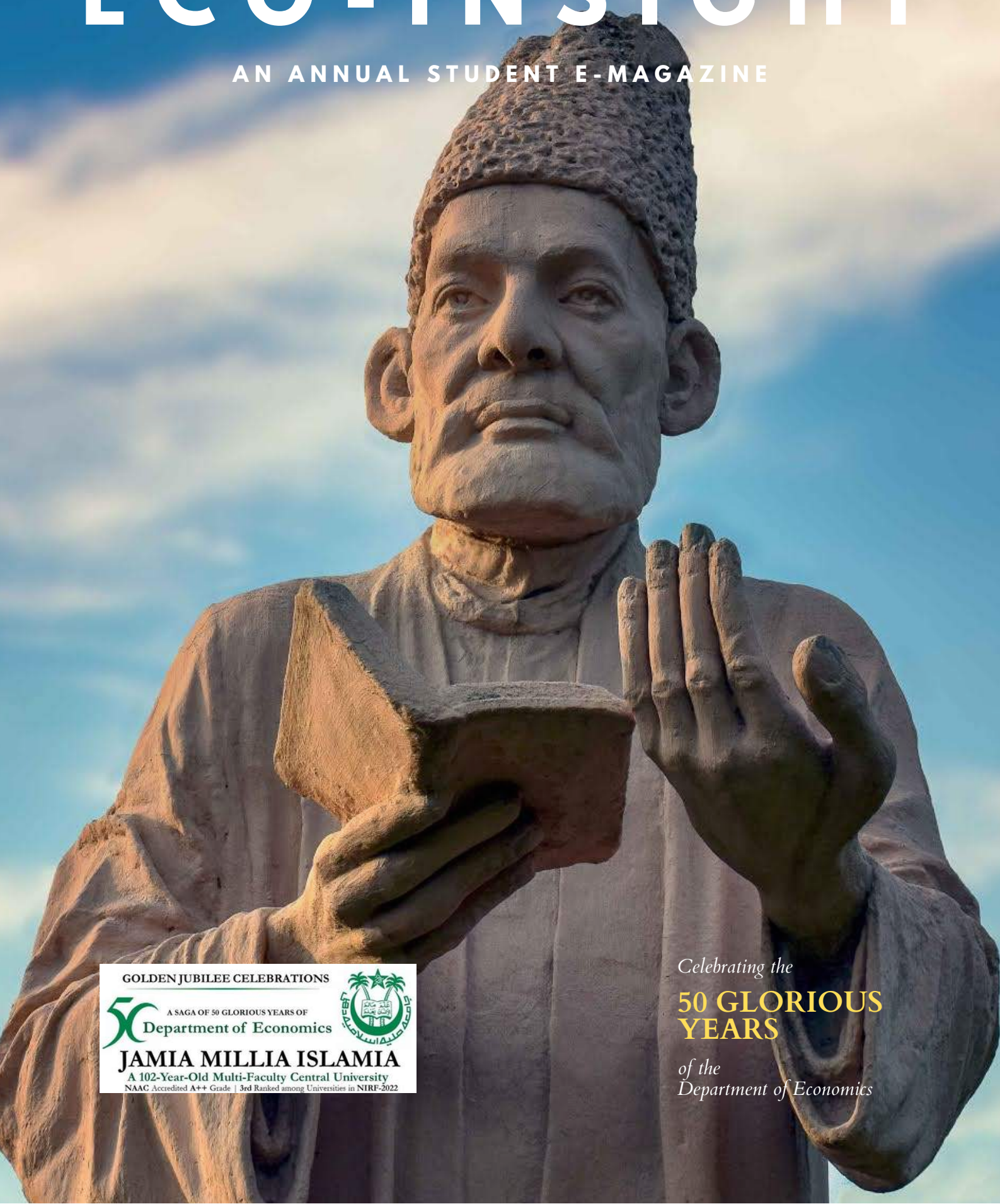


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2021 - 2022

# ECO-INSIGHT

AN ANNUAL STUDENT E-MAGAZINE



GOLDEN JUBILEE CELEBRATIONS

50

A SAGA OF 50 GLORIOUS YEARS OF  
Department of Economics



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## INTERVIEW

1. In conversation with Dr. Rajan Sudesh Ratna: India's G-20 Presidency

### ECONOMIC THEORY

2. Relationship between Income and Human Development
3. Paradox of Plenty: The Dutch Disease
4. The Conflict of Ethical Economics

### ECONOMIC ISSUES

5. Protectionism
6. Islamic Finance: An Alternative Tool for Better Socio-economic Well-being
7. The NEET UG Coaching Oblivion

### FINANCE

8. Viewing the 2022 Stock Market shocks through a Macroeconomic Lens
9. CBDC: Road Ahead

### FOOD SECURITY

10. Food, Food Everywhere
11. On The Brink Of A Food Catastrophe

### MIND & BODY

12. Behavioral Economics: An Introduction
13. Obesity: An Emerging Health And Economic Crisis in India

### ONLINE

14. Decoding India's Online Learning
15. Gig Economy

### INDIA & WORLD AFFAIRS

16. The Disinvestment Spree In India
17. The Indian Unicorn Bubble Burst
18. Youth in India: Demographic Dividend or Demographic Disaster?
19. Mehengayi-Dayan
20. US Inflation, Interest Rate Hike, and Spillovers to Emerging Economies
21. Sri- Lanka's profitable extremity and its impact on India
22. Russia's invasion on Ukraine and its impact on India
23. The New Collab Game



## BOOK REVIEWS

24. A World of Three Zeros
25. The Undercover Economist



## MISCELLANEOUS

26. Latest Economic Events
27. The Game Of Choice
28. Crossword
29. Memeconomics

# CONTENTS

## HEAD'S NOTE

It gives me immense pride to pen down the message for the Sixth Issue of the Eco-Insight, an annual E-Magazine of the Department of Economics, Jamia Millia Islamia, New Delhi (3rd best-ranked university in India, NIRF, MoE, GoI, and NAAC accredited A++ Grade). The Department of Economics has just concluded its Golden Jubilee celebrations(2021-22) with much zeal and enthusiasm by organizing several academic activities such as workshops, conferences and public lectures, etc.



The Department has been bringing out Eco-Insight since 2016 onwards. It provides a golden opportunity for our students, research scholars, as well as our alumni to share their ideas, knowledge, and creativity. I extend warm wishes to the Editorial team for their tireless work in bringing out this volume and wish that the magazine reaches a larger audience.

Best wishes,  
Prof. Ashref Illiyan  
Head  
Department of Economics  
Jamia Milla Islamia  
New Delhi-110025

## EDITORIAL ADVISOR'S NOTE

It brings me great excitement and joy as we are back with our brand new 6th issue of Eco-Insight. As it is said, the longer you wait for something, the more you appreciate it when it finally arrives. Since we are celebrating the Golden Jubilee of the Department of Economics, JMI, this latest issue being a part of it is a matter of great pride for me and my team of editors.



The present issue features the latest, relevant, and thought-provoking issues in the field of economics expressed in the form of articles, interviews, commentaries, reports, book reviews, etc. The content has been presented in different sections for the ease of the readers.

Our magazine gives an opportunity to all the students of our department to present their views and ideas on various economic issues. I congratulate all the students who have contributed their articles and my team of Editors who tirelessly worked round the clock to bring this issue to you in the present form.

I have been associated with Eco-Insight as Editorial Advisor since its inception. Each year, I work with a new team of editors who try to make their issue better than the previous one with their creativity and fervor. I hope we continue to bring our best to you. Thank you!

Best wishes,  
Dr. Saba Ismail  
Editorial Advisor & Associate Professor,  
Dept. of Economics,  
Jamia Millia Islamia

## EDITORS' NOTE

We are excited to bring you the latest issue of our economics magazine. As students with a passion for economics, we strive to bring you thought-provoking articles and insights into the world of economics.

Our latest issue covers a wide range of topics, such as Food Security concerns, Online Education in India, Gig Work Culture, Demographic Disaster, Islamic Finance, etc. By exploring current events and analyzing economic trends, we also hope to provide our readers with a better understanding of the world around them.

We thank our Editorial Advisor, Dr. Saba Ismail for her insight and support throughout our journey. We would also like to thank the Head of the Department of Economics, Prof. Asheref Illiyan, for providing us with this opportunity. Lastly, we thank our readers for their continued support and encouragement. We hope you enjoy this issue of Ecoinsight and look forward to bringing you more insightful articles in the future.

Sincerely,  
The Editorial Team  
Eco-Insight 2021-22



**In picture (Left - Right, Back row):** Qaiser Nabi Baba, Afsah Shahid, Muhammad Abdullah Ghazali, Md Shahnawaz Amin  
**(Left - Right, Front):** Subia Syed, Hanaan Musheer, Bushra Shahid, Anam Firdaus, Labeeba Bakhtawar



# INTERVIEW

# INDIA'S G-20 PRESIDENCY

*In conversation with **Dr. Rajan Sudesh Ratna***

*Interviewed by – **Afsah Shahid** (B.A Hons. Economics, Third year, JMI).*

***Reema Jain** (Ph.D. Scholar, Dept of Economics, JMI).*

**Dr. Rajan Sudesh Ratna** is working as a **Deputy Head and Senior Economic Affairs Officer** in the **South and South-West Office of UN ESCAP, New Delhi**. He has worked in the Trade, Investment, and Innovation Division of UN ESCAP, Bangkok earlier. He has been working in the areas of research, policy advisory, and capacity building on economic, environmental, and social pillars of sustainable development goals. He has also been providing technical assistance to ESCAP members in formulating development-oriented trade and investment policies and how to successfully negotiate trade and investment agreements.

Dr. Ratna is a former civil servant and worked for 25 years in the Government of India, mostly in the Ministry of Commerce handling trade policy issues and trade negotiations in WTO and FTAs. He negotiated and implemented the WTO and India's Free Trade Agreements. He also formulated India's Foreign Trade Policy and the Duty-Free Quota Free Scheme for LDCs. He has written many books on WTO, Regional Trade Agreements; Trade Facilitation and Poverty Reduction; Rules of Origin; Mainstreaming Gender through Trade Policy; has contributed chapters in several edited books and published several papers in peer-reviewed journals.



**Reema Jain:** What does it mean for India to lead the G20?

**Dr. Rajan Sudesh Ratna:** The fact that India holds the G-20 presidency is both significant and prestigious. The G-20 has emerged as a premier forum for international economic cooperation, playing an important role in shaping and strengthening global architecture and governance on all major international economic issues. It also serves as a forum for exchange and discussion on a variety of current issues. There are various levels at which discussions are held – the technical, ministerial, and summit levels. The G20 has drawn a lot of attention from the world community because it has come out as a non-contentious, forward-looking grouping. Countries participating in the G-20 come with an open mind, making this a very good platform for the exchange of ideas and views while discussing various emerging issues

covering the economy, finance, environment, etc. India, as a developing country, has a reputation for championing developing countries, the G-20 Presidency adding even more to its prestige since it now leads the developed world too. Many countries see India as a country that is objective, focused, neutral, and has a balanced view of international issues. It has also maintained a good balance between the global North and South and thus is a trusted ally of both worlds.

**Reema Jain:** What role can India's presidency play in the Asia-Pacific region for the development agenda?

**Dr. Rajan Sudesh Ratna:** India's leadership and vision have shaped the agenda of G-20 during its Presidency. It has already anticipated and worked on the expected outcomes of G-20 during its Presidency and thus has a

very focused agenda for every meeting. This time it has also brought the developmental dimensions on the G 20 agenda, keeping in view the present global architecture.

India has done a lot of work to promote South-South cooperation. It has established UN Development Partnership Fund which supports Southern-owned and led demand-driven, and transformational sustainable development projects across the developing world, with a focus on least developed countries and small island developing states. For providing technical assistance, India has ITEC programs. Even on FTAs, it gives special and differential treatment to some of the weaker economies that are developing as well as LDCs. Under the G 20 Sherpa Track, there is a Development agenda back on track at the global level. Indian Presidency has proposed three

overarching and interrelated priorities for the G20 Development Working Group - Accelerating Progress on the Sustainable Development Goals, Lifestyle for Environment (LiFE), and Data for Development (D4D). The Working Group is intended to serve as a blueprint to strengthen collective efforts including through multilateral cooperation on accelerating progress on the SDGs by providing the necessary political impetus through action-oriented commitment. SDGs cover the environmental, economic, and social pillars and thus the agenda may bring developmental dimensions in all three areas. The advantage of G-20 is the way it is structured. Issue-notes are prepared and knowledge partners are asked to present their

views which is followed by a discussion. In other negotiations, it is the member State which can submit proposals, but in G-20, proposals come from various sources. The G-20 thus has emerged as a multi-stakeholder platform where the views of other segments of stakeholders also shape the decisions.

**Reema Jain:** According to the research by Hurun India, "India has emerged as the third largest startup ecosystem after the United States and China, and a record 44 firms became unicorns in 2021." Moreover, under India's G20 chairmanship, the engagement group "startup20" has been established for the first time. To secure the long-term success of India's startup ecosystem and to promote innovation and entrepreneurship, what, in your opinion, is the most crucial topic to discuss?

**Dr. Rajan Sudesh Ratna:** It is undeniable that India has led the way in establishing start-up ecosystems. But start-ups are a global phenomenon. The issue with the start-up ecosystem is that its failure rate is also very high in comparison to its success rate. "The difference between

failure and success is only one step – you fail when you give up to stand again and you succeed when you continue to get up" Since G-20 is a platform for the exchange of ideas and also shaping of global architecture, the sharing of experiences can develop into a setting of a standard or architectural framework for start-ups. This is an opportunity where various countries' representatives can discuss and deliberate the challenges, success stories, what they expected, and what went wrong, which itself is a very rich debate. Second, since none of the international organizations have this issue on their agenda, the G-20 may help in shaping up some architecture for start-ups, from which everyone will gain. Additionally, this will also create a networking platform where start-ups can not only join

the global value chain but can explore e-technology and knowledge exchanges, tie-ups, etc.

**Reema Jain:** Given the G20's theme of a just, equitable, and inclusive world, do you believe India must lead discussions and garner the backing of G20 countries to solve the unfinished agenda of global financial reform, particularly as it relates to the IMF quota?

**Dr. Rajan Sudesh Ratna:** Because the G-20 is a forum for discussion rather than a legally binding negotiation, various discussions are held without any prejudices.

G20 Finance Track discusses global macroeconomic issues through its meetings of Finance Ministers and Central Bank Governors, their Deputies, and

various working group meetings. International Financial Architecture (IFA) Working Group deals with issues related to international financial architecture such as Global Financial Safety Net (GFSN); matters related to development finance; managing debt vulnerabilities and enhancing debt transparency; capital flow management and promoting local currency bond markets. Any decision arrived under G 20 in financial architecture, will surely have some bearing on other institutions. One must though understand that any change in global financial reforms will require a decision taken by that international organisation itself.

**Reema Jain:** How can the "G-20 Digital Innovation Alliance" establish an innovative ecosystem to promote global social and economic inclusion?

**Dr. Rajan Sudesh Ratna:** The Digital Economy Working Group, established in 2021, offers inspiration and broad guidance to policymakers on harnessing the digital potential of economies. The Working Group aims

***"The difference between failure and success is only one step – you fail when you give up to stand again and you succeed when you continue to get up"***



at the digital transformation to enhance public participation and realize inclusive social and economic growth. The Ministry of Electronics and Information Technology (MeitY) has launched the “G20 Digital Innovation Alliance” (G20-DIA). The G20 Digital Innovation Alliance (G20-DIA) mission is to showcase innovative solutions and create an alliance of innovation ecosystem players, including startups, investors, mentors, and institutions who are building digital public goods/innovations for the betterment of economies and the upliftment of societies. In addition, there are various other groups where discussions on digital inclusion are also happening, these include digital tax frameworks, reducing trade costs through the application of digital tools, etc. Hence, the G-20 platform will help to achieve a comprehensive framework of the Digital Innovative ecosystem.

**Afsah Shahid:** How can India influence the global institutional framework for technological transfer and development financing?

**Dr. Rajan Sudesh Ratna:** India under its Presidency has taken a forward-looking approach. It is shaping the agenda for discussions in such a manner that by the closing of the discussions in various working groups, some global architecture can be developed. India is planning that the G20 Summit can come up with a global framework that is tangible and sustainable as well. The aspects of technology and development financing are being discussed in various working groups. Development financing is being discussed under various pillars, one of which is the finance track and some of it is under discussions on developmental dimensions, where we talk about the mission LiFE and other related issues. Technology is linked with supply chain and digital innovation. There are other areas, like energy or other working groups where you require technology transfer. I am not sure whether a framework for technological transfer will be arrived or not, because it is one of the contentious issues being debated globally for ages. On a global level, for e.g., in WTO, where governments have been discussing trade and technology transfer for more than two decades, yet no decision was reached. Platforms such as B20 can be really helpful in such a scenario since the technology holder and the technology seeker are sitting together. Startups can look for collaborations and opportunities to expand globally. Hence, B20 and Startup groups under G20 can make such discussions possible which are not that effective under other negotiations.

**Afsah Shahid:** The Doha Development Agenda of WTO has not been materialized despite the persuasion of many developing countries. How do you think that India's G20 presidency can re-energize the issue of the Doha Development round?

**Dr. Rajan Sudesh Ratna:** Honestly speaking, I do not see the G-20 presidency re-energizing Doha Development Agenda because it is now in the cold basket. Countries are discussing and debating various other issues. The biggest

hot topic today is the WTO reform process. It is one of the priority areas of the trade and investment working group. Among the 5 priorities which have been identified, one of them is the WTO reform which constitutes some of the development dimensions, but again as I said earlier, G-20 is not a negotiating or a legally binding decision-making body. It is a platform where countries can reach a consensus on different issues but ultimately, for this example, they will have to go back to WTO to negotiate Doha Agenda. In the past, it can be noted that there have been some G-20 declarations that were not implemented by the countries which were a part of it; due to its non-binding nature. One such example is during the time of global recession in 2007-08, the G 20 summit declarations had paragraphs on not having protectionist trade policies, yet if you see the reports of WTO or global trade alert, a good number of protectionist measures taken during that period of time were by the members of the G-20 only. So yes, that is the pitfall of this process.

**Afsah Shahid:** How does India's G20 presidency help in attaining the SDGs by 2030?

**Dr. Rajan Sudesh Ratna:** The Development Working Group has identified accelerating progress on the Sustainable Development Goals and Lifestyle for Environment (LiFE) as priorities that deal with SDGs. We all know that countries are lagging behind their targets of SDGs which was aggravated by COVID and now by the Ukraine war. Other issues that are important elements of SDGs like financing for development are covered under the finance track; health, disaster, or climate change are also being discussed under the Sherpa track; and various other groups like B20 and T20 have discussions, debates, and negotiations on topics which invariably link to the SDGs. Trade as an engine of growth is being discussed under the working group of trade and investment. Discussions on growth include for example; poverty reduction which is SDG Goal 1 and dealing with the food crisis which is goal 2. Thus, various components of SDGs are being discussed in G-20. These discussions will definitely impact the progress of SDGs as countries will share their experiences which will help others to replicate the best practices followed.

The biggest challenge faced by all countries in implementing SDGs is that of financing for development. For example, if you want to reduce poverty you have to generate employment. During the time of the Covid-19 pandemic, the government had to invest in health services and stimulus packages. The government has limited sources for revenue collection, thus financing for sustainable development is a big challenge for many developing countries. These issues are being discussed in the G 20 Finance Track.

