics has often led to positive outcomes, behavioural economics is not a panacea for policy making; its potential must be acknowledged and placed into context. Any incentive-based and mandate-based programme cannot and should not be replaced by nudge policies. Most of the government policies, on the other hand, are amenable to nudges.

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PANDEMIC REDEFINING THE ROLE OF HR PROFESSIONALS

BY - SHEEN BUJOO , SHRI RAM COLLEGE OF COMMERCE (SRCC)

It is a known fact that these are unprecedented times where with each passing day, the human race has witnessed innumerable challenges and tried its best to cope up with them. We have accepted that this is the “new normal,” adapted to the changes, and moved on with life. During the lockdown, humanity as a whole has displayed exemplary behavior of resilience, compassion, and hard work.

From the work front, working professionals have put in extra efforts without any time constraints. They have somehow managed to deliver and get decent outputs, which is commendable at such a point in time. With the restriction of moving to places and having physical meetings, people have efficiently transitioned into the online video-conferencing mode. They have managed to do all this alongside other household chores, which is a task in itself.

As per the survey conducted by CISION in Toronto, Canada, the working class believes that now the work of HR has become more challenging than ever. In the Covid-era, the need for HR’s expertise has become more prominent than ever. Historically many people have seen HR as a department centered entirely covering administrative or risk management tasks. However, the HR department can take this pandemic as a unique opportunity to redefine itself and become a leading player in ensuring employee responsiveness in a way that positively influences morale, engagement, service to the organization, and company performance.

On the same lines, in recent times, HR has turned out to be business implementers, from doing campus recruitments online to promoting internships and seeking interns, to overseeing performance appraisals and finally motivating existing employees and ensuring their growth through Online Learning Modules, various webinars, and sessions. According to Gartner, one of the top priorities for HR leaders in 2021 is handling during and post-pandemic changes within their organizations. It will play a pivotal role in growing their particular businesses while innovating following the changing scenario for success. The HR teams of all the organizations across the globe are working round-the-clock relentlessly to ensure the proper balance between employee requirements and business growth. Even though the lockdown has imposed several difficulties on the HR team, at the same time, it has also provided them with a wide range of opportunities. For example, having the option to choose from a wide range of applicants with diverse backgrounds and talents, which otherwise wouldn't have been feasible. Also, now focusing on female employees has become more manageable.

Previously, returning to work from a break after fulfilling family duties was time-consuming and hectic. Now they can get back by establishing an online working setup, which is far more effective and efficient. As an add-on, this phase has given recruiters leverage to go for freelancers with the shift happening to a result-oriented approach. With the current economic situation, hiring freeze, and project expertise of these freelancers, it's like a blessing in disguise for both parties.

As the times are uncertain and disturbed, it becomes very natural for employees to grow anxious about both job security and health and safety issues. In such a case, combined efforts of HR, IT, and Admin departments play a crucial role in maintaining a positive and healthy environment before offices are re-opened physically. The majority of the offices by now are sanitized and would continue to do so regularly. The entry of employees is restricted to a few days that too for very pressing matters only, prior screening with less to no in-person meetings, online attendance would be initiated, discrete norms depending on each office and workplace will come into action. Till the situation normalizes, companies would encourage video calls for both interviews and other business-related activities so that social distancing is maintained. It will help avoid any contact with a Covid positive person to the maximum. As and when companies will again shift from WFH (work from home) culture to in-office, there can be a possible shift in seating arrangements and working days. Lastly, at this point, employee interaction becomes very hard, yet there are various methods and devices available online which can help out HR to keep their employees in a good mental shape. As in these times, it becomes all the more essential to look after the well-being of the employees and manage their stress level that will eventually ensure the well-being of the organization as a whole, which is mainly an HR responsibility.

For example, this is what Senior Vice President of HR at Amazon, Beth Galetti, had to say about the shift that Amazon had to make to hire people during the pandemic.

In her words, the HR team of Amazon had to make some considerable changes to hire so many people at the same time think about their safety. For their frontline employees, the organization had already in the past years made investments in technology. It allowed them to post about jobs, work with their local communities on outreach, and provide the candidates with ease of applying online or on their mobile phones, which otherwise would have become tiresome to do now. Along with this, they also shifted their initial training online before their working in the physical space. It proved to be very beneficial for keeping the employees and candidate safe. Then, she explained how they had to make an overnight transition from long physical interview processes for corporate jobs to virtual interviews. As Beth recalls, they were very nervous initially, but later they discovered how they got eased into the process as it was more helpful for their candidates. For example, offering them more interview time slots and extending job offers faster.

Apart from this, from an HR employee viewpoint and what opportunities Covid-19 presents for their growth in the near future. As per a study conducted by the U.S. The Bureau of Labor Statistics found out that the employment of HR managers is likely to grow by 6% from 2019 to 2029 — that is 50% faster than the average for all occupations. Keeping in mind the economic scenario, this is excellent news, but at the same time, it poses a new challenge for the HR team. As the profession grows, so will the competition and the need for HR professionals to continually hone their skills. Hence, honing professional skills and learning new techniques such as Data Analytics, along with the former, will also help the HR department to earn the confidence of their co-workers in the organization. Hence, many aspiring HR professionals nowadays are looking for a greater depth of knowledge in both traditional tasks and overall business strategy. Research conducted by PayScale revealed that professional certifications increased the chance of being promoted within five years of working by more than 21% for HR assistants and nearly 25% for HR directors.

A year that led to the loss of 10.9 million jobs, including layoffs, cut-offs, or being granted unpaid leaves, it most certainly has not been easy. At the same time, policies need to be revised and relooked at and changed per the changing times. Wherein HR has the central role to play. It needs to ensure that the organization grows as a whole and is ready to face any challenge at any given point in time.

That is why this pandemic is a golden opportunity for all of us to look at life from a different perspective and help each other to grow and come out of this situation stronger.

THE ECONOMIC MALADY OF MOTHERHOOD

By Yashovardhan Singh , B.A. Economics Hons, Hindu College

Mothers, anywhere in the world, have played an extremely crucial role in boosting the economy. Whether it is through explicit means such as participating in the labour force or be it implicitly, ensuring that workers of the family are in good health and can go to work without thinking about who takes care of their children, their parents or their home. When Adam Smith said "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.", he failed to realise that he is fed that dinner by his mother, and it is definitely not in pursuit of her self interest. This article aims to vivisect the various dynamics of working mothers as well as the economics aspects of motherhood in a society which places it at an exalted position.

THE ECONOMIC HISTORY OF MOTHERHOOD

Constructions of motherhood have varied across cultures. Ancient Indian cultures looked at mothers as the primary caretaker of the household.