**Afsah Shahid:** What are the opportunities and challenges for India's presidency of G20?

**Dr. Rajan Sudesh Ratna:** I won't say that there are any challenges to India's G-20 presidency, however, if under India's presidency, some global frameworks or

international architecture can be agreed upon, then it would be a remarkable achievement. The summit declarations are political declarations that demonstrate the political will to make a progress on certain issues. However, since they are not binding in nature, unless they are followed up in other forums, desired results cannot be achieved. Since G-20 does not have its own secretariat, India is looking for some tangible results which are action-oriented. Many working groups are aiming for such results. As a knowledge partner, UNESCAP is working with the G20 secretariat for such deliveries. Let us hope that by the second half of this year, things will be clearer.

**Reema Jain:** So, is there any specific area you would like to point out which requires an architecture, or framework at the present?

**Dr. Rajan Sudesh Ratna:** There are many areas, but if I look at the Asia-Pacific region, one of the important things would be if you can have some kind of a global understanding, architecture, or framework on climate change and natural disasters. Especially if you look at South and South-West Asia, we have constantly seen one calamity or another happening like cyclones, floods, earthquakes, etc. Other examples are the recent earthquake in Turkey and in past in Nepal. UNESCAP implemented an Early Warning system post-tsunami and created a Tsunami Trust Fund for assisting countries to mitigate natural disasters and implement an early warning system. ESCAP is participating in the disaster working group and we are trying to bring consensus on global architecture on cooperation and sharing information on early warning systems. Hence many such success stories and experiences can be implemented and if G-20 is attracted to it then maybe something might come up.

**Afsah Shahid:** Finally, could the G20 presidency be a chance for India to leave an indelible mark on the global front?

***"There are many challenges that go beyond boundaries and this is where you require serious discussion, collaboration, and cooperation despite various differences among nations."***

**Dr. Rajan Sudesh Ratna:** I think so, but not too much because India's leadership is already globally recognized and proven, however, we can add some more value to our recognition as a leader. For example, during the Covid time, India led by the example of providing vaccines to countries. There was the creation of the SAARC Covid emergency fund, to which India, as well as all South-Asian, contributed despite the conflicts between countries. It is recognized that common challenges need a collective effort by countries. Recently UNESCAP did a study on crop burning in Nepal, Bangladesh, Pakistan, and India which causes air pollution. Since these countries have common borders, often the smoke crosses borders due to wind directions causing air pollution to neighbouring countries. The rivers have no boundaries, floods can happen anywhere. The earthquakes are not limited to one nation. For example, the one which came in Nepal also caused a lot of devastation in India. Hence, there are many challenges that go beyond boundaries and this is where you require serious discussion, collaboration, and cooperation despite various differences among nations. I think if India can bring in these dimensions, definitely it will add value to the G-20.



In picture (Left to Right): Afsah Shahid, Dr. Rajan Sudesh Ratna, Reema Jain

# ECONOMIC THEORY



# RELATIONSHIP BETWEEN INCOME AND HUMAN DEVELOPMENT



**Arham Gufran Ahmad**

*Human Development and Economic Growth, both complement each other and there exists a strong relationship between the two, defining the causality is not that obvious though. Human Development can be seen as the ultimate goal which the world as a collective has to achieve which makes Human Development an end in itself. Economic Growth helps in accumulating resources that provide a base for improvement in Human Development, while higher Human Development contributes directly to Economic Growth through increased productivity and innovation. This two-way relationship has been explained as Chain A and Chain B. (Ranis, Stewart, and Ramirez, 2000)*



Traditional development economics has largely been concentrated on Economic Growth and it more or less has failed to identify that Economic Growth was no more than a means to several other ends and for some important ends Economic Growth is not an efficient means either. In Sen's words, 'Money Answers all things', but the answer certainly comes slowly. Mere possession of commodities or say 'commodity fetishism' in the words of Marx is not enough for Human Development But it should be possible to turn commodities into capabilities. Power generates capacity, Sen sees human development as the process of expanding people's capabilities, And income growth does not guarantee that this happens especially when it comes to some important ends like entitlements to health and education, social

equality, self-respect, freedom from harassment, Economic Growth is miles off the target. (Sen; 1983, 2003)

The problem with the utility as a metric to development is that even when a person has been severely deprived for a relatively longer period of time, it may go undetected, as the person may not be 'sad' all the time. The utility-based approach is certainly not the way to do Human Development. Traditionally the concept of Human Development was more or less been narrowed down to health and education. But one can always broaden the scope of Human Development and the 'capability approach' helps us to a much wider extent. According to the "Capability approach," people's accomplishments are a collection of "doings and beings" that make up human life. A person's range of

functioning and freedom to choose between various lifestyles are both defined by their capability. Functioning might be simple, like avoiding sickness and mortality, or complex, like maintaining one's self-respect or exercising one's right to free speech. (Sen; 1983, 2003)

Human Development depends on the amount of resources that are allocated out of national income to the factors contributing to Human Development. Countries with a similar level of GNP can achieve different performances in Human Development. Expenditure on factors contributing to Human Development also depends on distribution and level of income across households coupled with who has the ownership of resources within households (greater female controls positively affect expenditures contributing to Human Development). (Ranis, Stewart, and Ramirez, 2000)

Poor households spend a higher share of their income on factors contributing to Human Development, any increase in income leads to increased expenditure on health, education, food, housing, etc. Poor people have a low level of entitlements and thus their capacity to create capabilities is bound to be lower than their counterparts with higher income. (Ranis, Stewart, and Ramirez, 2000) (Sen; 1983, 2003)

## HOMELESSNESS AND INEQUALITY

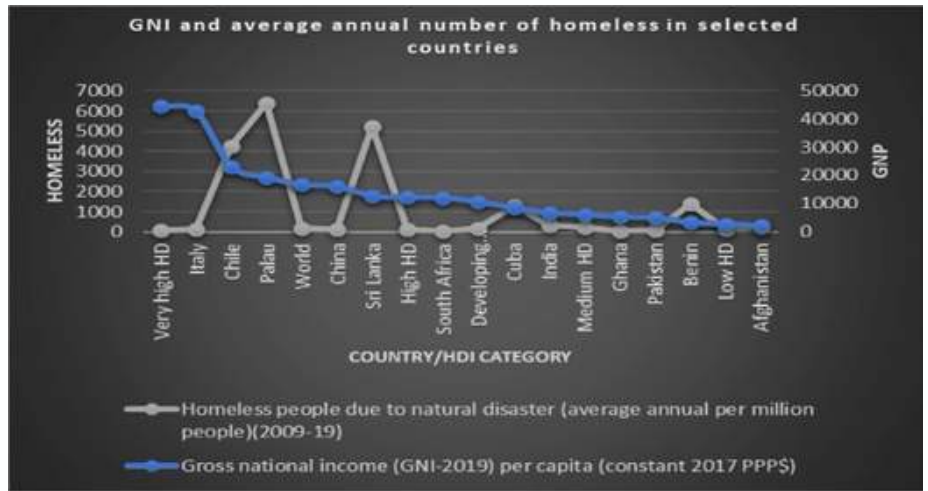
Economic Growth doesn't ensure progress on all the fronts of Human Development one can think of. Let us think of the people who are homeless due to natural disasters in some selected countries. One can immediately argue that this should be an important concern for any developed society and expect that a country with a higher GNI per capita should ideally accommodate more people with basic amenities like shelter, food, etc. on an immediate basis when any natural disaster occurs. One may argue that not all countries are hit by the same magnitude or frequency of disasters, so more homeless will be there where it has hit harder. True. But we're using a 10-year annual average of homeless people per million. Any country which is more prone to disasters needs to gear up for these issues, especially when we are talking for a period of 10 years. The relation between GNI per capita in PPP terms and the number of homeless (average annual per million, 2009-19) is not very obvious.

From the scatter plot, it is evident that countries like Chile, Palau, Sri Lanka, Cuba, and Benin have a higher number of homeless people than countries that have lower GNI per capita. Chile and Palau had the highest GNI per capita among the selected countries, with 4,264 and 6,379 homeless per million people, as did Cuba. India is significantly higher than Pakistan, with 297 homeless people per million compared to 66 in Pakistan.

A scatter plot has been used to observe

homeless people from different countries across different income groups. Keeping aside this, the smooth curves should have shown some pattern against each other had there been any direct relationship, but as income decreases, the curve for homeless people follows a zig-zag path.

**Figure 1: GNI and the average annual number of homeless in selected countries (Source: Table 1)**

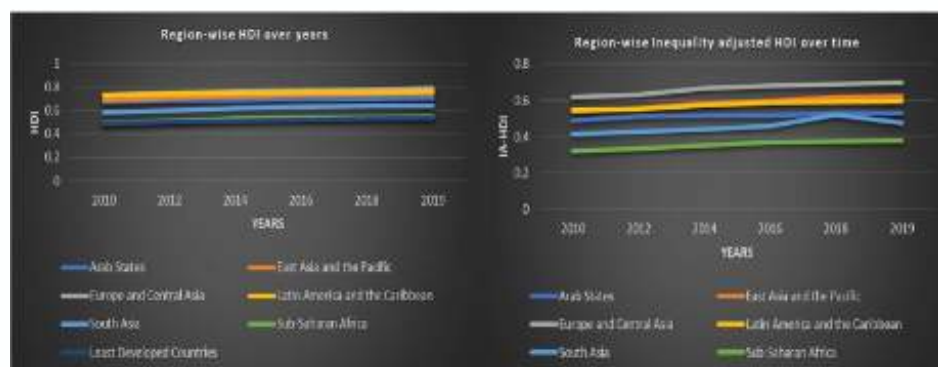


**Table 1: GNI per capita and homeless across selected countries**

Country/Human Development Category	Gross national income (GNI- 2019) per capita (constant 2017 PPP\$)	Homeless people due to natural disasters (average annual per million people) (2009-19)
Very high HD	44566	86
Human Development		
Developed		
High	12255	143
Human Development		
Developed		
South Africa	12129	16
Africa		
Developing Countries	10583	173
Cuba	8621	1310
India	6681	297
Medium Human Development	6153	217
Human Development		
Developed		
Ghana	5269	17
Pakistan	5005	66
Benin	3254	1375
Low Human Development	2745	119
Developed		
nt		
Alghanistan	2229	222

Now, due to the poor distribution of entitlements, the capacity to generate capabilities differ across social groups within any economy. Consider this distributional factor for the items included in HDIs which are Health, Education, and Income, each weighted equally. Distributional factors included, one can see the HDI value falls significantly for all the regions across the world and this fall is stark for regions like Latin America and the Caribbean, Arab States, South Asia and Sub-Saharan Africa. Actual fall can be observed from the tables below.

**Figure 2: Region-wise HDI and inequality-adjusted HDI over time (Source: Table 2 and Table 3)**



**Table 2: Region-wise Human Development Index**

Regions	2010	2012	2014	2016	2018	2019
Arab States	0.676	0.687	0.691	0.699	0.703	0.705
East Asia and the Pacific	0.691	0.707	0.721	0.733	0.741	0.747
Europe and Central Asia	0.735	0.75	0.766	0.772	0.779	0.791
Latin America and the Caribbean	0.731	0.74	0.752	0.756	0.759	0.766
South Asia	0.585	0.601	0.617	0.634	0.642	0.641
Sub-Saharan Africa	0.498	0.512	0.527	0.535	0.541	0.547
Least Developed Countries	0.485	0.499	0.51	0.52	0.528	0.538

**Table 3: Region-wise Inequality Adjusted HDI**

Regions	2010	2012	2014	2016	2018	2019
Arab States	0.491	0.513	0.51	0.517	0.531	0.531
East Asia and the Pacific	0.54	0.557	0.58	0.594	0.618	0.621
Europe and Central Asia	0.617	0.633	0.66	0.681	0.689	0.697

Latin America and the Caribbean	0.546	0.55	0.57	0.588	0.589	0.596
			3			
South Asia	0.412	0.426	0.44	0.457	0.52	0.475
Sub-Saharan Africa	0.323	0.333	0.35	0.371	0.376	0.38
			1			

From the table, we can calculate that the total loss in Index due to inequality is highest in Sub-Saharan Africa and is equal to approximately 29%. Similarly, the loss is around 26%, 24.6%, 22.19%, 16.86%, and 11.88% for Indian South Asia, Arab States, Latin America and the Caribbean, East Asia, and the Pacific, Europe, and Central Asia respectively. This loss in HDI value is usually faced by poor households in terms of little or no improvements in Human Development related indicators, making them even worse.

For any given level of GNI per capita, the more unequal distribution of resources or say entitlements are, greater the share of the population who are poor. Mere growth of income doesn't ensure that distribution will be just in nature. A greater pool of poor people will cause the productivity of the economy as a whole to fall, as their entitlements will not be enough to generate capabilities like being Healthy, Educated, Freedom, and all.

## CONCLUDING REMARKS

It has been shown in the paper that no country has achieved the state of a virtuous cycle through the Economic Growth-lopsided approach to development, rather they moved to the vicious cycle of poverty. However, on the contrary, the Human Development-lopsided approach has resulted in many countries moving to a virtuous cycle. (Ranis, Stewart, and Ramirez, 2000)

For a government of a country with low Human Development, if they won't focus on things like income distribution, inequality, poverty reduction, health, education, homelessness, etc., then it makes little sense to do that by raising the per capita income, instead, they can do that directly through policy interventions, as China and Sri Lanka did. The poor should not have to wait for the benefits of economic growth to trickle down to their level of the pyramid.

The provision of basic social services is an important factor that helps in triggering the virtuous cycle of development. (Sen 1983) (Mehrotra S and Parida,JK, 2021)

Economic Growth and Human Development are bidirectionally related in a way that it cannot be separated, and causality is not that obvious as well. Economic Growth is a vital means to development but not the sole factor and for many important items of development, Economic Growth is far from being an efficient means either, two such issues have been discussed above. By no means here it is argued that money is not important. It helps to accumulate entitlements which further helps to enhance the capabilities. In turn, high Human Development helps in Economic Growth with increased innovation and productivity.

Traditionally Human Development has been more or less revolving around improving health and education, but, Human Development is a much wider concept. One can always think of Homelessness, freedom, self-respect, social security, public participation, representation, inequality, and much more under the lens of development. The ultimate aim of all human activities is all-around Human Development and is not just restricted to Economic Growth



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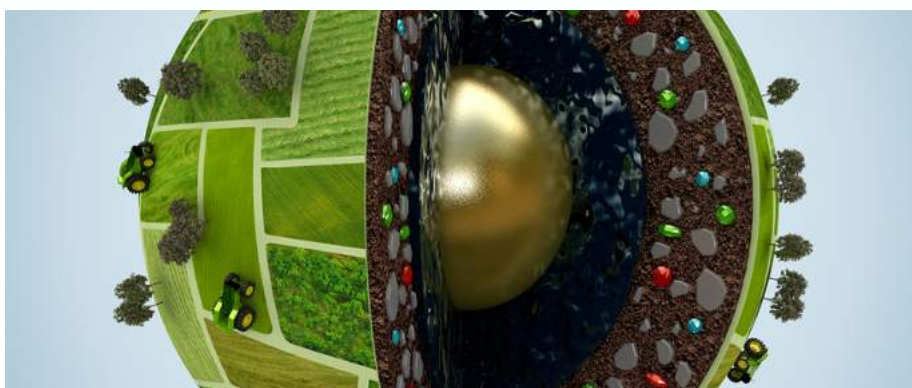
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# PARADOX OF PLENTY: THE DUTCH DISEASE

*In the 16th century, Miguel de Cervantes Saavedra, the celebrated author of the novel Don Quixote, once said that “the gratification of wealth is not found in mere possession or in lavish expenditure, but in its wise application.” During that period Spain enjoyed newfound access to a wealth of natural resources, including gold, from the Americas. Maybe his own country was showing symptoms similar to what later became to be known as the Dutch disease (Ebrahimzadeh, 2020).*



**Afsah Shahid**



The effect of this disease on a country is similar to what a cold winter does to people. It makes them sick. Countries which do not have a “good immune system” are more prone to catching this disease. Economists have identified the Dutch Disease as the economic phenomenon in which the growth of a specific sector in an economy (e.g., natural resources) leads to uneven growth in the other sectors of the economy (Ianchovichina & Onder, 2017).

The term first appeared in 1977 in *The Economist*, describing the decline of the manufacturing sector in the Netherlands after the discovery of the large Groningen natural gas field in 1959. This disease is generally associated with countries that are rich in natural resources. For example, Venezuela, Mexico, and Indonesia. Also known as the resource curse or paradox of plenty, this disease leads to the slower economic growth of resource-rich countries as compared to nations that are poor in natural resources. For example, countries like Singapore, Korea, Taiwan, and Hong Kong emerged as developed

economies whereas resource-rich countries like Venezuela suffered.

Now, a question may arise in your mind; “How can the discovery of resources harm any economy?” This happens due to a series of events. Consider what happened in the Netherlands in 1959. The discovery of natural gas in the North Sea led to the growth of natural gas sector. People started earning more income by exporting natural gas leading to the appreciation of its currency due to huge investments in this sector. As the nation’s currency became stronger compared to other currencies, other items became more expensive for people to buy in the international market, thus reducing exports. People now had more money and could buy international goods cheaply due to increasing imports. This led to a reduction in the total aggregate demand of the economy. The unemployment rate rose from 1.1% to 5.1% (*The Economist*, 1977) and the manufacturing sector declined due to the dependency on a single sector while other sectors become less competitive. The above phenomenon was first explained in the classic paper “Booming Sector and De-Industrialisation in a Small

Open Economy” by W. Max Corden and J. Peter Neary in 1982. This paper divides the economy into three sectors; the trading goods sector which trades goods exogenously at the world market prices and the non-traded goods for the domestic residents maintaining the demand and supply in the economy. The trading goods sector is further subdivided into booming (energy) and lagging (manufactures) sectors. The paper attempts to explore the pressures which lead to the de-industrialization of the manufacturing sector. The booming sector is in general of an extractive kind for example; natural gas in the Netherlands, or oil in the United Kingdom whereas the sector which is under pressure when a country catches Dutch disease is the traditional manufacturing sector.

The process is explained with the help of an example. Let’s consider a country that discovers oil. An initial increase in the country’s oil exports raises incomes, as more foreign currency flows in. If this increased income is spent entirely on imports, then there will be no effect on the country’s demand for domestic goods. But what happens when the foreign currency is converted to local currency? That depends on whether a fixed or flexible exchange rate prevails in the country. If there is a fixed exchange rate, then an increase in the local currency increases the money supply thereby creating inflationary pressures in the economy. This will lead to the appreciation of the real exchange rate making the goods rather expensive for people to buy in the international market making the lagging export sector uncompetitive. Similarly, when the exchange rate is flexible, an increased supply of foreign currency drives up the value of domestic currency which leads to a rise in



the real exchange rate rather than the domestic prices. In both cases, appreciation of the real exchange rate weakens the competitiveness of the traditional export sector. This is called the spending effect (Ebrahimzadeh, 2020). At the same time, the factors of production (labour), will shift from the lagging traditional export sector to the booming oil sector as well as domestic non-traded goods to meet the rising demand. This is called as resource movement effect (Ebrahimzadeh, 2020). The shift in labour from the lagging sector to the booming sector is called direct deindustrialization (Wikipedia).

These effects were witnessed during the oil crisis of 1973 when OPEC declared an oil embargo. By the end of the embargo in March 1974, the price of oil had risen nearly 300% and oil exports rose at the expense of the agricultural and manufacturing sectors. Similarly, in the late 1970s, higher prices of coffee, as the frost destroyed the first coffee crop in Brazil, opened up opportunities for countries like Columbia to sell coffee for huge profits at the expense of manufacturing (the lagging tradable sector), as resources were reallocated to the agricultural (non-tradable) sector (Ebrahimzadeh, 2020).

Hence a positive development like the discovery of natural resources can have serious repercussions on other sectors of the economy. Although this disease is associated with the discovery of natural resources, it can happen in any country where a series of events “result in a large inflow of foreign currency, including a sharp surge in natural resource prices, foreign assistance, and foreign direct investment” (Wikipedia). The magnitude of the effect of this disease in a country also depends on its economic structure. For example, The Gulf counties are the main exporters of oil but the manufacturing sector barely exists and hence they have little to fear about the disease. Now we are in a position to identify the causes behind the disease. First, when the administrators are not able to manage various dimensions of the newly and easily gotten resource. The government may get corrupt and eager to spend on a particular single sector to earn short-term profits rather than saving it for the long term. The countries get very sensitive to the changes in the sector it depends upon. For example, the recession in Nigeria in 2016 was caused by fluctuations in the oil prices.

The disease also has some side effects. It leads to the non-diversification of the economy as the economy gets dependent on the booming sector. As the natural resource is owned by fewer people or the government, it results in huge income inequality. It also makes the government corrupt and leads to bad political incentives. It leads to the death of innovation and holistic growth of an economy also resulting in a huge amount of unemployment.

How can one minimize the effects of this disease? The Dutch disease can be dealt with in two ways: one, slowing the appreciation of the real exchange rate by not introducing all the revenue in the market as money supply all at once. Some of the revenue can be saved abroad as special funds and brought in slowly. This also ensures a regular income stream in the country and helps to save for future generations. This is called sterilization and reduces spending effect reducing the effects of inflation in the economy. The second is to boost the competitiveness of the lagging sector. This can be done by investing in these sectors and providing subsidies.

Hence, the availability of resources does not ensure the sustainable growth and well-being of an economy. What matters is how these free gifts of nature are put to use. The decision-making body plays a key role in the economic performance of a country. A resource curse can be avoided by using the resources wisely in a manner that can also benefit future generations rather than being greedy and earning short-term profits posing a threat to the growth of the economy.



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# THE CONFLICT OF ETHICAL ECONOMICS



**Subia Syed**

*Should consumers be allowed to purchase medications without a prescription from a doctor? Should minimum wages be implemented to encourage more income distribution equality? Should policies aim primarily at increasing people's happiness rather than their incomes?*



Above mentioned issues generate ethical concerns. Because economics is a social concept,

It is vital to learn about politics, history, sociology, and other subjects to comprehend how economies work. However, understanding how economies should function necessitates some understanding of ethics as well.

The image of economics concentrators as morally bankrupt robots pursuing sterile, soulless professions is often used to describe them. According to some authors, a sound economic policy and human ethics are irreconcilable. They contend that our moral judgments should not "get in the way" of deductive reasoning and that economic logic should be free of our personal beliefs.

Rather, this argument is invalid. An all-encompassing request to keep our values out of economics presupposes that they are fundamentally problematic and leaves us with no way to use them helpfully. While some people have strong moral convictions, others have mediocre moral instincts. It does not matter how strong one's emotions are; what matters, precisely, is that they play

the right part in the decision-making process.

The minimum wage rate has been the subject of discussion. Every textbook for introductory economics includes a straightforward graph that shows a minimum price floor. Does everyone believe it will benefit the person making a daily wage if we look at it from an economic perspective, but is that the case? Let us consider it from an ethical standpoint. It is simple to determine that raising the minimum wage will result in unemployment for those already employed at lower pay.

There will be an oversupply of goods if the government forbids the sale of a good below a specific price when it would otherwise occasionally be sold below that price. The minimum wage serves as a kind of labour price floor. Lower-skilled workers—often minorities or young people—will not be hired if the government sets a minimum salary below which they cannot be employed. Unemployment results from a labour shortage and will disproportionately hurt people with the lowest skill levels and who are already at a disadvantage in the job market.

Progressive-era policymakers gave this primary justification for pushing for a high minimum wage. We must consider the economy the same way we consider nuclear energy. Suppose nuclear energy is contained in a robust and solid container. In that case, it can be a massive boon to humanity, providing cheap energy, an economic engine, less pollution, and many other benefits. Suppose the container is too weak and the economy suffers or explodes. In that case, it can trigger a massive campaign, as previously done by globalisation to coal miners in the United States, steelworkers, and others in many parts of the world. As a result, the secret to an excellent ethical economy is comparable to the secret to a good nuclear plant, which is a substantial container. Our shared values are the most crucial layer of the container.

We commonly believe that the government should manage the economy. However, the most ethical and successful approach to regulating an economy so that it does not overwhelm society but instead swerves it, is to establish a set of shared values. The employee should feel secure knowing that after they retire, they will receive X years of Y payments and that the company will not swindle them out of their pension. Most transactions are predicated on the idea

that the other party would be courteous. Another straightforward example is a handshake.

We may not always be able to go through a legal agreement and formalities with a person, but an agreement can occasionally be reached solely based on a handshake.

Individuals are rational and have well-defined utility functions that express their preferences. According to standard economic theory, they choose their actions by maximising their utility subject to suitably established limitations. Behavioural relationships are discovered by monitoring how decisions change as the individual's circumstances change. When an individual evaluates the implications of choosing each bundle to decide which to consume, only the individual faces are examined; hence, the consequences that others face are not considered. As a result, the individual is only driven by self-interest, not ethical considerations like compassion, sympathy, or fairness.

According to an Oxfam International report, the wealthiest 1% of the global population owned 73 per cent of the wealth generated in 2017, accounting for 900 million poor people. An economy devoid of ethics worsens inequity by generating more poverty, crime, and injustice.

Globally, widespread vaccine nationalism is spreading in order to protect against the corona virus. This is so, because countries have limited financial resources to provide vaccination to countries that cannot afford it.



Vaccination nationalism, on the other hand, is incompatible with ethical principles and actions. Treating everyone in the same way is a good example. Differential treatment based on a person's financial circumstances is rather not possible. This is an excellent illustration of how economics and ethics can clash.

Consider Bhutan's situation, which relies on the Happiness Index and admirably on it. As a result, it prioritises environmental, cultural, and other factors over economic development. As a result, the options accessible to its population have been reduced. We need money even to

construct social capital, such as health and education infrastructure.

Bhutan is currently suffering from COVID due to its lack of economic prudence, as its whole system is import-dependent (from India, which is facing a vaccine shortage and presently unable to export to other nations). Ethics without economics is indeed a fairy tale in this circumstance.

Economists distinguish positive and normative judgments. Positive judgments are verifiable and based on verifiable data. Normative judgements give those facts a weighting based on the individual's subjective values. Giving positive and normative judgments independent roles in formulating policy requires ethical and economic studies. They do not just switch roles; their jobs are entirely different. However, recognising these distinctions should not be a defining narrative or the sum of our knowledge of economic policy.

There is no absolute clarity between the relationship between price incentives and moral behaviour and no validation of the law of markets; that is, when supply equals demand, the economy is in equilibrium. Therefore, the markets provide the goods and services that depend upon that. What is in demand is its self-destruction? is it cruelty? Moreover, where do those preferences come from? We do not know what the markets deliver to society without knowing that.

The concept of asset ownership for building wealth had gone too far in history when enslaved people without human rights were exploited in businesses as economic assets until moralists objected. Ethics cannot be swept under the rug for the sake of business because it is a natural aspect of economics. There is a reason economists like Amartya Sen and Abhijit Banerjee, who are known for using an ethically based economic approach in their work, are associated with this discipline.

This message has been consistent throughout history, from Chanakya's Arthshastra to Nobel laureate Abhijit Banerjee's work 'poor economics,' where he says, "We must abandon the habit of reducing the poor to cartoon characters and take time to understand their lives in all their complexity and richness truly." Ethics without economy is like a body without a soul, while an economy without ethics is nearly impossible. Because 'Means are also Ends in making, balancing both is a modern necessity.



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# ECONOMIC ISSUES



# PROTECTIONISM

*Protectionism in its layman terminology is protecting or conserving the “Swadeshi” or the indigenous products and industries of a nation through different tariff, subsidies and other protectionist methods such as import tax and bans to promote our own indigenous industry and immunizing them from foreign competition.*



Richa Singh



Even though protectionist policies are on the bench of scrutiny from all the known and concerned economists from various geographical masses, they are adopted by the governments of many nations. Every time we try to think and revise on the issue there are always jingles of jargon spurred with nationalism which prevent natural discussion with emotionally dialectic lines to counter it.

Protectionism is not an alienated or nor a very stigmatized method, it's a very popular yet short term measure which governments take to spur the indigenous competition and make a nation self reliant in some term. The most common by line attached to protectionism is in the sense of national security and its correlation to any war like situation. The National Security

claim implies a risk to the economic sustainability of other countries. In the case of war, it has been argued that economic dependence can limit an individual nation's capabilities. Also, different countries can negatively affect the economies of other countries. Emerging Industries argue that protectionist policies are necessary to protect nascent industries because the market remains open and global players can dominate it.

This could lead to the demise of domestic players in the new industry. Job Preservation can lead to an increase in domestic purchases which will lead to an increase in national production, and this increase in production will in turn lead to a healthy domestic labor market. Companies outsourcing work to countries where labor costs are cheap and management systems are simple,

leads to job losses in the domestic industry. Intellectual Property Protection protects innovators in the short term. However, copying new technology through reverse engineering is very common in developing countries worldwide. It's a very crucial angle as for a long time it has been a very debatable issue where the line between trade and dependence lies, if the limit is breached then it's quite serious because single-handedly a nation would be controlling a crucial part of another nations' economies. This might hamper the sovereign structure as trade is the international diplomatic language. The second issue attached to the policy is that every nation should try to incubate its infant industries as for all developing nations, it's quite hard for new infant companies to wage a war with existing marketing giants, and huge capital influx may even seal the competition with other competitive firms. Losing jobs, outsourcing our own talents and the quirky war of stealing ideas even more dangerously hamper it.

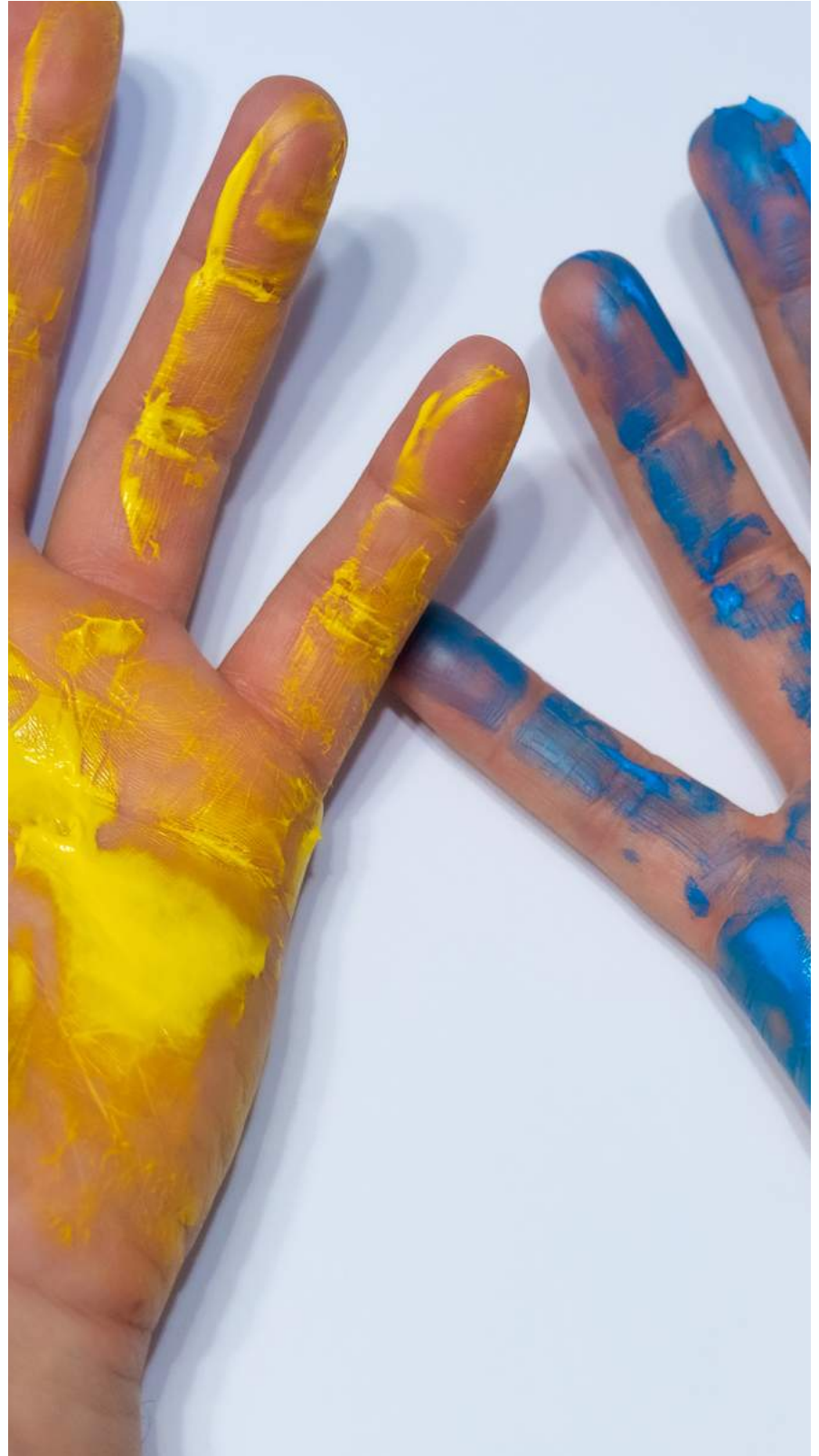
Providing tariff incentives to open up product export opportunities, including those related to small and medium-sized enterprises (SMEs). Inflationary policies restrict imports which lead to higher domestic prices. Therefore, it directly damages the interests of consumers. Uncompetitive local industries protect local industries, they have no interest in changing resources especially in research and development (R&D) of new products.

While some nations are quite dormant others may be quite pro active. Any kind of incentivization or trade tariff may try to instigate that nation to rethink and discuss the issue of international relations. Not only this, the everlasting inflammatory effect that it leaves is also very crucial and untackable.

There are still many countries like India who still are struggling to progress as they like behind many developed nations in some of the most critical issues such as laying the foundation of new business, improvising this only can help Indian industries to flourish and can compete globally and get a bigger market. The Make in India initiative launched by PM Modi in 2014 should focus on encouraging innovation, research and development in the country. The trade policy must be made in accordance with the financial stability, so that the resources are allocated evenly and special focus should be given for expansion of markets. India also needs to effectively utilise Free Trade Agreements (FTAs) with Japan and South Korea to increase exports, allowing them to become competitive in the global/international market.

Tangling words, technical discreet and hypocritical stands all try to curb and cease the act of international relations. To ensure that a palatable relations exist nations should try to envisage the dream of ease of doing business so that strenuous yet unproductive ways are not compelled by any nation, we should create technical prima facie that how the enriching of entrepreneurial ideas and mindsets set the goals higher to gain and achieve. This could ensure a sense of transparent and pro productive trade rules. Let's stand together, rather than pulling legs. Some policymakers as well as economists believe that trade protectionism would help in nation building.

On the other hand, many believe that the damage that can be caused to the nation. For example, Willem Buiter, chief economist at Citi stated, "that trade protection policies could cause a global trade war which could easily trigger a global recession." "If tariffs become more punitive and lead to a trade dispute with China, markets will be nervous, especially if a sharp retaliatory devaluation (of the Chinese renminbi) looks realistic," said Ajay Rajadhyaksha, director of macroeconomic research at Barclays." To sum up, great caution should be exercised in contemplating trade protectionism as it could have detrimental consequences for both the domestic economy and the world at large.



# ISLAMIC FINANCE: AN ALTERNATIVE TOOL FOR BETTER SOCIO-ECONOMIC WELL BEING



Javid Ahmed CT



A good financial system is essential for the socio-economic well-being of society. Complete well-being can be achieved only by fulfilling the material and non-material needs of an individual and society. As we look around the globe, the modern world is going through severe distress and problems due to many social threats like unemployment, poverty, crime, poor social security etc. One of the major reason for the problems is due to our unbalanced current world economic system. It has some inherent flaws like unequal distribution of wealth, rich become richer as it revolves around interest system. For example, income inequality leads to crime, theft, which raises questions about our social security. Islamic financial system addresses all these problems in a unique way and ensure socio-economic well-being through various measures as follows

## REDISTRIBUTION OF INCOME ZAKAT

The unequal distribution of wealth among society is one of the major issues which should be addressed efficiently. Through the Islamic economic framework, it has many measures to ensure better redistribution of wealth such as Zakat (Obligation upon every Muslim man and women having wealth above a certain value to donate a portion to deserving people in every year), Ushur or Customs duty (tax imposed on imports and export of goods, 10% tax on the harvest of irrigated land, 10% tax on harvest from rain watered land and 5% on well water), the system of inheritance and other measures like waqf (Endowment or dedication), expenditure on surplus, obligatory expenditure by relatives (It solves the problem of their relatives when they are in trouble). There are many other measures that ensure the redistribution of wealth.

Zakat is a yearly obligation upon every Muslim by which a portion of his/her wealth is given to deserving people. Zakat is valid for almost all kinds of wealth such as gold, silver, agricultural crops, mines and minerals. etc. It is not only a redistributive measure in Islam, but also it is a better solution for many social and economic problems such as unemployment, poverty, income inequality, homelessness. etc. In a well-functioning zakat system, it transfers wealth from donors to beneficiaries. The main purpose of zakat is the circulation of wealth among all sections of society and it is the solution to many severe socio-economic problems. It provides job opportunities by providing capital goods and lifeline assets to its recipients. If zakat is hoarded or accumulated it will lead to unemployment, stagnation in the economic activities and concentration of money in few hands. Creating a welfare system, ensuring wealth circulation and creating the spirit of sharing among people are major objectives of zakat.