In several epics,they have been lionised and shown as strong figures but never have those characters been allowed to enter the spheres of life which are traditionally seen as duty of men. For example, In Mahabharata, Draupadi is introduced as a strong headed princess who is also a strong warrior. But in the Battle of Kurukshetra, she depends on her husbands, the Pandavas, to take revenge for her. She doesn't even participate in the battle.

On the contrary, by the time of the battle she has already given birth to children of each of the Panadavs, implicitly hinting that however strong a female figure is, she should be confined within the gender roles constructed by the society.

Women have been confined within the four walls of the house, and it is a matter of great misfortune that the work which they do within the household, is also greatly discounted, as if it does not matter at all. Though the reality is that the most crucial task was performed by her, ensuring that the labour force remains strong and healthy, to perform physically intensive tasks which was the dominant nature of work at that time.This has been the irony of motherhood since ancient times. When a woman was pregnant, there used to be rituals for the well being of the father and foetus, but never for the mother, who after giving birth to the child, quietly withdrew into solitude. Society very conveniently debilitated her as a means to an end.

CURRENT RELEVANCE OF THE PROBLEM

Though economic history seems to be a thing of the past, much to your chagrin, it is not. In fact, the misdeeds of the past have their traces in the present as well. The societal construct of motherhood has a strong pressure on the domestic work and women's market.

In the Indian society motherhood has, over several millennia and agglomeration of different value traditions, developed a paramount role in the lives of women. It is true that almost every woman who is a mother cherishes this experience of hers, but this should be a choice, not a compulsion, something that does not happen in India. In this context, child care is something which is considered to be the exclusive role of the mother.In fact, society makes a stark difference in the way they treat men and women. If a man goes back to work after his child is born, it is seen as his duty and ambition. On the other hand if a woman does the same thing, it is marked by avarice and selfishness. This poses a significant impediment for women who try to get back to work right after their motherhood. Though there are instances of men who apply for parental leave, the sad reality is that society views the father's role in the early infant years as that of "support" while the role of the mother is that of "duty". This has a pejorative economic interpretation. In the event that a mother is hired to work in a firm, her entry into the workforce becomes difficult because of the internalisation of the idea of "duty to raise the child", forcing the employer to foresee increasing future costs, essentially decreasing the mother's chance of reentry into the workforce, all because of 'motherhood'. On the contrary, if a father tries to rejoin the workforce, the idea of "support" helps present a picture where the father's attendance is not irregular and therefore, the chances of reentry are not significantly hurt due to fatherhood. In fact, in the United States, research has shown that mentioning motherhood on the CV halved the callback rates to actual job applications. Notably, Correll et al hypothesize that mothers are often discriminated against compared to non-mothers, as employers may consider them "less competent and less committed to their jobs."

CAPITAL AND MOTHERHOOD

There is no doubt that something like motherhood can also be commercialised. In fact, a lot of people opt for surrogacy and there is a considerable section of the society that volunteers to be surrogate, often from the poor and vulnerable section. It is true that the surrogate mother is given a good amount of money which she can never dream of earning by any other means. The amount she gets is probably equal to the ten years salary of her husband in rural India, that is to say if it is done in the legal way.Therefore, we can see that motherhood is not entirely a biological and societal issue. Rather, over the years, with development of technology and possibly the deepest ever entrenchment of capitalism, the capital has come to dictate several aspects of motherhood. This capital divide has also, in some ways, created a differential access to the costs and benefits of motherhood.

The demand side of something like surrogacy is generated by the rich and affluent sections of the society. The reasons behind this can be several. The woman may have some sort of ailment because of which she can't conceive, or for some, it can be so that they can continue with their job or simply because they do not wish to undergo the woes of pregnancy. The supply side is created by the destitute women, the simple reason for which is one: Money. They do not care about the harm it does to their body simply because monetary gain from this is perceived to be greater than the health costs it incurs. This is a subtle instance of how capitalism, combined with rise in technology has successfully commercialised motherhood, which since the ancient times has comprised a very important part of society. Today indeed, commercial surrogacy has become quite a big industry in India, evaluated at about 500 Million Dollars.

Another aspect of the effect of capital on motherhood is in terms of the opportunity cost of the working mothers. For this let us take the example of two working mothers: one of which is economically sound whereas the other is significantly poor. The opportunity cost of work for both the mothers, is diametrically opposite. For the rich woman, the opportunity cost is extremely low as she can provide the children with a full time babysitter, proper food with the help of domestic help and can have them under surveillance 24X7. For the poor woman, it is extremely difficult to leave her infant alone at home for safety reasons and also because of the fact that she cannot afford a babysitter. She also has to ensure that if she leaves them, she provides them with all the three meals of the day beforehand only so that they do not starve in her absence.

Hence, while the society has made it difficult for mothers to work in general, within that group also, capital plays its role and makes it more difficult for some mothers than the rest. So much so that while for some mothers it might be a matter of ambition, self respect or passion, for others it might be a matter of survival.

CONCLUSION

Through this article, we see that the economics of motherhood is much more complex than it seems to be at a cursory glance. It does not just include market forces of demand and supply but also sociological, cultural and historical forces acting on it. It also shows the 'motherhood penalty' which mothers have to face when trying to reenter the labour force. This article also shows the commodification of motherhood and how the differential access to capital results in different kinds of travesties for working mothers.In short, working mothers of young children face many barriers to balancing work and parenting, with poor and low-income mothers struggling the most. To solve this complex set of problems, a comprehensive policy response – anchored in increased investments in early care and education, and stronger labor standards – is necessary.

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THE ECONOMIC IMPACT OF IMMIGRATION ON CANADA

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&

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Historically, Canada has never been constituted on a singular national identity. From its very conception, the society was plural, i.e. two founding peoples were culturally, religiously, and historically distinct, the English in Ontario and the French in Quebec. Thus, we observe that from its inception, Canada has endeavored to accommodate a diverse set of people, whilst building a tradition of mutual acceptance and accommodation.

In Canada, politicians at all levels—federal, provincial, and municipal—have clearly stated that higher immigration levels are essential to the economic health of the nation (or city). Consequently, multifarious incentives are offered to attract more immigrants. No political party in Canada has adopted an anti- immigration stance and hence, conclusively, there exists a broad consensus.

Canada is currently facing several demographic challenges and immigration has emerged as a de facto population and labor force policy, which has provided solutions for various problems such as; an aging population and shrinking birth rate, a declining dependency ratio, and skills' shortages in a global information-based economy.

To address these challenges, Canada has episodically altered its immigration policies. Thus we observe that Canadian immigration policy has evolved from being racially discriminatory until the 1960s, to introducing a purportedly objective point system in 1967, to adjusting the immigration inflow between the late 1970s to the early 1980s according to the fluctuating business cycle.

Recently there has been an impetus on immigration for 'specialized occupations', to attract highly skilled workers with advanced educational credentials and professional experience.