## INTEREST FREE FINANCIAL ASSISTANCE

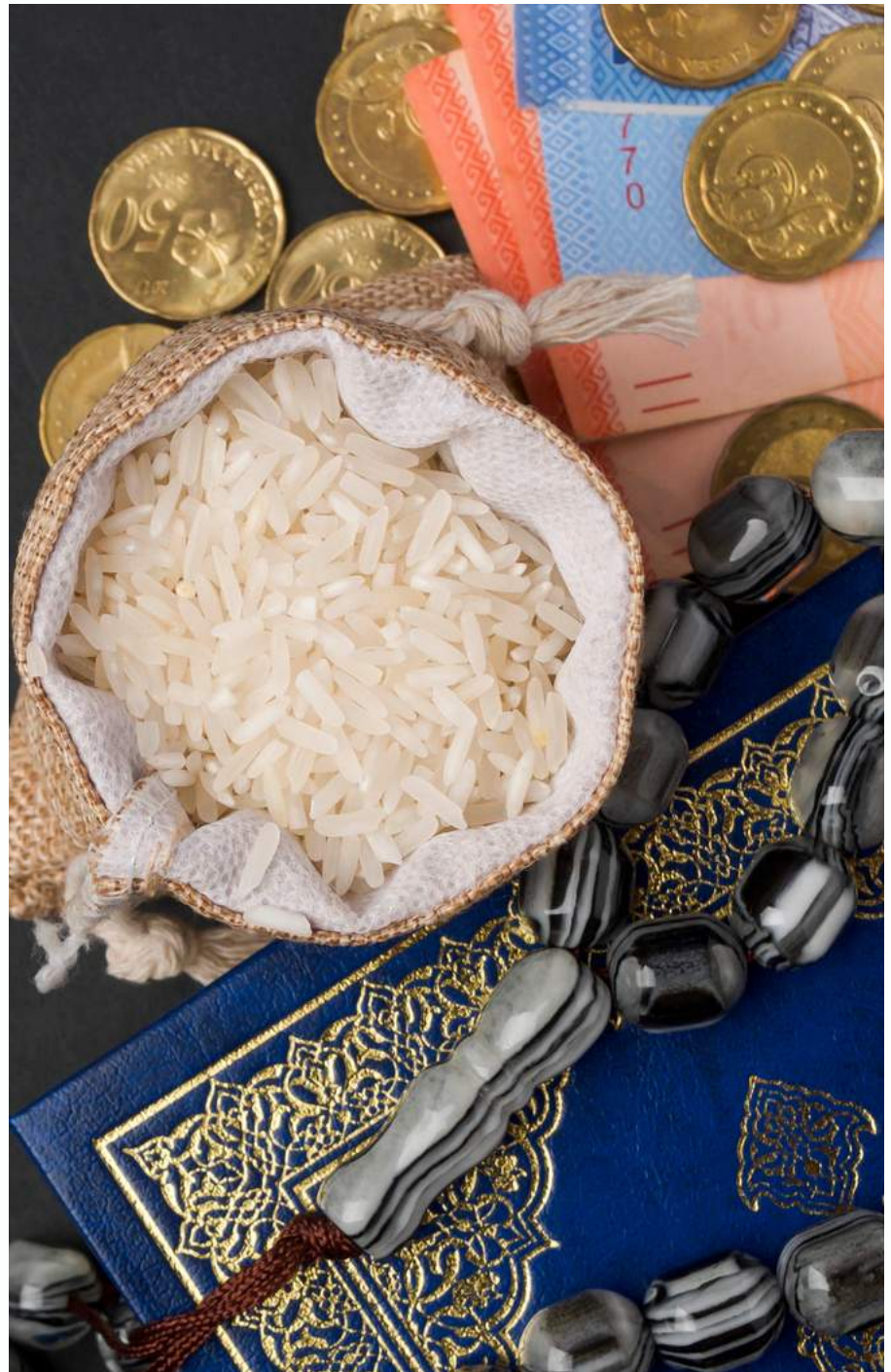
Under the Islamic financial framework, it provides interest-free financial aid through Islamic banking schemes which work based on Islamic laws. Islamic banks works based on the intention of profit and loss sharing model which is pioneered in 1963 by Egyptian saving bank. Islamic banks provide various products and services of financial support for their clients. *Mudhaaraba* (profit sharing), *Mushaaraka* (joint venture), *Muraabaha* (cost plus financing), *Ijara* (leasing), *Takaful* (Islamic insurance) and *sukuk* (Islamic bonds) are some of them. It also provides banking services like deposit accounts, investment and trade financing and other banking services like bill collection and money transfer.etc

In the mushaaraka contract, it helps its beneficiaries to enter a joint partnership agreement with a bank by the intention of sharing profit and loss, the bank will bring a predetermined share of capital. Under Muraabaha contract, bank will bring entire capital with the condition of sharing profit and here client act as a working partner, if there is any loss, it should be borne only by the owner of the capital. There is another form of contract namely salam which enables a purchaser to pay in advance and the delivery will be in future and it helps agriculture financing, working capital, export financing and commercial and industrial financing. All other Islamic banking products like Ijara, Takaful and sukuk help people to avoid financial risks and it will help to ensure economic welfare to an extent.

## OTHER PREVENTIVE MEASURES

Beyond the above-mentioned measures, there are some preventive measures that help society prevent losing social and economic welfare. Prohibition of *riba* (interest), prohibition of hoarding, prohibition of monopoly, prohibition of game of chance and lotteries, prohibition of Gharar (deceit), prohibition of bribery and prohibition of stealing the properties of others are major preventive measures. All these activities will adversely affect the social and economic well-being and morality of society. "Interest is viewed as an evil practice not only by Islam but also by others such as Aristotle, Roman scholars, Hindu and Jewish reformers as well as some well-

known modern western scholars" by Ahmad and Tauqeer (2006). In the presence of interest and a monopolistic economy, it will lead to a capitalist economic system and higher income inequality. Gharar is prohibited to protect the consent and satisfaction of people. While making windfall gain through a game of chance and lotteries, simultaneously worsen the welfare of other people in society.



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# THE NEET UG COACHING OBLIVION: THE KOTA COACHING ECONOMY OF 3000 CRORES AND GOVERNMENT INTERVENTION: A GAME THEORETICAL ANALYSIS



Md Shahnawaz Amin

## TO WHAT EXTENT COACHING FOR MEDICAL UNDERGRADUATE EXAM IS NEEDED, WHO GETS THE COACHING?

Undoubtedly no concerned government can ignore the quality of students being admitted to the medical science courses in its own domain as because its growth and many other major developmental trajectories depend on the health and educational sector. According to OECD Observer, a good healthcare system ensures a strong economy, in fact, their study showed that a mere 10% increase in life expectancy ensures an economic growth of around 0.4% per year.

Indian Government soon realized the shortcomings that is plaguing the medical industry and planned to put breaks on the ongoing corruptive and fraudulent activities that were taking place during the admission process of students into various undergraduate courses in medical sciences back then. Without any delay, the government ruled that the nation would have only one medical entrance examination both for undergraduate as well as post graduate studies and with effect from May 1, 2016, NEET was started. Then on, India is witnessing a single entrance exam for all the medical seats throughout its length and breadth. But is that enough? Is the government taking into an account of those students who all are cracking this exam?

Why the Tamil Nadu, Andhra Pradesh, Gujarat and Maharashtra are opposing NEET since its implementation? Is it true that students from rural areas and marginalized sections of the society were put to hardship in obtaining admissions to higher educational institutions in medical sciences? Is the ruling really biased towards the riches? Everyone preparing for NEET UG, has a dream to get an admission in Government Medical Colleges which offers the best medical education in the country within an affordable budget. Apart from a lot of dedication and hard work, it needs deep pockets to get coaching for NEET.

With such a large number of applicants and dwindling number of seats due to lack of infrastructure and availability of resources, only the best ones can survive. Hence, we find a competitive exam tough. NTA (National Testing Agency, received 16.14 Lakhs of registrations for NEET-UG 2021 for some 83,075 MBBS seats and 26,949 BDS seats and the registration to conversion ratio of 0.068% tells it all. Thus, to get the best of the best NTA conducting NEET UG Entrance Examination conducts the paper in such a way where the difficulty level of questions being asked in the exam is much higher than that of state and central level board exams which is attended mandatorily by all the concerned student community of the country.

The cut-off scores decide whether a student will get a seat or not, and because of the extra-edge provided by the coaching institutes, the students who are regular to their classes and to their coaching institutes are able to get a seat in medical colleges. This proves why M.K Stalin Government in Tamil Nadu terms NEET as 'Knowledge Untouchability of 21st Century' but simply resorting back to the Non-NEET era will again bring back the hazy admission processes plagued with corruption and malpractices and thus affect the quality of students being admitted to medical science undergraduate courses and thus ultimately affecting the quality of doctors of our country.

Let us look at the procedural structure and seat matrix of undergraduate medical sciences admission in India. For the year 2021, Health Ministry counts 88120 MBBS (Bachelor of Medicine, Bachelor of Surgery) Seats and 27,498 BDS (Bachelor of Dental Surgery) seats in India. Out of this, 35540 approximately belong to private colleges inclusive of Deemed Universities and somewhat around 52,580 seats belong to government colleges. We can truly leave these 35540 seats to the elite class of the population of our country because they charge in the range of Rs 10-25 lakh a year, which means that students have to shell out anywhere from Rs 50 lakh to Rs 1.25 crore for the duration of the course. For, the next 52,580 seats, 85% of seats belong to state-domiciled students and 15% belong All-India quota seats. Therefore, approximately there are 7887 MBBS seats and 4125 BDS seats along with 85% of the concerned state quota seats for which a normal medical undergraduate aspirant competes for.

Allen, Aakash, Vibrant, Motion, Career Power, Bansal Classes, and Resonance are some of the big names of the coaching playfield. Allen garnered about 76789 NEET-UG selections in 2021, whereas Aakash has about 63564 selections in 2021. Out of the top 100 students about 46 belong to Aakash and the rest belongs to other counterparts. Out of a total of 107 seats in AIIMS (All India Institute Of Medical Sciences) New Delhi, which is a premier institute of not only India but of the whole of South Asia, about 40 out of the top 50 rankers were from Allen . Out of some of the 13000 odd seats, competing seats, at last, it appears that one or the other one is coming from a coaching institute that charges about 1.5 lakh per student per annum. The question doesn't remain here only, apart from the coaching fees the other standard expenses include accommodation and other basic necessities, for e.g., the hostels and paying guests in Kota charge a student approximately 10 thousand rupees apart from the electricity charges for a standard room. In the end, it comes out that a student requires somewhere around 3 lakh rupees per annum to stay and study in the coaching capital of the country, which not only produces the toppers but also the next trendsetters in the field and thus combines the whole lot.

In a country like India where the annual per capita income at current prices stands at 1.5 lakh rupees during the 2021-2022 fiscal year and annual per capita income at constant prices at 91,481 rupees in the 2021 -2022 fiscal year, the above paragraph gives a very dismal view where even admission to a medical college seems far from reality for an average household of our country. Adding to the woes, according to the World Inequality Report 2022, India stands out as a " poor and very unequal country with an affluent elite", where the top 10% holds 57% of the total national income, including 22% held by the top 1% while the bottom 50% just 13% in 2021.

Every year Kota usually registers nearly 150,000 students, and their average spending falls between ₹250,000-300,000 per year. This included around ₹150,000 for coaching fees and a similar amount for accommodation and food. So, the coaching industry's annual revenue comes to around rupees 3000 crores.

Since all incomes are taxable under the Income Tax Act, the incomes of coaching centers are also covered under this act and are taxable under the head "Income from Business and Profession". Repeated Raids in many of the profound institutions recently collected more than 100 crores of rupees each in Allen and in Resonance. Many independent organizations and other similar kinds of media reports suggest that the industry is approximately much larger than what it is assumed to be and so is the unreported income and Tax evasion as well as Tax avoidance. The money that is collected by the Government as tax revenue and the related penalty is also not spent on the welfare of the students. As per Section 271(C) of the Income Tax Act of 1961, in case of hiding or understating your income, the penalty can be anywhere between 100% and 300% of the total amount of tax that was due but not paid. The following section of the paper analyses and designs a solution to this problem in detail.

### HOW CAN BOTH THE GOVERNMENT AND THE COACHING INDUSTRY BE BENEFITTED: A GAME THEORETIC APPROACH

Let's consider a two-player coordination game with two players namely Government and Coaching industry as player 1 and player 2 respectively.

#### Basic Assumptions:

- Objectives of the Government Budget include reallocation of resources as it helps to redistribute resources, keeping in view the social and economic advantages of the country, and utilizing the resources in favour of the poor and needy sections of the society.
- Private coaching institutions are assumed to work for their own profit making intentions .

#### Basic Rules and Notations of the Game:

- 1.Player 1 is Government and Player 2 is Coaching Industry
- 2.Strategy Set: S1 : Government has two strategies in its strategy set , Help means utilizing the resources collected through taxation for providing coaching and penalty for tax evasion/avoidance , the next strategy is to do nothing in this regard and it is termed as Evade ( Evading from its responsibilities) ( Help , Evade)  $\in$  S1

3.Strategy Set: S2 : Coaching Industry has two strategies in its strategy set , Help means the act of Tax Compliance which refers to taxpayer's decision to comply with tax laws and regulations by paying tax timely and accurately and thus contributing in the nation building process. The next strategy is to evade the taxes and hide the payable amount of tax being generated for the current year and thus this strategy is termed as Evade. (Help, Evade)  $\in$  S2

4.Payoffs: The final return to each player at the conclusion of a game is called a Payoff. Payoffs are measured in levels of utility obtained by players. In a two player game , U1 (s1,s2) denotes player 1's payoff given that he or she chooses s1 and the other chooses s2 and similarly U2 (s2,s1) denotes player 2's payoff . Government as player 1 plays through the rows and coaching industry as player 2 is plays through the columns. 5. Each player has two possible strategy sets as S1 = S2 = {HELP, EVADE}



## THE GAME IN NORMAL FORM: THINKING STRATEGICALLY

Let's imagine ourselves in player 1's position for a moment. We do not know what player 2 will do yet because we have not solved out the game, so let's investigate each possibility. The pay offs received by the government when it helps as well as it receives the taxable amount is 2 utils and when the coaching industry pays the taxable amount it also gets a payoff of 2 utils as it reduces its penalty and thus decreasing its negative income stream along with no future risk of income tax raid. This combined strategy leads to a positive spill over effect for both the players as in future coaching industry gets new admits due to government intervention and further investment in the same industry whereas government gains from capacity building approach and standing on its welfarist approach. Similarly when government plays evade and player 2 plays evades then both receives a pay-off of 1 and 1 each with government getting lower taxes and the coaching industry suffers a risk of a possible raid in future and thus increasing the probability of a stream of negative income and thus a probability of decreased current income prevails.

	PLAYER 2	
PLAYER 1	HELP	EVADE
HELP	2, 2	0, 1
EVADE	1, 0	1, 1

When the Government plays Evade and the Coaching industry plays Help then the government gets a payoff of 1 util as it gets the required tax revenue from the coaching industry but rules out from its own objectives and its current action has a negative spill over effect as this act of government doesn't contribute in the growth of coaching industry and further decreases the future flows of tax revenue due to low admission projections in the coming year. The Coaching industry gets a payoff of 0 util for the very same reason.

When the Coaching Industry plays Evade and Government plays Help then Government gets a payoff of 0 and Coaching industry gets a payoff of 1 util for the same reasons as described earlier.

## THE ANALYSIS OF THE GAME: DETERMINING THE NASH EQUILIBRIUM

Nash Equilibrium can be defined in terms of best responses. The best response is the strategy or set of strategies which produces the most favourable outcome for a player, taking other player's strategies as given.

Thus Best response,  $s_i$  is best response for player  $i$  to rival's strategies  $s_{-i}$ , denoted by  $s_i \in \text{BRI}(s_{-i})$ , if

$$U_i(s_i, s_{-i}) \geq U_i(s'_i, s_{-i}) \text{ for all } s'_i \in S_i$$

Thus in a  $n$  player game, strategy  $s_i$  a best response to rival's strategies  $s_{-i}$  if player  $i$  cannot obtain a strictly higher payoff with any other possible strategy,  $s'_i \in S_i$ .

Nash equilibrium involves strategic choices that, once made, provide no incentives for the players to alter their behaviour further. A Nash Equilibrium is a strategy for each player that is the best choice for each player given the other's equilibrium strategies.

	PLAYER 2	
PLAYER 1	HELP	EVADE
HELP	2, 2 (*, #)	0, 1
EVADE	1, 0	1, 1 (*, #)

In our game, the best response of the Government when Coaching Institution plays Help is to play Help as it gives Government 2 utils instead of 1 util while playing Evade (denoted by \* in the table above). The best response of the Government when Coaching Industry plays Evade is to play Evade as it gives 1 util to the government as against 0 util while playing Help (denoted by \* in the table above).

Similarly when Government plays Help the Coaching industry should play Help as it gives 2 utils as compared to 1 util while playing evade (denoted by # in the table above). Likewise when Government plays Evade, the best response of Coaching Industry is to play Evade as it gives a payoff of 1 util instead of 0 util otherwise (denoted by # in the table above).

Thus, this game has multiple Nash Equilibria, as (Help, Help) and (Evade, Evade). The Nash Equilibria

(Evade, Evade) where the payoffs received by both players is (1,1) is actually pareto dominated by Nash Equilibria ( Help , Help ) as



There's an incentive for both the players to improve their payoffs from (1,1) to (2,2) .

Hence it can be seen clearly that when both the players are in Nash-Equilibrium (Evade, Evade ), government fails to implement any policy framework to help the concerned socio economic section of the population through redistribution of resources and the coaching industry is evading tax-payments and there's a future possibility of income tax raids and decreasing positive income streams ahead , however through coordination, as the game suggests they should be moving to the pareto optimum Nash Equilibrium (Help , Help ) , thus the government implementing policy formulations for the concerned section and working on the capacity building framework of the individuals and working towards a more robust nation building process and coaching industry paying taxes and working towards its own growth through dual advantages of higher admissions and increasing positive income streams coupled with no possibility of income tax raids .

## CONCLUSION

This Article familiarizes us with the extent of necessity of coaching for the students preparing for the undergraduate medical entrance examination in India. The working machinery of the same sector cannot be ignored as health and education sectors are the prime movers of economic growth and undoubtedly this is true for every other economy of this globe. The Success stories of various premier coaching institutes clearly provides the extra edge which helps the students to crack the national level entrance exam without any hindrance and it proves to be disadvantageous to the marginalised and financially strained section of the population which constitutes a significant portion of our population. The Kota coaching industry and its revenue generation mechanism is enormous and the tax that the government receives can be used to generate positive spill over effects for both the players and thus helping in capacity building in individuals and ultimately contributing towards the greater interest of nation building as well. This case is well examined with the help of game theory and then concluding with the same results.



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# FINANCE



# VIEWING THE 2022 STOCK MARKET SHOCKS THROUGH A MACROECONOMIC LENS



Mohammad Ahwar



NIFTY50 fell 14.6% from Oct '21 to June '22 shedding 2696.80 points. BSE SENSEX has fallen 14.16% in the same period, creating much panic on Dalal Street. Covid, War in Europe - What reason is actually responsible for these shocks? The S&P 500 is down 16% for the year, NASDAQ has witnessed a 28% dip and the Dow Jones index has gone down by 17%.

In this article, I will be drawing similarities between the US and Indian stock markets since the macroeconomic factors involved are very similar

It all started with Covid19 when aggregate demand (barring a few sectors) was in slumps. Governments around the world employed an expansionary monetary policy aiming to increase the money supply in the economy to boost demand. They lowered the rate of interest, so people would save less, and spend and borrow more. Most governments around the world adopted an

expansionary fiscal policy by giving out stimulus packages. around the world adopted an expansionary fiscal policy by giving out stimulus packages.

The Biden government's attempt at reviving the economy by giving out a 5.2 trillion \$ stimulus package to help with Covid, Quantitative easing and Infrastructure, China's RMB 3.6 trillion and India's 20 lakh crore economic stimulus package were some of the most notable ones.