Now, how does immigration affect the Canadian economy or any economy is a question worth pondering. Experts believe that immigrants affect economic growth by increasing the labor supply of the skills they possess. These skills may complement or substitute the native-born labor. If they complement, then they increase the productivity of native-born labor which in turn enhances aggregate output. Furthermore, it has been found out that immigration affects economic growth in the destination country not only by adding to its
labor force and by supplementing its stock of human capital, but also by adding to demographic and cultural diversity. This becomes paramount when considering the north-south migration since 1945.

Immigration, as we know it in Canada today, wasn't always this way. The issue has evolved from being one on the fringes to one which gets support now across the board with most Canadians being unanimous on immigration's economic benefits. As evidently, a mix of the immigration system and a sense of belonging resulted in nearly 85% of the immigrants :

becoming citizens after taking a test about Canada's history and the responsibilities and privileges of citizenship: One of the highest naturalization rates in the world.

Research by two scholars (Akbari and MacDonald), has suggested that during the 1980s and 1990s, three factors were associated with deteriorating economic outcomes in Canada:-

1. "The changing mix of source regions and related issues such as language and school quality,
2. Declining returns to foreign experience, and
3. The deterioration in economic outcomes for all new labor market entrants, of which immigrants are a special case"

The way forward out of this economic morass, was, as Canadians found out, an 'impetus' on skilled immigration.

Two points are worth considering here:-

- Driven by the belief that labor shortages are pending as a result of a slow-down in population growth and the retirements of the very large 'baby-boom' generation, governments in countries, including Canada, are expressing the desire for more highly skilled immigrants, not fewer.

- These high immigration levels have introduced a significant change in Canada's social and economic landscapes. In Toronto, for example, almost half of the population (47.3%) is foreign-born, the highest share for any major city in the developed world, including New York, Miami, and Sydney. In Canada's three largest cities combined—Toronto, Montréal, and Vancouver— there were only six neighborhoods in 1981 within which a single visible-minority ethnic group accounted for over 30% of the population; by 2001, this had increased to 254 neighborhoods, driven largely by the increase in immigration from regions such as China, India, and Africa.

They further noted that one of the recent changes in developed countries is the regionalization of immigration policy. "The impact is greater, however, on less densely populated and/or less prosperous regions in each country, including rural areas, because of the added phenomenon of outmigration of youth. Regional imbalances of economic development and population growth have emerged, leading to difficulties in attracting business investment because of real or perceived labor shortages and shrinking markets. Maintaining public services such as health care and education, as well as private services such as banking, are also a challenge for regional policy."

Throughout the article, the authors have argued on the relative merits of immigration to ameliorate the economic environment of Canada. We would like to conclude by pointing out some of the fundamental inferences that reflect how immigration is beneficial for Canada, and how it's a fundamental reality, which all the Canadians agree, that immigration is the reason for Canada's economic growth and prosperity.

Pointing out three basic verities that prove that immigrants are an indispensable element of Canada:-

- Old-Age Dependency ratio: - The average age of a Canadian citizen is increasing as life expectancy is increasing and the birth rate is declining due to improved medical interventions. By 2040, 25 percent of the population will be at least 65 years old, up from 17 percent today, according to Conference Board of Canada projections. Currently, there are just under four people working for every senior, but under a medium-growth scenario, there would be just under three people working for every senior within two decades. This statistic, known as the old-age dependency ratio, is important because it reflects a lot about the amount of taxes an individual will pay over a lifetime. The impact of having fewer persons contributing to the Canada Pension Plan leaves us with two choices: either the workers will have to pay more or the beneficiaries would get less paid.

Canada over the next decade will experience a steep increase in its retirement rate, which will create several foreseeable challenges. For one, as people age and stop working, they no longer contribute as much to the healthcare system, as they were doing before yet their healthcare expenses are likely to rise. In 2017, healthcare accounted for 35 percent of provincial spending on average and is projected to rise to 40 percent by 2040, according to Conference Board data. Under the status quo, in which immigration remains at 0.82 percent until 2040, healthcare costs as a share of provincial revenue would rise to 42.6 percent.

- Out of Balance Labour Force:- During the next two decades, 13.4 million people are projected to exit the workforce, but only 11.8 million people will finish school and join the workforce. And, according to economists, wage increases only last when connected to productivity gains, so a restrictive labor market would ultimately mean that businesses can't grow and, therefore, wages will decrease in the long run.

- A 2019 report by Pedro Antunes for the Conference Board — Can't Go it Alone. Immigration is Key to Canada's Growth Strategy — found that without immigration, real GDP growth during the next two decades would drop to 1.1 percent by 2040, because businesses can't grow when they can't hire workers. Parisa Mahboubi, a senior analyst at the C.D. Howe Institute authored a report in January that found out that there would be a great impact on the amount of taxes paid by future generations if the rate of immigration drops.

The report found that the net tax burden paid by future (unborn) generations of Canadians would be around $200,000 greater than the net taxes paid by Canadians born in 2017 if, immigration falls. "The whole idea is that when future generations are paying more, it's unsustainable and we need to do something about it," Mahboubi said. Her report proves that Canada has no choice but to depend on immigrants to help plug the gap between the number of workers leaving the system versus entering it.

The authors would like to wind up by drawing attention to Peter Dungan, a professor at the University of Toronto's Rotman School of Management, who built a complex computer model to examine the macroeconomic effects of immigration in Canada. Called FOCUS, an acronym for Forecasting and User Services, the computer can look at more than 700 variables, and then spit out spreadsheets of numbers that Dungan could interpret to study the effects of any single variable on the economy.

He and two colleagues spent about a year honing the parameters of their study, ultimately using it to look at the impact of accepting an additional 100,000 immigrants per year from 2012 to 2021 on GDP, GDP per capita, unemployment, housing, and other variables.

"It found generally positive impacts of immigration on the economy," said Dungan, noting that these effects were higher when the immigrants were better integrated. "But even at the lower-earning levels … there is still a net positive impact."

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By - Richa Sinha
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The current Covid-19 situation is not good for the Financial Sector, especially for the Banking sector. The excess lending by Public Sector Banks under government's initiatives, programs have risen the level of Non-Performing Asset i.e. bad debt. The sector getting most affected by the lockdown and economic slowdown is MSME, so major lending is being done to help them. The government announced to provide help through their various programs like MUDRA Loan, Stand-Up India, PSB Loans etc. Many banks under the guidance of RBI have extended the moratorium for six months. To make PSBs capable to lend Government has infused a lot of capital. But the situation is still not that good so that borrowers can repay the loans. And thus it is resulting in increasing Non-Performing Assets. The RBI in its current report has warned for the NPA crisis due to pandemic, to prevent such happening Economists are suggesting for the recapitalization of the banks. Also, it was reported for March 2020 that the net Non-Performing Asset stood for 1.3% of gross GDP. This data is self-explanatory that the crisis is going to worse.

The situation of rising NPAs are not new, this problem is in 2008, but the prime victim at that time was PSBs only. But the scenario changed from 2009 when Public sector banks started suffering more from rising NPAs. A major issue has been wilful defaulters for the Private Banks because of these repayment obligations.

Banks in India have been undergoing major challenges in the dynamic environment over the past few years. To resist negative shocks and maintain financial stability, it is important to identify the determinants that mostly influence the overall performance of banks in India. Despite having ample cash, the demand from the corporate sectors is very low. This caused a contraction in the economy as well. To resolve this, the Indian Banks are working towards making it easier for borrowers. However, in the banking sector, mergers of certain banks are showing some positive signs as they now have a larger capital base and thus their capacity to lend has increased.

Here is data showing the current scenario of Banks in India given on the RBI website.

Business parameter PSB Private Banks Foreign Banks						
(given in %)	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
Return on Assets (ROA)	-0.65	-0.23	0.63	0.51	1.57	1.55
Return on Equity (ROE)	-11.44	-4.16	5.45	3.30	8.77	8.76
Spread (return on cost of funds)	2.80	2.84	3.61	3.76	3.61	3.86
NIM (NII as % of average assets)	2.33	2.37	3.26	3.42	3.23	3.26
CRAR (capital funds)	12.2	12.9	16.1	16.5	19.4	17.7
Standard Assets/Gross advances	87.8	89.2	95.2	94.9	97.0	97.7
Gross NPAs/Gross advances	11.6	10.3	5.3	5.5	3.0	2.3
Net NPAs/Net advances	4.8	3.7	2.0	1.5	0.5	0.5

Source: rbi.org

PSB banks are suffering the most. Negative ROA and ROE indicate the bad liquidity position of the banks.
Capital Ratio (CRAR): in spite of period capital infusion by the government PSBs reported CRAR is low.
Asset quality: 40% of the lending has happened in the agriculture sector, as the main focus has been the only.

What could be the impact of the NPA crisis

Banks will start earning in interests, then their profit will obviously go down. They will be reluctant to lend, which will have a direct impact on borrowers. In order to maintain a profit margin, Banks will try to keep their interest rate high. They might start investing funds project which may direct to bad projects. The insufficient cash flow will affect the liquidity position of banks, adversely affecting their Balance Sheet. With insufficient cash, they couldn't service to the.

Industrial crisis – Industries depends hugely on the banks to fund their projects. If misfortunately, the industry faces a crisis then Banks also face the consequences and their
NPAs will rise. Many industrialists have done these defaults which have been problematic for the Indian Banks to recover.

Regulatory issues – one main cause of rising NPAs is lending norms in Banks, many ill borrowers bribe the Officials to get loans so the regulations of the Banking sector need more strictness.

Suggestions/Recommendations to solve the issue

To tackle this issue of NPA, various measures are suggested, one of the suggestions is proposing for the establishment of Bad Banks. "A "bad bank" is a corporation established to isolate stressed assets held by a bank or financial institution, or a group of banks or financial institutions. It might be established privately by the bank or financial institution, or the group of banks or financial institutions, or by the government or some other official institution." Thereby giving the government as well as private players a full chance to make one.

Second way suggested is the Nationalisation of banks to protect them from deviating from their purpose to serve. That was to secure them from earning goals i.e. (Return on Net Worth). Now the government is privatising public sector banks. Till now Bank of Maharashtra, Indian Overseas Bank and Punjab & Sindhbank.

Third way is Bank mergers. Although mergers of few banks have already done. Two key benefits to do this are:
1. Public sectors banks are less strong as compared to merged ones which are good to experiment with. We can have place PSBs in a better position via merger as technological advancements will benefit them.
2. The government is no longer willing to support them with a continuous capital infusion. Moreover, Debt Recovery Tribunals (DRT) was established by the Government of India for the recovery of debt. DRT mainly deals with the recovery of debts due to Banks and Financial Institutions from defaulting borrowers as well as checking up for security measures. Also, reconstruction of **Financial Assets and Enforcement of Security Interests act**. One of the key reforms that happened recently when the **Insolvency and Bankruptcy Code (IBC 2016)** was when the Prime Minister mentioned its functioning reforms suggested by the government.

How can Bad Bank establishment help the scenario?

Ownership: Regular banks create bad banks for their purpose of transferring their bad assets into the bad banks. The sole purpose for the creation of a bad bank is to liquidate the bad assets. Whereas, when government establish a bad bank they partially or fully owned by the government. In this way, government take responsibility for risk. The risk may then associate with the taxpayers. But in such situations, bad banks are prone to politicisation.

Therefore, the required suggestion is that the ownership of the bad banks should be given to the Private Sector banks as well as the Government so that the risk involved and losses (if any) that occur can be shared by taxpayers and the banks. The government needs to establish the right incentives for bank management, they typically have limited management compensations and they also include fair value pricing.
Analysts believe that unlike a bad bank set up by the private sector a bad bank backed by the government is likely to pay too much for stressed assets. Also, they will be liable to the Taxpayers for their hard-earned money, this will refrain them from making any fraud.

Formal Structure: seeing the situation of the bank crisis and the pandemic situation that led to the rise of NPA, it is important to know the extent of the crisis. Then whether the issue is with how many banks. If the stressed assets exceed 20% then regular can take help from internal audit system. Then they may liquidate that asset. Only in the situation of adversity they can take help by transferring those assets to bad banks. But currently, the situation is like most of the regular banks in India is facing high NPA issue cause of concern for whole Financial System. Therefore, the government needs to intervene in this. They will provide aid to the banks. It may also happen that the Government decides to have a Centralized Bad Bank.
The loan sanctioning process of the Banks needs to be more cautious and harsher via checking of every borrower and then lending them.

Toxic Asset Transfer Pricing: the transfer price that a bad bank need to pay to the regular bank for purchasing the toxic asset is a very crucial factor that should be taken into consideration. The asset quality needs to be checked to get the right idea of the amount being paid for the same. The price-discovery mechanism can be a major cause of worry, as most of the high-value bad loans involve a consortium of lenders, where unanimity on price and value can be a roadblock for smooth and quick decision-making. An overpriced asset is hard to deal with, making the right resolution for such cases are difficult.
There is a need for strengthening the lending prudence and the existing risk management practices of the banks.
This will be good news for PSB which have been reluctant to incur losses by selling off their bad loans at cheap prices. But this is bad news for taxpayers who will again foot the bill for bailing out troubled banks.

Conclusion

The creation of Bad Banks is therefore a key to resolve the NPA crisis but for that matter also, the ownership of such banks, formal structuring is crucial. As we have witnessed the crisis many times in the past where due to any defaulter banks suffered and therefore the general people.