Now, coming to the point about the stock market. The 2020 market crash was triggered as much by panic as a slowdown and industrial slump, if not more. In February 2020 when the news of the lockdown began to spread, there were 2 options in front of investors - to sell off their shares (31.83 % fall) or buy the dip (almost 75% Y-O-Y gain). The selling happened primarily around February - March and all the dip-buying from March - end onwards.

Exhibit 1 - Nifty50 index from Feb 12 - Mar 25, 2020



Exhibit 2 - Nifty50 index from Mar 25, 2020 - Mar 24, 2021



This brings us to a very important question. If stimulus packages and monetary policies expanded in 2020 when the stock market was already rising, why do we see a crash now?

Michael J Burry of 'The Big Short' fame who accurately predicted the 2001 and the 2008 market crashes predicts that the result of expansionary monetary and fiscal policies takes at least a year to affect financial markets. He goes on to say in a now-deleted tweet that MSFT (Microsoft) traded 5.2x of its outstanding shares by 2002, 3.3x by 2009 and 0.5x so far which means if Microsoft has 1000 outstanding

shares (for a simpler analysis), it traded 5200 between 2001 and 2002, and only 500 for now. AMZN (Amazon) traded 5.7x by 2002 and only 0.9x so far.

The stock selling hasn't even started yet and when it does, he predicts the market to fall by 50% yet again. People will start panic selling which will in turn set a domino effect in motion. We will again be left with two options, to sell in loss or to buy the dip and HODL (Hold on for dear life)

Now is the time for a Gen Y vs Millennial comparison on why FDs are a better investment than ETFs and Mutual Funds. The fact that FDs rarely cut the inflation rate is a topic for another discussion.

### IMPACT OF RUSSIA - UKRAINE WAR ON STOCK MARKETS AROUND THE WORLD

The impact of the war has not been direct on the US stock market. U.S. companies have low direct exposure to Russia (around 0.6% for those in the Russell 1000 index) and Ukraine (<0.1%) based on disclosed revenues. As far as Indian markets are concerned, the war could help bring IT business from Eastern Europe to India and boost Indian IT stocks. Indirect risks could be more substantial, including:

- Slower global growth and consumer spending due to higher oil and food prices
- Negative second-order effects throughout Europe
- Supply chain distortions
- Credit and asset write-downs
- Cybersecurity risks
- Tightening monetary policy

The rise in Crude oil prices due to the war has also added to inflationary growth around the world.

### WHAT DOES THE MARKET CRASH MEAN FOR RECENTLY LISTED IPOs?

When a new IPO gets listed, consumer sentiment is often followed by herd mentality which is then followed by oversubscription or under subscription of the stock. IPO issue prices are decided taking several factors into consideration, such as industry comparables, growth prospects, the story of the company etc. Newly listed IPOs often find themselves vulnerable to market crashes, simply because buying the dip creates a mirage. What if the new stock is dipping not because of market sentiments but because of poor fundamentals? I am not a pessimist but I'm not bullish about the Zomato stock until I see

some profits on the P&L sheet. Market crashes thus, often mask the poor fundamentals of the listed company.

### HOW LIKELY ARE STARTUP FUNDINGS TO GET AFFECTED BY THE STOCK MARKET COLLAPSE?

Let me first distinguish between the two types of investors - Angel investors and Venture Capitalists. Angel investors are usually HNIs (High Net worth Individuals) who invest their own money in a startup without taking part in management. Venture Capitalists, on the other hand, are members representing a company such as Sequoia, Accel Partners, etc who derive their annuities from other HNIs, insurance companies etc at a stage much later than Angel Investors.

Now, the profile of an average angel investor is much riskier and they have less accountability to others compared to VC. Thus, angel investing is not that susceptible to the shocks of the stock market, provided they believe in the growth prospects and sustainability of a company.

Venture capitalists, on the other hand, are obligated to answer to a myriad of institutions. Thus, they are susceptible to stock market collapses. We've seen mass layoffs recently happening at startups across sectors in India. For instance, Unacademy laid off 1150 of their workforce, Cars24 600 of theirs. A lot of these startups were backed by VC funding. When Foreign Direct investors (FDIs) and Foreign Institutional Investors (FIIs) pulled out because of the war and Indian institutional as well as retail investors due to stock market shocks, these unprofitable ventures had to resort to cost-cutting measures.

### CONCLUSION

Whether the stock market crashes by 50% as Michael Burry has predicted or not, only time will tell. Even if it does, there's no need to panic. If there's anything the previous financial crises have taught us, it's that the bull market (upward swing) is more pronounced and lasts longer than the bear market (downward swing). The global economy is rising and so will the value of NIFTY, SENSEX, DJI, NASDAQ, SGX, NIKKEI, FTSE 100 and all the other major stock indices of the world will continue to rise. Everyone has their own strategies for investing depending on their goals, strategies, and time at hand. But HODL(Holding On for Dear Life) and letting the power of compounding work never goes wrong!

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# CBDC: ROAD AHEAD

*Twenty years ago, when the internet came to university campuses, economists and bankers started wondering whether technical advances could break the monopoly of central banks in monetary management. While in the following years, this became more of a hoax than a credible threat, the rise of cryptocurrency has once again stirred the debate about the future of the central bank and its monopoly over currency issuance. Payment systems worldwide are in the dire need of a complete overhaul. They need a new system that improves the efficiency, speed, security, and adaptability of currency.*



**Aqueel Ahmad**



Cryptocurrency is a strong candidate that meets all these requirements while also being cost-effective. However, there are some challenges associated with it which are needed to be overcome first. At present, cryptocurrencies are too volatile and risky, which is why they do not enjoy the same degree of trust as fiat currency. Also, they are used commonly in cyber fraud, hacking, phishing, terror, illegal financing, etc.

Several countries and their central banks are currently trying to find out what would happen if the best attributes and features of the cryptocurrency are combined with features of the established fiat currency. The result may give us a new, revolutionized payment system. Most countries are working to develop digital money, which can be backed by the central bank. If we look at the origin, we

may find that the idea of digital money was proposed first by Tobin in the 1980s. He suggested that Federal Reserve Bank in the United States could provide the public a widely accessible 'medium with the convenience of deposits and the safety of currency.' However, it is only in the last decade that the concept of central bank digital currency (CBDC) began to be widely discussed by the governments, central banks, and the economists. This era is of technology, and high-tech industries are shaping the behaviour of consumers. In this decade, bonds, securities, transactions, etc., have already been converted into digital form, and the use of physical currency has been on a decline in recent years because of the wide range of payment options available digitally. The COVID-19 pandemic has reinforced this trend. Another significant and immediate reason to

create CBDC is to drive people away from private cryptocurrencies, which carry massive risks to consumers. No one ever knows the creator of private cryptocurrencies or their motives. Private cryptocurrencies also threaten the sovereignty of the economy, especially in countries other than the US, because cryptocurrencies are usually traded and denominated with respect to the US dollar.

India is also seeing a huge rise in crypto-trading. People are betting on the future prospects of cryptocurrency and were trading over \$50 million a day in the crypto-markets last year. However, in the budget session of the Parliament, Finance minister Nirmala Sitharaman announced that cryptocurrencies would be discouraged. The government announced a heavy 30% taxation, and 1% TDS on the capital gains with no relief on capital loss. In the meantime, RBI planned to introduce CBDC in the fiscal year 2022-23 itself, the hints of



which were being dropped by the government since 2021.

To understand CBDC better in the Indian context, we may look at its definition given by T. Rabi Shankar, the RBI Deputy Governor (July 22, 2021), "A CBDC is the legal tender issued by a central bank in a digital form. It is the same as a fiat currency and is exchangeable one-to-one with the fiat currency. Only its form is different." We still do not have much information about the technology behind CBDC in India. It may or may not use blockchain as its underlying technology.

We have certain examples from the different countries that are in the advanced stage of CBDC development. The Central Bank of The Bahamas launched its digital currency, "Sand Dollar," while the People's Bank of China (PBOC), Eastern Caribbean Central Bank (ECCB), and Banco Central de Uruguay (BCDU) are running pilot projects involving actual stakeholders.

## POLICY GOALS OF THE CBDC

CBDC has a certain distinct advantage over other tools of online payment systems. However, the policy goal of CBDCs varies from country to country. Some of the common policy goals for different countries are:

- 1. Financial Inclusion-** Almost every CBDC developing country has set financial inclusion as its policy goal. Financial inclusion means access to appropriate and affordable financial services for everyone in the economy. After so many efforts by the government and central banks, a vast proportion of the population is still out of the mainstream banking system. CBDC may potentially bridge the gap by increasing access to digital payments and thus may open the door to a more comprehensive stage of financial inclusion.
- 2. Access to Payment-** Private cryptocurrencies might not find extending payment services to everyone profitable, and the declining use of cash will intensify problems for the lower strata of the population(s). Therefore, central banks are looking at CBDC to ensure universal access to payments. India is leading innovation in the domain



of digital payment systems. We have UPI, IMPS, etc., which are available 24\*7 and have demonstrated better financial inclusion. This has proved that new avenues of payment increase access to payment to a much wider population.

### 3. Making Payments More Efficient-

CBDCs are more efficient than cash and checks because of low operational costs. Since central banks are of non-profit nature, the development of CBDCs as public goodwill ensures a low cost of payment. Also, there is no need for settlement through banks if CBDC is used for transactions, as it will be "complete" money.

### 4. Reducing Illegal Use of Money-

Cash is most commonly used for illicit use (such as money laundering, bribery, terror financing, tax evasion, etc.), as it offers total anonymity. CBDC can be used to counter this problem, as it can be traced back to its origin. Most countries will not include this policy goal as their aim but having the ability to trace the money will enable government agencies to monitor transactions more effectively.

### 5. Counter the Risk of Private Virtual Currencies (VCs)-

If the private VCs gain much acceptability, then the country's fiat currency (other than the dollar) will come under threat. The dollar has a unique case, as even the private VCs are traded and denominated in terms of the US dollar. The case of CBDC for emerging countries like India thus becomes very clear. If a large proportion of a country starts using foreign digital or private virtual currency, then the country's ability to carry out crucial functions for monetary policy will be impaired.

International organizations and Central banks are actively looking at CBDCs to increase the efficiency of cross-border transactions. So far, CBDC has been developed for the domestic market only, but the technical discussion on how CBDC could be used in cross-border transactions is ongoing. It will provide a more efficient exchange-rate determination by removing any need for an intermediary. The present so called suit boot government is only limited to to there demagogic oral speeches on economy while the reduce the no of SEZs and also triple screening on FDIs seem to hamper it further.

## DESIGNING CBDC

CBDC can be designed for different functions in different ways. It's generally designed to support the policy goals, which may be economic, political, or both . Some of the design features are:

- 1. The Technology Behind CBDC-** Central banks have to decide whether to use a centralized ledger or blockchain (Distributed Ledger Technology). In recent years DLT (Distributed ledger technology) has emerged as a more secure and efficient alternative to the centralized ledger. The problem is that DLT is still developing, and its suitability is still being explored. Some of the CBDCs are running on DLT, but China has pointed out that DLT is not able to handle high transactions in a short time. This created

problems for E-CNY (China's official CBDC) during the festive seasons. However, central banks are now looking at a hybrid solution to this problem. So, DLT can be used in specific areas where it has an obvious advantage over other technologies.

**2. Technology Provider-** CBDCs need enormous technological resources and technical expertise. Central banks and governments lack these technologies, and so they must partner with external vendors to develop the technology required for CBDCs. Central banks are using two different approaches. One is where central banks hire a contractor who, under the supervision of the central bank, delivers the final product. In another approach, central banks develop CBDC on their own and hire different contractors for different tasks as required. This approach puts more load on the central bank but at the same time offers more control over the development process of CBDCs.

**3. Restrictive Use of CBDC-** Any sudden shift in the country's financial structure may jeopardize stability. Pushing CBDC may crowd out commercial banks and may also negatively affect the credit-creation ability of the central banks. All the CBDCs currently in circulation come with certain restrictions that limit the competitiveness of CBDCs viza-viz bank deposits. There can be two types of restriction on the CBDCs: one being the restriction on the remuneration of CBDC, and the other being the quantitative limit on holding and transaction of CBDC. Bank deposits pay an interest rate, whereas CBDCs are being designed without an interest rate, which will facilitate payment but will not function as a "store of value". A new discussion has also stated that since many advanced countries offer negative interest rate regimes, if they extend this to CBDCs then CBDCs will become negative interest bearing instrument. Such a step will need much care, as an instrument that pays interest (positive or negative) does not fit in the classic definition of currency. CBDCs should also come with quantitative limits. To include more people, KYCs and other paper works can be eliminated for users with small CBDC holding limits. Crossing the limit may require bank linkage, where excess CBDC can be transferred.

These restrictions will limit the CBDC's competition with bank deposits.

**4. Offline Capacity-** CBDCs should have some arrangement for payments in offline mode. The major issue with the goal of financial inclusion is the lack of internet connectivity in remote areas of the country. A complete offline setup will be very complicated. However, the definition of an offline transaction differs. It may use other connectivity features like SMS, Bluetooth, NFC, etc., to facilitate the payment. China is testing a hardware-based offline payment system, which can be placed inside the phone or can be held as a card and then can be used for offline payments when in physical proximity. Central banks around the world are looking to solve this problem, as it will be a very crucial task for CBDCs.

#### PROBLEMS WITH CBDC IN INDIA

CBDCs will face the same level of risk of cyber fraud as digital payments through existing modes. It will be higher in countries like India with low financial literacy. If given anonymity, it will be used for illicit purposes as well. Absorption of CBDC also requires high-level technological infrastructure, high-speed internet connectivity, and a wider reach of appropriate technology to the masses to transact and store CBDC. And, in India, we lack all these requirements, which may create a hurdle in the wider adoption of CBDCs. Central banks are also facing a challenge in designing a project in which there is no experience. Evolving technology is also putting countries in a position of dilemma—whether to wait for the right technology and miss the bus, or to board the bus early even with insufficient technology.

Currently, under the RBI Act 1934, the Bank is empowered to "...regulate the issue of bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage". This framework was created keeping in mind the paper currency only. The introduction of CBDC will require amendments in the RBI Act and some other acts like FEMA, the IT Act, etc.

It's clear from the above discussion that CBDCs are going to be introduced in all major economies. They carry huge benefits. However, setting this up will require very careful steps. The technical aspect, as well as the experience of other central banks, are needed to be looked upon. Extensive research should be carried out to understand the need of potential users, and at the same time all the stakeholders are also needed to be taken into confidence. There are many open questions regarding CBDCs, and it remains an uncharted territory, raising major concerns and challenges, while offering some remarkable opportunities at the same time.



# FOOD SECURITY



# FOOD, FOOD EVERYWHERE...

*We live, as Amartya Sen says in his book *Development as Freedom*, in a world of unprecedented opulence, and yet the world also has, as he regrets, remarkable deprivation, destitution, and oppression. It is lamentable that a large part of that misery is suffered by Indians.*



**Muhammad Abdullah Ghazali**

**I**ndia is home to one of the largest undernourished populations in the world

According to the Food and Agricultural Organization estimates in 'The State of Food Security and Nutrition in the World 2020' report, 189.2 million people were undernourished in India. 34.7% of children under five in India were stunted meaning that they were too short for their age, while 20% suffered from wasting, meaning their weight was too low for their height. Also, India ranked 101st on the Global Hunger Index (GHI-2021) rankings of 116 countries.

What explains such dismal state of affairs? That India is a lower-middle-income country which is still developing is what most would think is the answer. That, fortunately or otherwise, is not a reasonable justification. The problem is not that of scarcity. In 2019, the Food Corporation of India (FCI) godowns had almost three times as much foodgrain as the buffer stock norms. Also, India has, as the Attorney General recently told the Supreme Court, 131 food-related welfare programmes. Given these facts, India's exceptionally poor performance on indicators of hunger and nutrition is even more unsettling. This article tries to figure out a few of the factors that lead to such gloomy circumstances despite the elaborate social security nets that are in place in India. It does that by analysing some cracks in two of India's most important food security programmes — the Public Distribution System (PDS) and the Integrated Child Development Services (ICDS) scheme.

Finally, it presents a couple of policy recommendations to ameliorate India's hunger predicament.

## **Public Distribution System (PDS)**

The PDS is a food security system which provides highly-subsidised foodgrain to poor people through a network of Fair Price Shops (FPS). The beneficiaries are issued a ration card which they use to access the scheme. The government informed the Rajya Sabha in December 2021 that it had cancelled 4.28 crore bogus ration cards during 2014-21. Investigative reports have, however, found that in many of these cases the ration cards were in fact genuine. Exclusion from the PDS is a serious issue which often leads to eligible people missing out on critical supplies they so direly need. A host of factors can result in the exclusion of genuine beneficiaries.

According to the Right to Food Campaign (RTFC), an informal network pushing for the realization of the right to food in India, the more than 4 crore voided ration cards were cancelled primarily because the cards failed biometric authentication. That is because the ration cards were not linked, or "seeded", to Aadhaar, or because of a failure of Aadhaar-based biometric authentication.

An 11-year-old Dalit girl, Santoshi, died of starvation in the Simdega district of Jharkhand in September 2017. This was six months after her family was removed from the list of PDS beneficiaries because they didn't have an Aadhaar. The girl's mother, Koili Devi, revealed later that she

murmured bhaat...bhaat (rice...rice) moments before she died. Santoshi's death caused a national outcry, but little actually changed. A list of 57 starvation deaths between 2015 and 2018 was prepared by the RTFC, many of which were recorded after Santoshi's death. At least 19 of these deaths were directly linked to Aadhaar-related problems. The role of Aadhaar is suspected in another ten.

The quantity of food rations allocated to eligible households is based on the count of individuals listed on the ration card. If a household member moves to another family, they should be added to the new ration card for that family. However, doing so is a cumbersome process that leaves many women without access to food after marriage. In fact, a study conducted in association with the RTFC and supported by the Centre for Internet and Society found that there was no official system for getting this done.

A related lacuna in the system is that many eligible people are not able to secure a ration card, in the first place. This is because the state where they live has exhausted its quota of ration cards. In 2021, 22 states had less than 5 percent of their quota remaining. Because the next census, originally slated for completion in 2021, has been postponed indefinitely due to the pandemic, the quotas, which are founded on the 2011 census, are a significant underestimation.

The PDS has always been a location-specific scheme. Each household's ration card is linked to a specific FPS and can only be used to buy rations from that particular shop. This means an exclusion of all those who don't live at their registered address,

leading to huge problems for internal migrants and women (after they get married) among others. The consequences of this systemic loophole played out horrendously in the summer of 2020. Ajit Kumar Rai, a 38-year-old migrant worker in Ludhiana, committed suicide on 9 May 2020 because he hadn't been able to arrange ration for his family for the last ten days. Rai's income had vanished with the imposition of the lockdown. There are bound to be hundreds, if not thousands, of other similar instances in the 'migrant crisis' which involved millions of such workers. Unfortunately, the government (by its own admission) has very little in the way of data on this. Migrant workers missed out on subsidized ration even before the pandemic. They could, however, manage to survive. The lockdown took away from them even that.

### **Integrated Child Development Scheme (ICDS)**

The ICDS is a government-sponsored programme aimed at improving the health of and providing education to under-six children and their mothers. The programme is implemented through a large network of mother and child care centres called Anganwadi Centres (AWC).

According to Purnima Menon, a senior nutrition researcher at the International Food Policy Research Institute, high levels of wasting in children within the first six months of birth reflect a poor state of maternal health, more than anything else. Almost 42% of adolescent girls aged 15 to 19 had a low Body Mass Index (BMI), while 54% had anaemia, as found by the National Family Health Survey (NFHS) 4.