The system should be flexible but with some more rigidity to stop any fraud activity. Moreover, the collaboration of PSBs with Private and Foreign banks may possibly help recovery through technological advancements and some more labour force. Hence the need to prevent this crisis a strong and right approach is the need of the hour otherwise it will have a very bad impact on the economy.

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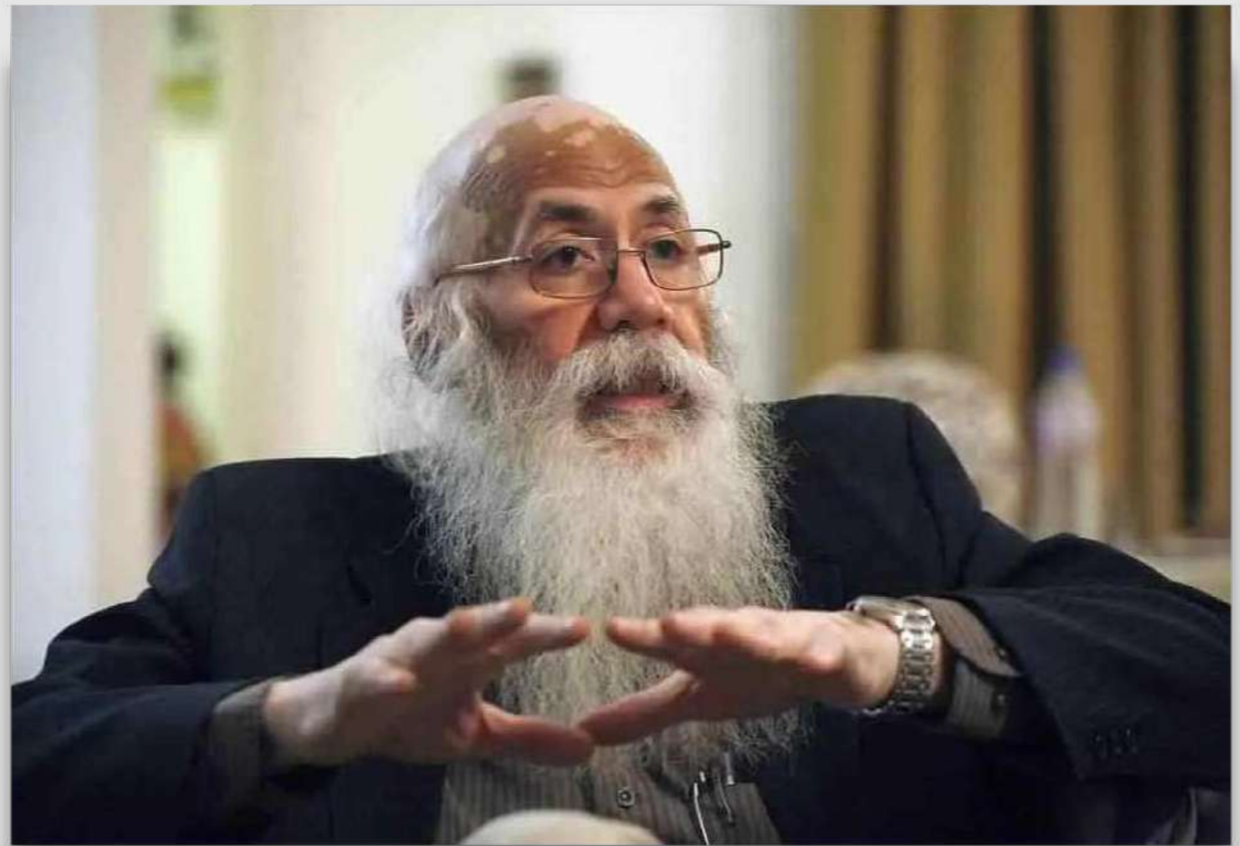
INTERVIEWS

IN CONVERSATION WITH
PROF. ARUN KUMAR



Interviewed by Aditya Dawar & Kirti Gupta

Dr. Arun Kumar taught Economics in Jawaharlal Nehru University from 1984 to 2015. He was the Sukhamoy Chakravarty Chair Professor in the Centre for Economic Studies and Planning, JNU. He has been a Vice President and acting President of the Indian Academy of Social Sciences. He is currently the Malcolm S Adiseshiah Chair Professor at Institute of Social Sciences, N Delhi. He has specialized in Development, Public Finance and Public Policy and Macroeconomics

The fiscal support policy adopted by our government during the first lockdown was quite different from the approach of various other developed economies where a large demand stimulus package was given at once as compared to ours which was provided in a phased manner. So what are your views and do you think that this process has given us an edge over others?

We are one of the major economies of the world and we were hit the most by the pandemic, that's why our rate of growth dropped the sharpest in the first quarter of last year. The reason is that we have a large unorganized sector that employs almost 94% of the workforce and it produces 45% of the output. About 14% of this comes from agriculture so the non-agricultural unorganized sector produces 31% of the output. This 31%, got hit very badly because in lockdown people couldn't go out to factories, to offices, the roads were empty and there was little work being done. So, this 31% almost came to a standstill and that's why the rate of growth of our economy dropped very sharply.

Now, how do you revive the economy? So, what we should understand is that a lockdown means that the people have voluntarily stopped work, so both supply gets disrupted and demand declines. So, if you try to boost supply, but demand is down then it doesn't succeed. What our government was doing was that it wasn't giving a boost to demand by putting purchasing power in the hands of the people who lost employment, or who lost their salaries, or their salaries were cut.

What the government was trying to do was to cater to the supply side, which means giving incentives to businesses. The "Atmanirbhar Bharat" package announced in May 2020 was a Rs. 22 lakh crore package, but out of it only Rs.3 lakh crore was coming out of the budget to give to the poor and the rest was credit and so on from the banks and from the governments, etc. for various businesses. But, because many businesses were closed or working at low capacity, they did not need additional credit.

That's why the banks were also parking their excess liquidity with the RBI, rather than giving it out as loans to the businesses. Of course, when businesses are working at low capacity, they will not invest more, and then their need for credit declines. So, therefore, our package was a bit misconceived, as instead of working to increase demand in the country, and giving money to the small businesses so that people could have remained employed, it rather catered to the well-off sections and bigger businesses.

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Because the package was misconceived, the economy was slow to revive even later on. According to the RBI data, even in January 2021, capacity utilization was at 63% and the consumer confidence index was down to 55%. This data pertains to the organized sector only, so for the economy as a whole, the situation was much worse. So, by January 2021, neither the consumption demand had revived fully nor new investment was picking up and that's why our rate of growth remained negative for the whole year. In contrast, the US had put 15% of its GDP into the reviv

-al package. Similarly, there have been large packages by other big economies also, but our package to boost demand was only 1.5% of GDP. That's why the Indian economy continues to face trouble in spite of what the government has done.

Seeing the scenario during the first lockdown and now, when do you think the enhancement of fiscal support was required more and why? What would you have done in such a situation?

Anytime, when there is unemployment then there is a need for such support. Even now (during the second wave) there has been an increase in unemployment, even though a nationwide lockdown was not announced but a number of states have announced individual lockdowns. Hence, almost 90% of the country is in some sort of lockdown or the other. So, even if we don't call it a national lockdown, it's a lockdown. So, many people are not able to go to work. The kind of package that has been referred to later in the answer to the third question is needed now also.

The mistake that we have made is that we have not learned the lesson that we should have learned from the first (previous) lockdown. It was very clear that a second wave would come: which he also has mentioned in his book "The Indian Economy's Greatest Crisis."

That had happened at the time of the Spanish flu (1918-20) and influenza and the flu viruses which keep appearing every year. So, a second wave should have been expected and in anticipation of that we should have built up the hospital capacity in the 6-8 months that we had got. We should have also built up the testing capacity instead of the slackening of testing. We should have become ready to do more testing and also ramp up the production of the testing kits and the allied infrastructure. Contact tracing was crucial to check the spread and genome testing to discover what kind of viruses are affecting us.

We also knew that the unorganized sector is unable to face the crisis due to lockdown, because when the surveys were done last time during the lockdown, then 80% of them said that they didn't have the money to buy even one week of ration for their families. So, they started starving and had to migrate back to the villages from where they had come.

This is why Professor Arun Kumar had also suggested in his book and is suggesting now that we should move towards giving our workers a "living wage" so that in a time of crisis they can support themselves. Further, immediately they should be given ration and some money. They should also be provided a place to live near their place of work so they don't have to commute. Like, near the factories. The factory management should arrange someplace for the workers to live near the factories so that even in times of crisis these workers can go and work in the factories after testing, etc. So all these lessons were there (which have also been mentioned in his book, which was written last year in July) and these things could have been done.

Now, at this point of time when a strong second wave has hit us and the health systems have been breaking down in large parts of the country, where many people are not getting oxygen or hospital beds or are dying in ambulances and auto-rickshaws, etc, it is a clear indication that we haven't used our time well. We should have ramped up our health infrastructure. Moreover, we allowed some events like, the Maha Kumbh and the elections which we shouldn't have permitted.Especially when the daily number of cases in mid-Feb was about 9,500 cases and by the end of Feb they had doubled and by the middle of March, the cases had tripled, so we knew that a new wave had started. Immediately steps should have been taken to ensure that crowds don't gather and a lockdown imposed by say mid-March. hen the situation wouldn't have gone out of control. In 2020 the wave s

-started in February when there were only 10-20 cases and hit a peak in September when there were some 98,000 cases daily. Now in mid-Feb, we had around 9,500 cases per day so the peak had to be much higher than what it was in 2020. Further, the last time we had clamped the lockdown in March when the cases were still few. With a national lockdown when people don't move around, the spread of infection slows down. But this time we hadn't done a lockdown in even major cities like Mumbai and Delhi until April 14 and April 19 respectively. So, the number of cases kept increasing and it was only when a lockdown was clamped in Mumbai and Delhi, that the number of cases started coming down 15-20 days later. So the lessons from the first wave weren't learned and were not applied in the second wave, whether it has been in terms of health infrastructure, lockdown, testing, tracing, genome (genetic) testing, etc. Consequently, we have been caught unaware and that's why we have the pictures of mass cremations and burials taking place, people drowning the bodies of their near and dear ones in the river, and horrific scenes of bodies floating down the Ganges.

Even in the presence of the bulk of relief packages which have been in the form of indirect credit guarantees and liquidity infusion, we couldn't achieve what was desirable. One reason was the low levels of credit demand from businesses and consumers. According to you, what fiscal measures should the government have adopted to stimulate the credit demand in the economy and in turn facilitate the monetary measures that have been taken? Also, sir, it would be nice if you could suggest some measures that put more emphasis vis-a-vis the MSMEs and the self-employed sector ?

Going in for a supply-side package when demand is short will not work. It's like saying that you have taken the horse to water, but the horse will not drink because the horse is not thirsty. If the businesses are not running and if the demand is low, then they are not going to take more credit.

So, this was a mistake. The government seemed to be worried that the economy was down and that tax collection would be much less than targeted, and if they spent more money on helping the poor, then the fiscal deficit would rise. They were worried that the credit-taking agencies, the IMF, and the World Bank would frown on a large rise in the deficit. But, this thought process of the government was a mistake according to Professor Arun Kumar. Every economy boosted their fiscal deficit like, the US spent an additional 15% of their GDP to give a $ 2 trillion package. In December the Trump administration added another $900 billion and then Mr. Biden came with another $1.9 trillion package. 15% of GDP was additionally spent by the US out of its budget. Since other countries were also, raising their fiscal deficit, our increased fiscal deficit would not have been an issue with credit-taking agencies, etc.

So, actually, the government should have gone in for boosting demand by giving funds in the hands of people who had lost employment. One of the ways to do that could have been through direct benefits transfers to the people who are registered under the "Jan Dhan Yojana" or some other poverty schemes that the government is running like for the farmers. That could have boosted the purchasing power at the lower end of the income ladder. Instead, the government was giving tax concessions to the well-off sections, but if you give more to the well-off sections then it is in vain since their expenditures at the margin are small. If you give money at the lower end, they would spend all of it and demand would be boosted. One of the steps that should have been taken is putting more purchasing power at the lower end to about say 200 million people who had lost work and incomes, during this pandemic and the lockdown. They would have started spending immediately and boosted demand. Next, the rural employment guarantee scheme (MGNREGS) should have been ramped up by a factor of 4. The budget had allocated Rs. 60,000 crores and then it was enhan enhanced by only about Rs.40,000 crores. But it should have been enhanced to say, Rs. 2 lakh crores or even Rs. 3 lakh crores. The wages under MGNREGS should have been increased and 100 days of work offered to each family should have been increased to 200 days of work. Then only a lot of people who had lost their jobs would have got work and some income in their hands. Next, a lot of people in the urban areas also had lost their jobs, so a scheme similar to MGNREGS could have been started in the urban areas also.