Undernourished mothers give birth to undernourished babies. This is why many experts believe that the worsening rate of child malnutrition could be a result of women struggling to access nutrition benefits. They believe that migration may be an important reason for this. Many families migrate to cities to eke out a better living. That, however, entails being left out of the ICDS delivered locally.

Direct cash transfers, like the *Pradhan Mantri Matru Vandana Yojana (PMMVY)*, are supposed to solve this problem. Such social security nets too, regrettably, have their own cracks. Social worker Sheela Khant told BBC Gujarati's Roxy Gagdekar that "if the Aadhaar card is not updated, or the name of the woman in the bank account is not changed from her father

to her husband, then despite being in need of the nutrition, she is denied government benefits".

Many have complained that linking the Aadhaar to their bank accounts or updating it with new information involves multiple trips to government offices that they cannot afford. Anganwadi Workers (AWWs), women in charge of AWCs, are inundated with responsibilities. This obviously has a bearing on the quality of the services they provide. The AWW is supposed to monitor the growth of children, provide informal education to them, organize supplementary feeding, help in organizing immunization sessions, distribute nutritional supplements, treat minor ailments, refer cases to medical facilities, create awareness about family planning and reproductive health, and so on. Apart from this, the *Sabla* scheme, a centrally sponsored programme for adolescent girls, is also implemented through the Anganwadi infrastructure.

A 2016 assessment of 36 AWCs conducted by a group of researchers from the All India Institute of Medical Sciences, Bhubaneswar found that more than 85% of the AWCs did not have designated building for daily functioning. This forced the AWWs to organize their day-to-day activities in different temporary settings putting the additional burden on them of transferring items like Pre-School Education (PSE) kits, registers, utensils, etc. between their residence and AWCs every day.

It was also found that only 50% of the AWWs ever had any refresher training within the last three years. This, they said, was due to a lack of training facilities in their localities. There is also the problem of shortage of manpower, or rather womanpower. The Women and Child Development Minister in the Union Cabinet, Smriti Irani, told the parliament in June 2019 that over 2 lakh posts were lying vacant at various Anganwadis across the country.

The Covid pandemic exacerbated the AWWs' workload. AWWs were deployed for pandemic related work in large numbers. They went from door to door, recording people's travel history, noting flu symptoms,

counselling communities, and even helping trace contacts, requiring many of them to work for 15-16 hours a day.

Ms Gagdekar talked to Nanda Bariya, a seven months pregnant migrant worker, in February 2021. She had spent three of those months on a construction site 100km away from her village in Dahod, Gujarat. When she returned to her village, she visited the local Anganwadi and found it closed. She said, she had registered herself there three months into her pregnancy but was yet to receive the maternity cash benefits she was entitled to.

Experts told Ms Gagdekar that this was unsurprising. *Anganwadi* workers, who were deployed in large numbers for Covid related work, were yet to fully return to their original jobs. So centres in remote areas such as Dahod were not fully functional yet. This was in February 2021, almost a year after the first lockdown was imposed in India, and many weeks before the deadly second wave hit the country.

### **Policy lacunae and remedial recommendations**

The sombre realities mentioned above must be taken as a call for action. If India is to achieve the Sustainable Development Goal (SDG) of zero hunger by 2030, it must act, and act now. Some policy measures to that end have been analysed here.

Of course, there's a good case for the elimination of ghost beneficiaries of welfare schemes. Depriving poor people, however, of social benefits without any sort of due process (prior warning, verification, intimation, right of appeal and so on) is, as Jean Dreze claims, patently unfair. I would venture to add, it's also inhuman. India must adopt a slow, pro-poor approach to the issue of seeding Aadhaar with the ration card. Even as people should be nudged to do that, no one should be denied ration on such flimsy technical grounds. Especially so, when on the one hand government godowns are brimming with foodgrain almost three times the buffer norms, and on the other, more than one third of India's under-five children are stunted.

After Santoshi's death, the Centre instructed states not to deny rations to anyone without an Aadhaar linkage or biometric authentication. But RTFC activists say that such orders have remained largely on paper.

A Two-year-old Munni and five-year-old Govinda from Bihar's Buxar district died of hunger in September 2018 (a year after Santoshi) because their family had not been able to get an Aadhaar card made.

Clearly, immediate course correction is imperative.

A simplification of the documentation requirement for availing welfare benefits is also of the essence. Due consideration must be given to the fact that most often the people needing these services are from marginalized sections of society with little or no education.

A nationally unified system of ration card portability is the need of the hour. After such a scheme is implemented, a ration card holder will be able to buy subsidized foodgrain at any FPS in the country. The government has been in the process of rolling out such a nationwide network which it calls the *One Nation One Ration Card (ONORC)* scheme, but significant challenges remain.

- For the scheme to work, all fair price shops must be equipped with electronic Point-of-Sale machines (ePoS) which are used for biometric authentication of the beneficiaries. According to a report published in The Hindu in 2019, only 4.32 lakh ePoS machines had been installed in the more than 5.3 lakh FPSs. Besides the North East, much of that gap comes from three states—Bihar, West Bengal and Uttarakhand. It is ironic that these states are where a majority of the migrant workers are from, especially Bihar which had only 15% coverage of ePoS machines.
- In some rural and remote areas, ePoS connectivity also remains erratic. This often leads to denial of ration.
- The absence of precise information on inter-state migration patterns, particularly short-term migration, is a major impediment to the seamless operation of the system. To account for any deficiencies in states with substantial migrant populations, the distribution of food grain to each state must be adaptable and responsive. According to experts, accurately counting India's migrant workforce is critical in addressing this issue.
- Another issue arises when the members of a single household are

split between two different locations. There have been instances where after workers registered under the ONORC scheme, PDS officials in their villages removed their names from the list of beneficiaries. This in spite of the fact that the scheme says that if one member buys their share of the PDS quota in the city, the share of the rest of the family members can be purchased from their village.

Some designated indoor space is the minimum requirement for running an AWC. In the earlier mentioned assessment of AWCs, it was also found that almost 90% of the AWCs did not have adequate provision of water, toilet and electricity. The government must make sure that all Anganwadis have such basic infrastructure. Renting out spaces till new centres are made, may be a short-term solution.

Vacant positions in Anganwadis must be filled. This has the twin benefits of fighting undernutrition and unemployment at the same time.

Training of AWWs is critically important to improve health and nutrition outcomes.

Poshan Trackers, mobile phones for AWWs to maintain digital records, were rolled a few years ago. These phones, now available at a majority of the AWCs, can be used for virtual training sessions as well.

Some of the above suggestions can only be acted upon slowly. What can and should be done, however, with immediate effect is a recognition of the contribution of Anganwadi employees. These women have proved to be a resilient and selfless group of frontline workers, working through tough conditions with little and often-delayed compensation. In several regions their honoraria are less than even the minimum wages for unskilled labour. They must be recognized as workers and not volunteers, as they currently are and so, be entitled to higher and fixed wages, social security benefits, and so on.

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# ON THE BRINK OF A FOOD CATASTROPHE



**Bushra Shahid**

*Among several crises looming before us, perhaps the most significant, and the most critical, is the crisis of food security and chronic hunger. The contemporary world is in a very different place from where it was a few years ago. We often hear the term food insecurity associated with many developing countries of the world, including India. But what does this actually mean and what does it indicate?*



Food security is a measure of availability of food and its accessibility to individuals. According to the World Food Security Committee of the United Nations, food security refers to the availability and accessibility of nutritious food to all individuals of society, irrespective of their social and economic background, which satisfies their dietary needs to promote a healthy and active lifestyle at all times.

A country is considered as a food secure country if the individuals are able to afford quality food without any hindrance. A recent performance report of Global Food Security Index (GFSI) 2021 ranks Ireland at the most food secure country with an overall score of 84.0, based on 58 parameters including affordability, accessibility, etc., while India place 71st with an overall score of 57.2, but still many countries are under serious threat of food shortages.

A leading global health figure has warned that increasing rates of food shortage may represent a similar threat to global health as imposed by the COVID-19 pandemic. Globally, the levels of hunger are sky-rocketing. The exponentially increasing rate of hunger is one of the most important millennium development goals which is yet to be achieved.

The year 2022 recorded a rapid increase in prices and supplies of food commodities around the world. A compounding crisis had occurred in several parts of the world. The major drivers of such a state of affairs were geopolitical, economic and natural causes, such as extreme heat, climate change-induced flooding and drought conditions. On May 18, Antonio Guterres, the UN secretary general, warned that the global food shortage in coming months would take years to restore.

Following the 2022 Russian war, other observers including the Food and Agricultural Organisation (FAO) forewarned of a food collapse and increase in prices. Much of their concern is regarding shortages of supply of key commodity crops such as oil seeds, wheat, and corn, as a limited supply of these could lead to further increase in prices. On the other hand, increased cost of staple foods has already raised the count of those who are anticipating a fear of hunger. The invasion of Russia in Ukraine also resulted in the surge of fuel prices. It is said that, if the war does not end in the near future, the world would suffer, more people could fall into the vicious cycle of poverty, there shall be political unrest, lives of children would be affected and people may starve to death. Therefore, the compounding crises issues, including COVID-19 pandemic, the Russian invasion of Ukraine, and climate-related crop failures, are expected to reverse global trends associated with reducing hunger and malnutrition. It is important to note that food prices were already up even before the war had

started. According to the Food and Agriculture Organization, the year-over-year prices of food commodities were already up 20% in February 2022 and it was further increased to 40% due to the ongoing war in March 2022. Moreover, East Africa and Madagascar were experiencing extreme climatic conditions such as drought and famine due to failures in agricultural systems and the anticipated price increase may lead to worse conditions.

Even the countries having secure supplies of food commodities, including the UK and US have begun to experience the direct effects of food insecurity-induced cost inflation. Analysis has highlighted the fact that this prevalent condition of surge in prices is the worst since the 2007-2008 world food crisis. In the year 2021, global food prices have risen by almost one-third, oil prices by almost two-thirds and prices of fertilizer by more than half, as estimated by the UN. It was also highlighted that the number of severely food-insecure people had risen tremendously, doubling in the past two years, the numbers having reached 276 million from 135 million pre-pandemic figures. During May 2022, more than half a million of the population has been experiencing famine conditions, i.e., an increase of more than 500% since the year 2016.

Assessing the ongoing situation, the World Bank has announced actions to be taken as a global response to the current food crisis conditions which includes 30% financing in the ongoing and new projects in specific areas of agriculture, nutrition, water and irrigation, and social protection. These efforts will also help encourage food and fertilizers production, enhancement of food systems, facilitation of greater trade and support of vulnerable households and producers/manufacturers.

The World Bank Group's global response aims to address the following four priorities:

The World Bank is also working in cooperation with countries on the preparation of \$12 billion of new projects for the upcoming 15 months as a response to the approaching food security crisis. These projects are expected to help agriculture, social protection to overcome the negative impacts of higher food prices, water and irrigation projects. Majority of such resources are transported to the Middle East and Africa, South Asia and Eastern Europe and Central Asia.

During the worldwide economic downturn of 2007-2008, the Global Food Crisis Response Program (GFRP) provided the World Bank with valuable experience. The GFRP received contributions from various sources and allocated funds to approximately 49 countries via 100 initiatives. Following that, the World Bank has established new relief measures that are solely focused on addressing food security crises, such as the IDA Crisis Response Window. Furthermore, the Global Agriculture and Food Security Program (GAFSP), an existing financial intermediary fund, endeavors to improve food security in low-income nations in response to the ongoing global food crisis.



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# MIND & BODY



# BEHAVIORAL ECONOMICS: AN INTRODUCTION



Syed Abid Mahdi

*Let me tell you an exciting story, In 1999, Daniel Kahneman and Amos Tversky presented their research in Psychology, at that time Economics was a completely different field. They propose a question, do my equal loss and gain, weigh equally in my mind? Is the glass half-full or half-empty? Is the value of receiving 100 bucks greater than losing 100 bucks?*



They realized that equal gains have lesser value than equal losses. Losing a slice of pizza affects more than achieving one.

We are loss averse and we can be conservative about gains, this came to be known as prospect theory, it revolutionized Economics forever, and gave birth to Behavioral Economics.

2 psychologists Kahneman and Tversky won the nobel prize in Economics while being complete psychologists.

## BEHAVIORAL ECONOMICS

Behavioral economics captures content from Economics and Psychology to understand how people behave. It is rooted in the observation of human behavior that they do not make 'rational' decisions as represented by neo-classical economists. The environment and circumstances influence their decisions in their respective lives. The field of behavioral economics considers

people to be victims of emotion and impulsivity initiated by their surroundings. It examines the difference between what people are supposed to do and what they end up doing, and hence they face the consequences of it.

This Representation of behavioral economics contradicts the neoclassical framework that people are pure rational actors, they can have self-control and persistence toward their goals.

This image of a human being is false, they are lethargic, driven by various emotional factors and irrational insights, and they make errors that are beneficial in the short run but prove to be completely wrong in the long run. This is what behavioral economics tries to convey.

Behavioral economics also tries to explain the reason behind the irrational decisions taken by individuals, and why and how their behavior does not match the neoclassical framework.

To answer these queries, in the field of behavioral economics, some notable scientists contributed heavily to rejoiner these questions, such as Herbert Simon, who enrolled the concept of bounded rationality and bridged economics and psychology, Kahneman and Tversky proposed the prospect theory and discovered common human errors using heuristics and bias lastly Richard Thaler, is considered the founder of the field of behavioral economics.

## STARTING WITH HERBERT SIMON

The root assumption for behavioral economics is based on the assumption of 'bounded rationality' given by Herbert Simon. This concept of bounded rationality opposes the primary idea of economics, which is the rational choice theory, which states that individuals are rational and by their rational calculation they make rational decisions.

Herbert Simon believes that 'decision-making' is what depends on the outcomes that are 'good enough for an individual having limited information and

certain interests. Simon christened this as “satisficing”, a combination of two words “satisfy” and “suffice”, which is a decision-making strategy where the outcome will be a satisfactory result.

The reason behind this satisfactory result is, by giving maximum effort over a task and achieving a relatively optimal result will lead to a waste of time, energy, and resources.

Simon believed that humans can't obtain everything and seek a completely rational decision, instead, they are bounded by the information they have and hence come to a satisfactory decision that is “good enough” in that situation. Simon believed that humans are bounded by their “cognitive limits”.

Rationality in any human being is bounded by the information they have, the time limit, and most importantly their thinking capacity.

One important aspect specifically pointed out by Herbert is that sometimes people tend to get confused between irrationality and rationality, although their choices are irrational, they make rational decisions from their perspective and the number of resources available.

## KAHNEMAN AND TVERSKY

Since Kahneman won the nobel prize in 2002, a new branch of economics gained attention, behavioral economics. The early roots of behavioral economics were given by both of them in the 1970 and 80s.

They identified a pattern in human behavior which was consistent biases while making a judgment or a decision, people are easily reliant on their recent memory when making a decision rather than using correct data and making a good judgment.

This structure of human behavior is often termed an “availability heuristic.” For example, people fear plane crashes, which will make them afraid of flying, but, on the contrary, getting involved in a car crash has a higher probability to occur.

The works of Kahneman and Tversky, whether it is prospect theory or “availability heuristic”, are used even today in the research field of behavioral economics.

## RICHARD THALER

The expansion of behavioral economics began in the 1980s and 70s when Kahneman and Tversky presented their ideas. But, according to Thaler, several ideas in the field of behavioral economics can be

traced back to the 18th-century economist, Adam Smith.

Adam Smith's famous idea, the concept of the “invisible hand”, brings an economy to prosperity if all the individuals satisfy their self-interest, a major concept in classical and neo-classical economics.

But he also points out that people are often driven by certain abilities, such as being overconfident, fearing losing rather than an eagerness to win, and grabbing short-term benefits rather than analyzing for long-term goals.

These concepts of human behavior are being used as the foundations of behavioral economics.

Thaler has collaborated with Kahneman and Tversky extensively in the past, and in the 1980s, Thaler began to research the works of Kahneman and Tversky and that's why he is called the founder of behavioral economics.

Thaler's research was based on observations he made, and he found out that people's behavior diverges from the economic models that are provided in economics.

He gave the concept of the 'Sunk Cost Fallacy' that resembles the idea that people do not want to give up projects after investing heavily in them, even if it leads to more risk in the future.

For example, getting free tickets for an event and coincidentally it rains. People will certainly cancel the plan but if they had purchased the same ticket rather than getting it for free, they might go to that event, because they have invested some of their money, keeping the danger of driving in rain unchanged. This is known as sunk cost fallacy, where people are willing to bear more risk.

Thaler is also famous for reviving the concept of “Nudges”, a tool that leads people in making good judgments.

In terms of behavioral economics, nudges take place to influence people's choices and guide them in making other decisions. Keeping green vegetables at an eye level in a store is an example of a nudge.

## SITUATION TODAY

After all the discussions and debates over behavioral economics and researchers getting nobel awards, it didn't affect the framework of economics much. Economics

still suffers from the same boundaries and imperious views.

However, contemporary technologies such as AI play a crucial role in behavioral economics.

We are being a victim of a revolution, to be precise, a digital revolution.

TLC-Data Flow 2019, Cisco statistics report represents 5zb in 2019, that is, 1 zb equals a thousand billion gigabytes, which in turn will reach 15zb by 2022. Every year the data gets doubled and interpretation time for humans increases.

Hence, to encounter such massive data sets artificial intelligence comes in handy and that affects the field of behavioral economics.

As mentioned earlier behavioral economics deals with human behavior, their rationality is bounded, and people do not make the optimal decision, they rely on satisfactory decisions, and they make decisions according to the available information.

Hence, with the increase in digital data sets, AI regulates and manipulates those data sets and there's



an interference in decisions made by humans through machine intelligence or AI machines.

As a consequence, the role of bounded rationality gets deteriorated because AI improves the capability of humans to make more optimal decisions, hence, decreasing the effect of bounded rationality given by Herbert Simon.

AI also helps in reducing asymmetric information in the market, which leads to a more rational market.

Therefore, we can say that concepts and tools of behavioral economics are not disregarded completely, they are being used in alleviation programs, also the uses of heuristics and biases have been included in economics, but this never changed the fundamental structure of core economics and because of this 'Behavioral Economics' is still considered as a new common economic theory.



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# OBESITY: AN EMERGING HEALTH AND ECONOMIC CRISIS IN INDIA



**Apekshya Basnet**

*Historically, obesity prevalence rates have been low and relatively unchanging. However, in recent decades, several countries have seen an increase in obese adults and children. The prevalence of obesity is rapidly increasing in low- and middle-income countries, particularly in urban areas, contrary to the previous belief that it was only a problem in high-income countries, according to the World Health Organization's report in 2016.*



Obesity refers to the abnormal or excessive accumulation of fat that poses a health hazard, with individuals having a body mass index (BMI) above 30 being classified as obese. It is a significant risk factor for several chronic illnesses, including cardiovascular diseases, the leading causes of death globally. Obesity is closely linked to a sedentary lifestyle, energy-saving technology, falling monetary costs, lack of motivation to engage in health-seeking behaviours and recent dietary changes.