A lot of work could have been offered in say, the education and the health sectors. For instance, young people could have been employed in contact tracing and education. So, both our health infrastructure and education sector could have been enhanced. There was a need to teach children in small batches since schools were closed. Then, we have a large number of micro-units that come under the MSMEs (i.e., the micro, small, and the medium) but micro-units are very different from the small and the medium units. Micro units on average employ 1.7% of the people and they have a maximum capital of less than Rs.25 lakhs. The small and medium sectors have much higher capital. Thus, the problems of the micro sector are quite different from those of the small and medium sectors. In other words, we needed a separate package for the micro sector. The government announced a package for the MSMEs but most of it catered to the small and the medium but not by the micro sector. For instance, there are a large number of self-employed people working as say barbers or small traders or lathe operators. They needed small amounts of loans because they ran out of their working capital. So, the provision of working capital for the micro sector was required. If money had been given to them, they could have revived their businesses much more quickly. In other words, the government needed to cater to the bottom 800 million people who were suffering as a result of this lockdown and the pandemic and they didn’t have the money to be able to revive their work or businesses on their own. If this had been done then more demand could have been created and the industry could also have revived faster. Without the revival of enough demand, the industry could not revive on its own by taking more credit.

The sudden surge in the number of cases during the second wave has hit us harder than any of the countries around the world. We have seen that with the emergence of the new mutant of the coronavirus, now the rural hinterland is also being affected at a substantial level. And this further deepens the concern because such underdeveloped regions have very weak health infrastructure and also the negligence of the people over there, towards the covid protocols. Even at the level of our country, we are facing such a huge crisis in terms of the lack of necessary medical and logistical equipment. In your view, what measures should be taken so as to curb the effect of this virus in these rural regions and also to tackle the current inefficacies in the health sector at the country level, because we've seen that they have been stretched to a massive extent, and given the fact that we have an urgent need for it?

Everything cannot be achieved immediately so we have to think of the long run, the medium run, and the short run. In the short run, we have to stop the massive wave being experienced. The only way to do that was by implementing a national lockdown in March itself when the cases had not risen so much. This would have implied that there would be no Maha - Kumbh or big election rallies. People from all over the country would not have gathered at one place and gone back to their towns and villages carrying the disease. Elections could be postponed or at least physical rallies could have been banned by the Election Commission. This would have prevented the community spread of the virus and a sudden boom in the number of cases. If the government was serious, all this could have been done. But the government had developed the attitude that “we have won over the first wave and the disease". People also became slack with the COVID appropriate behavior, many weren't wearing masks or maintaining social distancing, etc. It was only in the month of April that people got frightened and then started going for vaccination. Prior to this a large number of people weren't(even considering getting vaccinated.

During the first stage of vaccination when frontline workers were to be vaccinated in 90 days, out of one crore, 40% did not go for full vaccination. Even during the second stage when people above 45 years of age with comorbidities and those above 60 years of age were to be vaccinated (30 crores), there wasn't a crowd at the vaccination centers. It's only after mid-April when people realized that vaccination is essential, that the crowds came.
The government also did not plan well for the vaccination; imposing a lockdown can only slow down the spread of the disease but is not a cure for COVID. So we should have planned from July 2020 itself how we would vaccinate 1.4 billion people.

To vaccinate 140 crore people we needed 240 crore doses (2.4 billion) and even Serum Institute (SII), the largest vaccine manufacturer in the world cannot produce that many doses in a year. So, we needed to ramp up our production capacity and also needed to place orders for vaccines from July 2020. This is what many of the advanced countries did. They paid billions of dollars to pharmaceutical firms and booked doses for themselves. We placed orders on SII on 10 January 2021 when vaccination was to begin from January 16th. If we were to vaccinate even 60% of the population so that we could achieve herd immunity, that would mean vaccinating 84 crore people in a time span of 7-8 months. So, we needed 168 crore doses and needed to vaccinate 20 crore people every month. But we were nowhere close to this number. We should have started with at least 10 crores vaccination per month in January and quickly increased that number to 20 crores by March or April so that we could have covered all the 84 crore people and gained possible herd immunity within 2021. Now, the rate at which we are currently going in April and May 2021, we won't be able to vaccinate 60% of the people even till the middle of 2022.

The implication would be that the current wave can persist since a large number of people are unprotected and a third wave is very likely as the experts suggest. So, our planning for the medium term, that is, vaccination, was completely inappropriate. Just like we didn't go for the proper lockdown strategy, we didn't go for a proper vaccination strategy either. No wonder we repeatedly altered our vaccination strategy creating much confusion. And the long term required getting businesses started and creating employment. For that, we needed to increase spending from the budget to help people get purchasing power and that required revamping the budget itself.

Due to lack of proper planning today we are in big trouble. We are going to be hit as badly as last year (2020-21) whereas other major economies like Britain have already vaccinated 50% of their population with one shot, in the U.S they are claiming that they would have herd immunity by 4th July and Israel has already achieved its target. So major economies around the world would be able to revive whereas our economy won't be able to do so in 2021. Due to this differential between other major economies and our economy, capital will start flowing out of India. Also, because commodity prices are rising (like metals and petroleum products) inflation would increase and that will impact the poor and slow down our economy further.
So all this represents poor planning and waste of 8-9 months being overconfident that we have managed the situation very well. It has created a crisis in both health and economic spheres. Our health infrastructure is very weak in our small towns and in r

-ural areas but not much can be done in a short while, as building a whole infrastructure takes time. Even if we make buildings quickly where are the doctors and nurses. These are short in urban areas themselves. So, at this point of time, we have to call in the Army to take command of logistics, set up field hospitals and dispensaries in districts to supplement the civilian effort. There is also a lot of black marketing these days, be it for vaccines, oxygen, or hospital beds. There have been reports that some people in the administration and police, etc. have taken advantage of their position in the time of these calamities to make money. That is why in India disaster is called the third crop after Kharif and Rabi. This makes the position of the common people much worse. When the army is called out, some of this corruption can be controlled. Army’s help is a short-run measure. In the long run, we have to build massive infrastructure in rural areas, etc. So, expenditures of the state governments and the central government have to be oriented towards the health infrastructure by cutting down the inessential expenditures everywhere.”I would dare say that this will still take some time as these measures can't be implemented in one or two months. All the resources will have to be mobilized immediately to fight a situation that is worse than a war.”

INTERVIEWS

IN CONVERSATION WITH
DR. CHAKRAVARTHI RANGARAJAN

Monetary policy has a crucial role to offer to handle the economic crisis caused by the Covid-19 pandemic. Okonomos 2021 interviews none other than Dr.Chakravarthi Rangarajan - Chairman at Madras School of Economics, former governor of the RBI and Chairman of the Prime Minister's Economic Advisory Council - for the answers! With his profound knowledge and understanding - he has a sea of wisdom to offer!

India's current case trajectory is one of the worst in the world. This fear of surge of covid-19 is one of the factors which has contributed to the rupee weakening. What steps should be taken on the fiscal and monetary aspect to strengthen the INR?