India has experienced impressive demographic, economic, environmental, and cultural changes since economic liberalisation in 1991. However, the country still faces persistent and daunting public health challenges. The current situation suggests India is mired in a nutrition paradox in which stunted and underweight coexist with overweight and obese people. According to the Global Burden of

Disease Network report in 2017, India has the highest count of overweight and obese children who, as they mature, may add to the burden of cardio-metabolic diseases and death, as well as decreased cognitive abilities. The LBD Double Burden of Malnutrition Collaborators in 2020 confirm this assertion. Presently, it is estimated that around 135 million people in India are obese, as reported by Hadaye et al. in 2020.

Research, such as the one conducted by Rai et al. in 2020, reveals an escalating prevalence of obesity among men and women residing in urban and rural areas of India. Aiyar et al. (2020) report that although obesity was traditionally higher in urban areas, in recent years, the rise in obesity is attributable to rural India, where long-standing undernourishment was commonplace. Therefore, the transformation of India's economy, where urban economic expansion affects rural development, is a contributing factor to the growing

prevalence of obesity among rural women. In rural areas with low economic development, decreased reproductive stress is the primary cause of female obesity, whereas age plays a more prominent role in highly developed urban areas. However, access to motorised transportation contributes to obesity in men living in rural areas. In contrast, behaviours like watching television and quitting smoking are to blame in urban areas.

Between 2005 and 2015, obesity-related conditions were estimated to have cost the Indian economy \$200 billion. This high cost may generally be attributed to premature mortality, reduced productivity, medical expenses and the double burden of malnutrition. The projected costs for the next ten years could further be double those of the previous ten years. Therefore, obesity-related diseases will cost India nearly \$13 billion by 2025. Non-communicable diseases (NCD) and obesity-related health conditions will cost India \$4.58 trillion by 2030 (Nasline, 2017). Okunogbe et al.

(2021) reveal that in 2019, the expense associated with obesity varied between US\$17 in India and US\$940 in Australia. These financial outlays equate to 1.8% of gross domestic product (GDP) for the eight countries studied, with the costs ranging from 0.8% in India to 2.4% in Saudi Arabia. It was further predicted that obesity-related costs in India would increase 19-fold.

Although the obese individual bears the increased health risks, the obese individual entirely bears the increase in health risk, and the costs of treating obesity-related diseases are shared.

Broadly two economic costs are associated with obesity, the treatment of obesity and obesity-related conditions: (i) Direct costs that result from outpatient and inpatient health services (including surgery), laboratory and radiological tests, and drug therapy. (ii) Indirect costs are defined as; resources forgone as a result of a health condition; and fall into various categories: (a) value of lost work, (b) insurance and (c) wages. The labour market output is further harmed by obesity due to higher rates of absenteeism, presenteeism, early retirement, and lower employment rates (OECD, 2019).

Notably, obesity is a preventable condition that can be managed through dietary and behavioural changes. Thus, economists anticipate that these behavioural adjustments will occur if the benefits of adjustment outweigh the costs (Philipson, 2001). Quantifying the economic costs of obesity will help stakeholders understand the importance of addressing it through systemic solutions. Several health economics models investigate the relationship between health and productivity (i.e., Grossman's model, 1972) and health and economic development (i.e., Cawley, 2004). Grossman's model (1972) states, "*Gross investments in health capital are produced by household production functions whose direct inputs include the own time of the consumer and market goods such as medical care, diet, exercise, recreation, and housing... the level of health of an individual is not exogenous but depends, at least in part, on the resources allocated to its production.*"

Thus, its central proposition is that health can be viewed as a durable capital stock producing healthy time output. Individuals

are assumed to inherit an initial stock of health that depreciates with age and can be increased through investment. In contrast, Cawley (2004) has created an economic framework that aids in comprehending eating behaviour and economic activity.

Obesity has reached epidemic levels, with many developing nations bearing a double burden of rising obesity, diabetes, and cardiovascular disease along with persistently high rates of infectious diseases. There is a broad consensus that fighting this epidemic will require a multi-sectoral response from the public, the private sector, and the government. Swinburn (2008) suggests that governments should coordinate their efforts in four key areas: (a) providing leadership to set the agenda and lead the way, (b) advocating for a multi-sector response and establishing mechanisms for all sectors to engage and enhance the action, (c) developing and implementing policies to create healthier food and activity environments and, (d) securing increased and ongoing funding to reduce obesogenic environments and promote healthy eating and physical activity.

If policy strategies are to be successful, it is crucial to develop more focused and nuanced health interventions instead of a one-size-fits-all approach (Siddiqui & Donato, 2016). Unfortunately, for policy and advocacy purposes, there is little evidence of the economic impacts of obesity that is comparable across income contexts. However, obesity prevention or reduction can reduce the economic costs of obesity in the future and make a huge difference. Thus, the economic case for government intervention in obesity prevention is vital. There are several options that policymakers can take today, including:

- *Communication-based interventions:* The current National Health Policy (2017) lacks an adequate prevention strategy for overweight and obesity, necessitating implementing public health education programs and communication-based interventions. According to the Organisation for Economic Co-operation and Development (2019), communication-based interventions are among the

most widely used strategies across many nations and can take various forms. For example, (a) they can assist in making informed food purchases by providing relevant information on food and menu labels, (b) they can be used as part of health promotion Furthermore, social marketing campaigns, including the use of mobile apps, to change health-harming behaviours, and (c) they can be implemented to support other disease prevention policies, such as health education campaigns aimed at schoolchildren, workers, or primary care users.

*Accessible agricultural systems:* India must change its agricultural and food policies in the long run to combat this growing obesity epidemic. These adjustments are required to increase the affordability and accessibility of healthy foods. Reddy (2018) recommends that agriculture systems that promote crop diversity (to enable dietary diversity), as well as



regulatory and fiscal measures, should be part of India's policy responses (to decrease the availability, affordability and promotion of unhealthy foods while making healthy foods more accessible). For example, India should nationwide ban the sale of junk food in and around schools, following the lead of the Delhi High Court.

- *Taxes and Subsidies:* There are compelling health and economic arguments for using fiscal measures such as taxes and subsidies to create incentives to reduce NCD and dietary risk factors while generating government revenue that may be potentially ring-fenced for health budgets. However, if reducing obesity prevalence is a societal goal, the fat tax policy must be coupled with comprehensive health package measures that address market failures caused by information asymmetry and negative externalities. Thus, a fat tax aiming to reduce obesity while increasing revenue could be a fallacy (Ritika & Surjith, 2021). Kerala was the first state in India to levy a fat tax on fast food items sold in branded restaurants in 2016. The 14.5% fat tax was implemented to combat the growing addiction to junk foods. Moreover, because this tax was aimed at large corporate food chain restaurants, it did not affect low-income people. A growing body of literature (e.g. Thow et al., 2014; Cobiac et al., 2017; Saha et al., 2021) further shows that fiscal measures such as taxes effectively shift purchasing habits and thus promote dietary change.

Obesity is an unfortunate reality in India, and health disparities are emerging as a new challenge. Thus, defining a population segment with a high prevalence of overweight and obesity will aid Indian policymakers in addressing this epidemic. Medical experts, nutritionists, health economists and policymakers must collaborate to solve and possibly reverse this epidemic through research, policy development, and intervention implementation. These collaborative efforts must be directed toward regulating unhealthy food marketing and advertising, establishing accountability systems for human rights violations, administrating

nutritional education programs, and encouraging the production and consumption of healthy foods through fiscal measures for farmers and consumers.



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# ONLINE





# DECODING INDIA'S ONLINE LEARNING

*SARS-CoV-2 Virus started spreading its tentacles from December 2019 and pushed the world into the biggest pandemic of the century. Along with taking away millions of lives, it affected the socio-economic life of people and most of all widened world inequality. The pandemic, along with the subsequent lockdowns disrupted the education system worldwide. Learning started shifting from classrooms and blackboards, to Zoom, Google Meet and WhatsApp groups.*



**Devika Vinod**



The United Nations Educational Scientific and Cultural Organization (UNESCO) recently reported that over 60% of the world's student population was impacted because of the pandemic (UNESCO, 2022). Online learning proved useful in developed countries with more sound online infrastructure than in developing countries, hence widening the gap between rich and poor nations further.

COVID-19 took a toll not only on India's health system, but also on the education system. Our education system was also a channel for government-aided policies like mid-day meal schemes, Poshan2.0, Immunization schemes, Anganawadi schemes, and for distribution of textbooks and sanitary pads, which got affected during school closures. Indian students were not accustomed to online classes unlike other nations. The shift from intra-personal, face-to-face teaching methods to online

classes on laptops and mobile phones felt like a nightmare to many young ones.

Evidently, there was a lack of accessibility to internet services and digital devices among a large population, especially the rural population. As per a Survey by The Ministry of Women and Child Development in June 2021, 29.6 million children in India have no access to a digital service. UNICEF report presented by Parliamentary Standing committee in August 2021 showed that around 42% of students had not accessed any remote learning. According to the same, only 54% of children above 12 years in urban areas and 32% of children in rural areas had access to internet, hence leading to a digital divide (UNICEF, 2020).

The lack of digital accessibility has increased the drop-out rate in schools. Mid-Day Meal scheme was an initiative started to ensure good attendance at schools especially in

the rural areas, now with schools shut parents stopped educating their children. The Union Education Ministry in June 2021 launched PRABANDH – a data portal to compile data from various states to know the number of children from the age group of 6 to 14 years who may have dropped out of school amid the pandemic. The data showed that around 35 lakh children were currently (2021) out of school with Uttar Pradesh reporting 5.5 lakh children out of schools, Rajasthan with 1.8 lakh children out of school and Odisha reporting the highest dropout rate of 22.5%. Several state governments started working on this issue by requesting for central government funding under the Samagra Shiksha Scheme, and started tracking the children.

Large scale movement of the migrant population during the pandemic had also resulted in higher dropout rates in urban areas. The UNICEF data revealed that around 46% of migrant children have discontinued their education due to COVID-19. Children in the pre-primary section suffered also because of non-

enrollment during the lockdowns (UNICEF, 2020).

Online education is not at all an alternative to the conventional mode of education simply because of the health issues associated with its use. Young ones have to spend hours sitting in front of laptops or mobile phones resulting in eye strain, postural and sleep disturbances, headache, backache, neck ache, mental stress and increased gaming behavior.

Lack of social interactions with peer groups and teachers, no physical exercises, mobility restrictions, family tensions, loss of dear ones, increased screen time lead to a plethora of psychological issues. The 2021 State of the World's Children report noted that 1 in 7 youth in the age group of 15 to 29 years reported feeling depressed during the pandemic. According to National Crime Records Bureau (NCRB), one third of all suicides in 2020 were among the youth (NCRB, 2020). Oxfam India reported a rise in domestic violence cases during lockdowns (Oxfam, 2020). Some queer and women students find more peace at their campuses than with their dysfunctional families. Children need to learn to socialize, face new challenges, engage in physical activities. College students need to acquire technical skills through internships and practical workshops, and enhance their extra-curricular skills through societies. These can only be experienced in physical classrooms and workspaces.

Another problem that will have a long lasting long-lasting effect on our education system is learning gap or knowledge deficiency. Central and State governments did try to ensure uninterrupted provision of education even during the pandemic by providing textbooks, e learning materials; classes through D2H services, radio, Doordarshan; digital platforms such as SWAYAM, DIKSHA, e-Pathshala etc. But still, it did not substitute offline classroom teaching partly because it did not reach the beneficiaries.

As per Oxfam India report, more than 80 per cent of government school students in Odisha, Bihar, Jharkhand, Chhattisgarh and Uttar Pradesh did not receive any educational materials during the lockdown (Oxfam India, 2020).

The academic performances of students have also been affected to a large extent. Retention power from online classes was also low, and therefore children felt much nervous when faced with physical examinations after a gap of 2 years. The learning experience is now casual, and students tend to become lethargic and lack discipline because of no routine. The National Achievement Survey 2021 undertaken by the Union Education Ministry, along with NCERT noted that, compared to 2017, in 2021 academic performance was hit across all states except Punjab and Rajasthan. The national average score of students across subjects dropped by 47 marks. Variations in marks scored were seen among different communities (General vs SC, ST) and a rural urban divide was also evident. The national average score for mathematics was 57% in class third, 44% in class fifth, 32% in class eighth and 32% in class tenth. In science, the national score declined from 39% in class eighth to 35% in class tenth. Similar patterns were observed for language subjects as well (NAS, 2021). Several studies have also shown that school students in India have poor text reading and arithmetic skills as compared to previous years.

Online education was stressful for both students as well as teachers. Teaching on online platforms, trying to get hold of the technicalities, preparing online notes and presentations, interacting with virtual faces in the least responsive environment, evaluating online examinations and missing the beautiful smiles of their students was not at all easy for them. In fact, the decline in the performance of students in schools and colleges was also due to limited interactions with their mentors.

A decline in subject knowledge in the COVID batch college students, as compared to previous year batches was also observed. Technical course students from medical, engineering, hotel management, tourism and research scholars were affected the most. Inaccessibility to labs, lack of practical experiences, no field visits or surveys led to a worrying situation for them.

Parakh survey by the AICTE, examining 1,29,000 engineering students from more than 2000 AICTE-approved institutes, between September 2021 to June 2022,

indicated that the performance of third-and-fourth-year students showed a clear fall especially in a foundational subject such as mathematics (AICTE, 2021). These students may have spent a longer time of their graduation courses in online mode hence it may have directly influenced their performances. Several research studies highlight this kind of issue all over the world.

In 2020, a slowing economy and doubts about the competency of online graduates forced firms to cut down their recruitment plans. Naukri.com reported that 66 per cent of students did not receive their offer letters while 33 per cent did

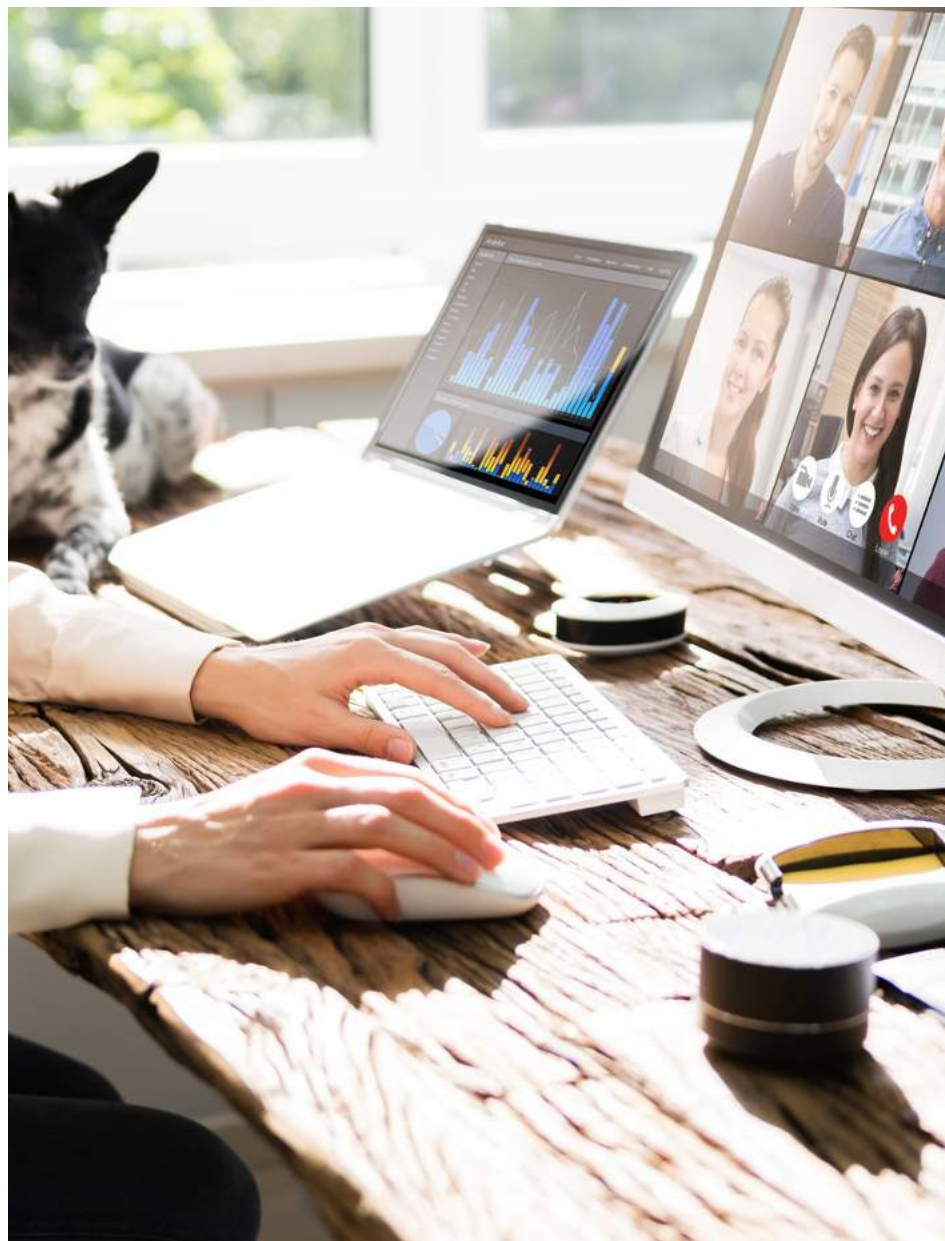


not hear back from their employers regarding the status of their employment (Times, 2020). But now, in 2022 we are witnessing greater opportunities for students. IIMs have marked 2022 as one of their best placement years. IIM Ahmedabad saw 100% placements. The average salary package at IIM Kozhikode grew by 31% from last year. As per experts, this growth in the job market can be attributed to economic recovery that is demanding additional resources and to fill in the talent gap because of slow recruitment in the last 2 years.

Rapid digitalization has created a demand for technical jobs. A student with a knowledge of programming languages like R, Python, AI, machine learning is preferred more by companies. One of the key benefits of online education is the availability and convenient learning of digital courses. People of any age can acquire a new skill at the push of a button. Students are taking up online courses and certifications to upskill themselves. As many as 70 per cent of college students in India have already subscribed to online courses.

The Digital era is moving at a faster pace and hence we need to train our youth in that direction. Many students have already adapted accordingly but governments and academia should address the issue of learning gap and guide the students so that we avoid a digital divide and further inequality among our youth. The National Education Policy includes coding and more skill-based courses, which should be appreciated. But at the same time policy makers should build sufficient online educational infrastructure and should give due importance to our physical classrooms as well.

In these hard times our timely support to teachers and students can create a real difference. For a brighter tomorrow we need to stand up with those who make it brighter.