Dr. Rangarajan-

The external value of the rupee has come under some pressure post the second wave of Covid-19. In the final analysis, the value of the rupee is determined by the supply and demand. In the recent period, India's current account deficit has been under control. The fluctuations in the external value of the rupee have been due to fluctuations in capital flows. While capital inflows have remained reasonably strong, on occasions there has been a pull out of investment from India. Perceptions sometimes change quickly. The impact of the second wave of Covid-19 in India has been very severe. The virus has spread fast and the death rate has been high. Many states have brought back lockdowns. Lockdowns have a direct impact on production. Much depends upon how quickly we bring the situation back to near normal. If the external world gets the perception that we are acting quickly and are moving in the right direction, confidence in India will be restored and there may not be any external shocks. The rupee as of now has strengthened. It is at a 7 week high. Fiscal policy should keep the expenditures at a reasonably high level so that it assists the recovery process. Monetary policy has tried to keep the interest rate low and to expand the availability of liquidity. While pursuing these objectives, monetary policy should keep a watch on price stability. The stance of fiscal and monetary policy can play a role in restoring confidence in the rupee.

Do you believe that a Universal Basic Income would be beneficial in a state like this, where majority of lower income population has lost their financial footing to some extent?

Dr. Rangarajan-

Universal Basic Income (UBI) has been talked about in India, well before the advent of Covid-19. It is a social safety net. The idea behind this concept is that it is the responsibility of every government to ensure that every citizen gets a certain minimum income. In actualizing this concept, there are two problems. One is in fixing what that "minimum" should be and the second is who should be the beneficiaries. Both depend to some extent on the resources available to the government. In fact, the Rural Employment Guarantee Scheme which is in operation in India is similar to UBI in spirit. It is also demand driven. Government does not choose the beneficiaries. Perhaps we should introduce, now, an Urban employment guarantee scheme. Given the current situation that several daily wage earners have lost their jobs, a cash distribution scheme is also needed. Many state governments have followed this route.

The pandemic has led to the situation which is opposing one of the basic principles of economics represented by the Phillips Curve as there is a pressure on both inflation and unemployment to rise. How can the policymakers of the country help assuage this situation?

Dr. Rangarajan-

The possibility of unemployment and inflation rising at the same time exists. It has happened in India and elsewhere before. In the current situation, it depends on two factors. How quickly and how far the economy will respond to the stimulation measures. If lockdowns are lifted soon, the economic revival can be reasonable during the year. The major factor influencing inflation will be the impact of the pumping of liquidity. So far, retail inflation has remained within limits. It is here that monetary authorities have to remain watchful. They should keep a careful eye on the movement of the economy, even as they inject liquidity.

What will be the long-term effect of this pandemic on our nation's economy? How can we revive the falling GDP while ensuring equity at the same time?

Dr. Rangarajan-
There are really no long term effects of the pandemic, even though there are some long term lessons. Once the pandemic is over, we will revert back to where we were in March 2020. We would have lost two years of growth. If India is to emerge as a strong country with adequate strength to eradicate poverty, we need to grow at 8-9% per annum for a decade and more. Growth is the answer to many of our socio-economic problems. It was only during the high growth phase, between 2005-06 and 2009-10, when India grew between 8-9%, that the poverty ratio came down substantially. We were able to introduce social safety nets like Rural Employment Guarantee Scheme and Extended Food Security Program. We must get back to those days. India's Gross Fixed Capital Formation Rate has fallen since 2011-12. Investment is key to growth. We must raise the investment rate so that a growth rate of 8-9% is possible. Covid-19 has shown how weak our health system is. Growth must be accompanied by larger expenditure on public goods such as health and education. This is the lesson that we have to learn from our recent experiences.

What impact, do you think, the G-SAP programme of RBI will have on the foreign investment in India? Is it a healthy policy measure to take when domestic savers are already experiencing negative real interest rates?

Dr. Rangarajan-
G-SAP programme has multiple objectives. It can bend the yield curve in the desired direction. But largely speaking, it is an attempt to support the borrowing program of the Government of India. It is indirect monetisation. A large fiscal deficit is inevitable in a difficult year, like the present one. Everyone is urging the government to spend more. With falling revenue, a larger borrowing program bec -omes necessary. WIthout RBI's support, a larger borrowing program cannot go through. This is not peculiar to India alone. Almost all countries are following this path. As normalcy is restored, we must go back to a more prudential path.

RESEARCH AND WELFARE INITIATIVES

E-Mobility: The Next Big Revolution

This paper aims to study and appraise the current advancement of E-mobility as well as its evolution. In order to accomplish this intent, a rigorous analysis has been carried out to determine the performance of e-vehicles as an upcoming mode of transport across parameters such as logistics sector, costs to both producers and consumers, market forecast, impact and hurdles of switching to e-vehicles effectively.
Head on to read the full paper to know more about vulnerabilities and potential, as well as the transformations in what is considered state-of-the-art.

Price Discrimination: Is equity always fair?

The aim of this study is to focus on a practice aimed to extract maximum from a base of heterogeneous consumers and the benefits of which are engrossed by both the parties of the market, popularly known as Differential Pricing supporting the analysis by two major case studies to have a better understanding upon.
Read the full analysis to know how this economic practice is profiling the targeted customer groups by insider discounts and tracking consumption trends?

Women Entrepreneurship

Women Entrepreneurs in India are not just economically viable resources, but icons of social, patriarchal defiance. This paper delves deep into the structural issues women entrepreneurs face in India and tries to provide an alternative reality of equitable progress if this discrimination is undone.
Read the complete micro and macro analysis of the cultural norms and barriers persistent around and a quantification mechanism for unpaid care work.

The Economics of Creating Demand

The article mainly focuses on the idea of demand creation, what all strategies companies use to create demand, how an emotion or desire can create demand for a product and how the principle of magnetism stands tall.

The analysis showed that hassles in our daily life bring with them the clues of creating something big that resolves the issue and helps in creating demand for our new products. It reflects the importance of substituting our supply-side thinking with understanding of consumer needs and wants.

Decoy Effect: Choosing without knowing

This article aims to address the questions about irrational decisions and focuses on the personal aspects of consumer behaviour with the help of decoy effect.

The study revealed how businesses use the decoy effect to nudge and behaviourally force their consumers to select a certain form of product or service, which is one of the most widely used tactics for increasing profits.

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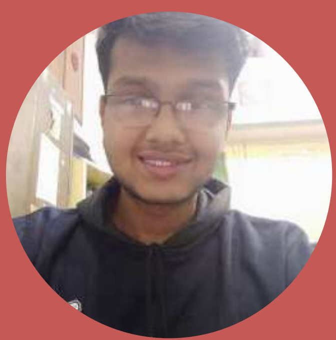

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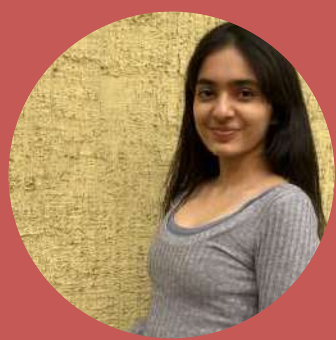

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