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# GIG ECONOMY

*An economy based on flexible, temporary, or freelance jobs that often involve clients or customers connecting via an online platform is known as a gig economy. The gig economy is characterized by the prevalence of temporary and flexible jobs, where companies typically prefer to engage with freelancers and independent workers instead of hiring them as full-time employees. The gig economy makes work more adaptable to the needs and demands of the workers to provide them a flexible lifestyle and is more accessible for companies and consumers, which is how it benefits all three of them. Although, as we all know, there are two sides of a coin, the gig economy, also has loopholes, as it erodes the traditional economic relationships between workers, businesses and clients.*



**Labeeba Bakhtawar**



Gig workers, including independent contractors, on-call workers, and temporary workers, establish formal arrangements with on-demand companies to offer their services to clients and consumers. The emergence of gig workers can be attributed to the rapid digital transformation of the economy and industry, which began in the 2000s with the widespread adoption of information and communication technologies such as the internet and the increased popularity of smartphones. As a result, on-demand platforms based on digital technology created jobs and employment of the forms that were different from what existed at the time, including offline transactions. The new gig jobs were better in terms of level of accessibility, convenience and price competitiveness. The definition of “work”, working as a full-time worker with set working hours, began to change with the

changing economic conditions and continued technological advances that in turn led to a change in the labour force and made it into something that is characterized by independent and contractual labour. A gig economy is characterized by a significant proportion of individuals working in part-time or temporary roles, or as independent contractors. This results in the availability of cheaper and more efficient services for those who opt to use them. However, individuals who do not utilize technological services such as the internet may miss out on the benefits offered by the gig economy. Furthermore, the cities with the most developed services tend to be the ones that are most deeply ingrained in the gig economy. Individuals miss out on the advantages of the gig economy. The gig economy is typically most established in cities that offer highly developed services.

## STATISTICS

A 2016 study by McKinsey Global Institute concluded that across America and England, a total of 162 million people were involved in some type of independent work. The payment they receive is linked to the gigs they perform, which could be rentals, deliveries, or other services. As of 2021, America has made significant strides towards building a gig economy, with estimates suggesting that up to one-third of the workforce is already engaged in some form of gig work. Experts predict that this trend will continue to grow, as such employment arrangements allow for independent contracting, with many not requiring the freelancer to work on-site at the office. Work from home is convenient for the gig workers. In the modern digital world, work from home has been becoming increasingly common and this accelerated during 2020 because of the Covid-19 crisis. Employers hiring gig workers also get a large variety to choose from because they do not have to hire someone based on their proximity.

## EXPLANATION

Economic reasons behind the developing gig economy are employers who cannot afford to hire full-time employees to do all the work. Rather than hiring full-time staff, they opt to engage part-time or temporary employees to manage workloads during busy periods or to complete specific projects. On the other hand, taking up multiple positions to afford the lifestyle they want is the key for an employee. It is very common for gig employees to change careers frequently throughout their lifetime. Therefore, the gig economy can be viewed as this occurring on a large scale. The gig economy has many benefits for both parties, employees and employers. The employers have a variety of workers to hire from and if they find any of the workers that do not work upto the mark there is no contract to keep the employee or issues in letting them go. The gig workers also tend to be cheaper as the companies do not have to pay for their health insurance or other benefits that they need to do for a full-time employee. The employees enjoy flexible hours, multiple jobs, freedom including the freedom to choose the workplace. It also has downsides. The gig economy may make the lives of freelancers easy, it makes it difficult for people willing to work full-time to get jobs and develop in them. Freelancers and temporary employees are obviously cheaper to hire and their availability is more flexible, employers choose them over the workers who prefer a traditional career path and the security, safety, and stability that comes along with it. And of course, not everything is made for everyone, for some people the flexibility of working gigs disrupts work-life balance, sleep patterns, and daily activities. The flexibility acts as a downside too as it means making ourselves available at any time the gigs come up, regardless of their personal lives. It also means to always be searching for the next gig. The competition has increased in gigs over the course of time. Unemployment insurances also do not cover gig workers mostly. Few examples of gigs are riding for a delivery service, fitness training, food delivery and painting houses. Companies like Uber, UberEats, Amazon, Zomato, and AirBnb hire gig workers and provide them with cash in return, there are no other benefits included like those of a full-time job. enjoy flexible hours, multiple jobs, freedom including the freedom to choose the workplace. It also has downsides. The gig economy may make the lives of freelancers easy, it makes it difficult for people willing to work full-time .

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## CONCLUSION

Gig economies are rising but there are some challenges, a shifting of mindset being the main one. People are very used to the old and traditional way of work, the one that requires a daily eight-hour shift, going to the office and being a full-time employee. People who want stability and a single employer do not consider working in a gig culture. Previously, it was customary and more probable for employees to work for a single company until retirement, receiving benefits from that employer. However, nowadays, we must be ready to adjust to evolving labor arrangements. We can embrace the gig economy and learn to harness the benefits, while also tackling the challenges and disruptive effects associated with it in various ways. One step forward in that direction is properly recognizing it. The growth of the gig economy is a global trend and this trend does not show signs of slowing. We should educate ourselves and others about gig employment as the legitimate work of an independent contractor. A significant number of gig workers may be unaware that their work is legal, resulting in their failure to pay the required taxes or obtain a business license. Acknowledging the gig economy's existence and legitimizing its labor entails documenting and gauging its scope and impact. Furthermore, we must start and try to adapt to this new culture and accept it for it to flourish well. We also need to think outside the box about policies and reconsider our definitions of work and services to accommodate all the different kinds of jobs people might have, and to create opportunities for economic growth within our communities.

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# INDIA AND WORLD AFFAIRS



# THE DISINVESTMENT SPREE IN INDIA

*Disinvestment can be defined as the selling of public assets to private individuals or organizations. The government mostly liquidates these assets to improve their economic condition, but it may also be done for political and legal reasons. These disinvestments can be partial or full, depending upon the requirements of the government. Usually, sick Public Sectors Units (PSUs) that run into losses are disinvested in to revive them. This process is also carried out to reduce the government's financial burden, improve finances, stimulate growth or diversify ownership. Strategic disinvestment involves the sale of a considerable portion of the government's shareholding in a Central Public Sector Enterprise or CPSE (up to 50% or more) and management control transfer.*



**Wajeaha Ashfaq  
Hamdani**



## BACKGROUND AND CURRENT SITUATION

The history of disinvestment dates back to 1991-1992 when disinvestment was carried out for the first time in India due to the poor performance of CPSEs and a fiscal and balance of payment crisis that had hit India in 1991. Disinvestment in public sector enterprises was part of India's overall liberalization and globalization policies.

Currently, the disinvestment target set for the fiscal year 2022-2023 is Rs 65,000 crores. The total receipts on account of disinvestment was Rs 13,561 crores for the fiscal year 2021-2022.

Some of these disinvestments caught much public attention, like the homecoming of Air India or the Life Insurance Corporation's (LIC) Initial Public Offering (IPO). While everyone has heard about these disinvestments in the news, many might not know what they mean.

This article revolves around the reasoning behind these recent disinvestments and their significance.

With a cumulative debt of Rs. 60,000 crores, the government sold Air India after two failed attempts in the past. The choice was between disinvestment and shutting down. The LIC IPO fetched the government Rs. 20,560 crore, one-third of the fiscal year's total target. Other units which are planned to be disinvested in are Central Electronics, Pawan Hans, Shipping Corporation of India (SCI), Bharat Earth Movers Limited (BEML), Container Corporation of India (CONCOR), and Bharat Petroleum Corporation Ltd (BPCL). The economic survey 2022-23 also highlights the fact that more than 80% of the Indian startups are funded through FDI. These FDIs come from those international players.

## REASONS BEHIND RECENT DISINVESTMENTS

Let us analyze the reasons behind this disinvestment spree. Firstly, the government wants to increase its receipts, and selling these PSUs generates much liquidity. The pandemic has harmed the economy; therefore, the government is trying to compensate for the damage. Government accounts are stretched, particularly post the enormous financial crises due to Covid. Public welfare requires funding, and even more, funds are needed to boost the economy. The budget deficit is already significant; therefore, the government had to develop creative ideas to manage its budget. These disinvestments are a vast source of revenue. Additionally, they also encourage investment. Privatization promotes healthy competition and brings efficiency. Some PSUs are disinvested due to their poor performance, and privatization revives them with better management and optimization. For example, Air India was on the verge of closing due to its debts and was saved by disinvestment.

Foreign investors pulling funds out of India due to the rapid inflation, repo rate hikes, and devaluation of the Rupee is another reason why the government needs to promote domestic private investments.

Apart from disinvestment, the government also introduced the National Monetization Pipeline (NMP), where the PSUs are rented out to private organizations for a few years. The estimated aggregate monetization potential of NMP is Rs 26 lakh crores via critical assets in four financial years from 2022-2025. NMP generates funds from idle resources without selling them.

## FORMS OF DISINVESTMENT

Various forms of disinvestment are employed by the government, with Exchange-Traded Funds (ETFs), Offers-for-Sale (OFS), strategic disinvestments, buybacks, and Initial Public Offerings (IPO) being the most important methods over the previous six years. ETFs are baskets of stocks, and the government primarily utilizes two main ETFs, namely CPSE-ETF and Bharat 22 ETF. During the period from 2015-16 to 2020-21, the maximum disinvestment receipts from ETFs were increased by the government. OFS pertains to the government's sale of its shareholding in listed CPSEs in the stock market, although it has also led to CPSEs purchasing significant stakes in other government companies. For example, in 2015, the Life Insurance Corporation of India (LIC) obtained 45% of a 10% OFS in Coal India Limited. Similarly, in March 2013, LIC purchased 71% of the 5.82% stake sale in Steel Authority of India Limited (SAIL).

## CONCLUSION

While disinvestment is not a new phenomenon in India, it has been increased rapidly by the government in the past years because of the economic conditions. Higher disinvestment targets have been set and also achieved, to some extent. We hope these disinvestments are carried out well and prove fruitful for the economy.



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# THE INDIAN UNICORN BUBBLE BURST

*With tight infuriation and cutthroat warm competition on the western longitudes there was a search a for the new marketing space which had the scope and potential to perform and out do profits in the market. These marketing prerequisites luckily entangled with the new growing south Asian startup markets. These startup market comprises of two vital markets, one the Chinese startup market and the other the Indian start up market.*



**Dibyajyoti Tripathy**



**I**ndian start-up market at present is the third largest start-up market in the world with more than 65000 start-up companies registered with it. Recently before some months as high as 65 start-ups turned into unicorns. These figures were quite optimistic and promising but suddenly this whole bubble of utopian unicorn market got a series of backlash and now predicting an investor winter now. This winter was not unprecedented but was quite predicted due to lack of proper structural reforms and psedo revenue model and many other factors that we would further elucidate here.

## HOW THE STARUP CULTURES DIFFER AND APPROACH OF INVESTORS.

To shape a firm there are perquisites of capital and machinery similarly to develop a system of new innovative firms we require a healthy and supportive atmosphere to breed and incubate starups. The mood and temper of market is anti-innovative and monopoly driven.

The market or the establish players in india utilizes a very vicious tactics of capturing the whole market ignoring the extent of profit that they are getting. Due to this the consumer is left with less options and the new entities are unable to compete. This is the core reason why we see very less mergers and acquisitions by Indian industry themselves, while they are acquired by foreign companies. Along with these there is an internal shrewd partice of legacies and families to create a nexus of trust for funding. Rather we capability of the firm we prefer the name of the legacy attached to it which sound synonymous to trust, these all treat the new players as outsiders in the market and cartelize the capital flows. The economic survey of india suggest with its numbers that how unconsolidated is the capital market and how its cartelized by the established business families.

The economic survey 2022-23 also highlights the fact that more that 80% of the Indian startups are funded trough FDI. These FDIs come from those international players

who are reluctant towards western markets these include THE TIGER BANK, SEQIOA CAPITAL etc. but there is a sad reality that the founders themselves gurlp the moneyny of the investors.

Thease had happen very often in the Indian market. The founders quote a very high salary for themselves and turn into HNIs while the invest quite less on the model. These type of practices are not prevelant in the western market due to socio economic norms and guidelins where the founders downsize the investor money as their own money and prevent malpractices. The recent example of such a incident was a case of mishandaling the assets by BHARATPE group leded by famous siccor toungeed Ashneer Grover. Due to this in the last and consuective quarters the investors like TIGER BANK has suffered a loss of 17 billion US dollars ansd 13 billion dollars to SEQIOA CAPITALS.

One of the important data that comes of the wrner survey is that the core governance group of most of the Indian start-ups and businesses are filled by the close knit family members. The core governance group is treated as more

hereditary establishment rather than an open diversified group, this leads to discouragement among ambitious and intra-industry entrepreneurial candidates, loss of investors' money on wrong decisions some times even fatal decisions for the firm just for the relation at stake. Some times it exceeds the limit to such an extent as to prevent even a high stake investor from joining the core group.

### **ACTUAL INDIAN TARGETED MARKET AND GAME BEHIND ITS DECISIONS TO GENERATE FAKE PEAK NUMBERS FOR VALUATION**

The game to cheat the investor starts here, first of all the founders put a huge number in front of them to recapture their reach, then they value each person as a rational consumer who has buying potential and also predict this increase. This trick ensures that by increasing the daily traffic on the page or more traffic on the month and this extensive marketing would invite any big conglomerate to acquire this firm and again a lump of profit would land into pockets.

Laymen's definition of the business state a standard that to a business activity to happen there must exist a seller and a buyer. To be specific if a market model has to function it must have a set of potential customers who could buy it. The matter gets stuck here. As we tag any organization as a unicorn we tend to get its valuation to 1 billion dollars. To attain this the investor always seeks that how to increase its business so it first sees the market. The number of 1.4 billion total population and more decisively 600 million middle class population seem to the founders as the core group that they target and even claim to acquire it but the reality stands far apart as these 600 million are diversely scattered and ununited as they are a variety of socio-economic constraints attached to it.

The game to cheat the investor starts here, first of all the founders put a huge number in front of them to recapture their reach, then they value each person as a rational consumer who has buying potential and also predict this increase. This trick ensures that by increasing the daily traffic on the page or more traffic on the month and this extensive marketing would invite any big conglomerate to acquire this firm and again a lump of profit would land into pockets.

These tricks do not come out of a vacuum but gained popularity after the consecutive acquisition of Myntra by Flipkart and Flipkart by Walmart. These practices encourage the firms to just increase their reach by more and more downloads of their app, more and more frequent opening of their outlets at different places. This trick and misconception was clarified by Nikhil Kamath himself where he shared the data of Zerodha mentioning that out of a population of 140 cores only 9 core people have demat accounts but he revealed that only 3 cores out of these 9 cores are the accounts which have more than 10,000 rupees invested in them, this indicates a flaw that the founders subsidize to attract conglomerates, i.e. they predict the growth of this 9 core to 30 core accounts but if we keep the ratio intact only 8 core of it would be influential. This needs to be changed we have to access the core consumer group and how it would perform and act. The founders try to value on the numbers of daily activity which results in over-estimating the small and minor bots. For example, if you open a shop and you receive a footfall of more than 200 daily that does not mean everyone is a consumer, now if you want to extend the shops or put in any capital into it you have to think that out of 200 footfalls how many people actually bought the product so, by only predicting an increase in footfall to 400 you could not just invest as the changed price dynamics may reduce or stagnate the number of people actually purchasing the product, so as you are more dependent on real consumers, segregate them and focus on them as they would help to repay the invested capital.

### **INVESTORS CASH BURNS TO ATTRACT AND RETAIN THE CONSUMERS, NON-PROFITING MODEL OF BUSINESS, THE STATUTORY STEADINESS IN INDIAN MARKET DUE TO LOW PURCHASING POWER.**

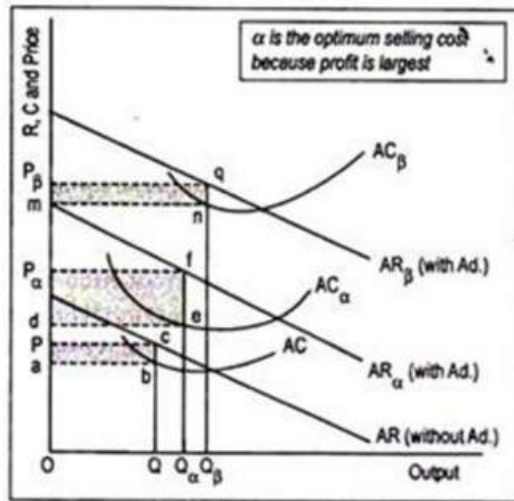
Zomato, Swiggy, Flipkart, Ola, Paytm, Byju's, mFino, Blinkit, BharatPe, Vedantu, Nykaa, Meesho, all these and many other are roughly stating 80% of Indian startups are running on losses. This is the stark



reality that we should accept. Indians start ups are failing to generate profit from the Indian market, so what about their unicorn tag does that doesn't ensure any profit? Sadly, not all these unicorn tagged companies are not making profits, for which the core issue is the view and above prescribed model of increasing daily average users which burns a lot of investors cash.

The second significant amount of whole lumpsome money directly gets dumped into the vauge steps to retain the attracted costumers so that they don't leave the platform, for this to happen they ensure that the joined costumer gets some priority services and discounts on the comparison to others. They also offer discount and repetitive awards, top ups on every purchase and most annoyingly notifications, that's the reason you see pop-ups of these apps on your scroll screen, not only these the crucial capital is lewdly gambled on the media rights of football leagues, cricket league merchandise again in a attempt to retain the costumers that they have.

Now along with all these capital-intensive marketing strategies the strups in india doesnot procure any profit as the business model is either uncertain, flawed or even non-existent. The events that follow all such flawed organisation result into misappropriate consumer targeting and more appropriately to speak no profit revenue generation. Here an concept of E.Chamberlin comes into work named as the concept of selling costs, that untill your selling costs are with unison with the amount of product and services they act as an investment to increase your supernormal profits but as soon as the unison balance is disrupted either by excess or short supply of product it hampers the super normal profit. The firms cost graph containing LAC(long term average cost) and MC(marginal cost) curves would become more steeper while as the MR(marginal revenue) graph slope would turn more planar resulting into lower points of intersection due to increase in convexity of the graph. This happens as more and even most of the selling cost is used in making new costumers from the competitors consumer base.



These complications even get worse when we compound these problems with the concept of budget constraint. After evicting a lump of money for attraction and retention the assigned customer structure that we get is also not a continuous utility maximizing unit rather they are very diversely divided between the choices and the extent of purchasing power curtails their ability to harness the product. When there are joining of a particular customer in the initial period the activity is quite lukewarm but it gradually gets stagnated to a particular level after which the saturation tends to prevent the customer from buying. The opportunity cost involved in buying the product surges for an average customer, that's why he does not consume it. So, the actual core established high purchasing power customer numbers is very less which gradually results in a curtailed source of revenue. According to the concept of Pareto optimality it is impossible to do or access any extra unit without hampering the other interest for low purchasing power this condition is rapidly summoned as in India income of monthly 25000 is among the top 10% of people.

The issue further aggravates when we think about and accommodate the idea that due to the budget crunch, there is no loyal consumer class in India. Further with that, we suffer from a system of a predominant set of governmental rules and regulations and a fraudulent system of over-transparency with lowing income strata and increasing inflation the red-tapism makes the entry of any new firm extremely difficult to survive.

Not only this but also the hyper expressive uneducated dilliterate opulation creates a hype of any flaw into an extent that there exist no chance of ressuurrection, every decision is taken on the fence that's either it would be boon or a curse. the present so called suit boot government is only limited to to there demagogic oral speeches on economy while the reduce the no of SEZs and also triple screening on FDIs seem to hamper it further. With these all happening backdoor the reality check on the founders seems to appear whenever there is a probable chance for the IPO and thre is drastic fall in the valuation.

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With these all happening backdoor the reality check on the founders seems to appear whenever there is a probable chance for the IPO and there is drastic fall in the valuation.

With a predicted winter on investment we see there is a tough for the Indian startups. Hope this period turn as a period of litmus test and ensure a proper base for future.

This hegemonic irrational cash burn strategies to attract consumers backfires at max. The nexus of faith in the basis of clear account books shatters and further any funding processed is highly scrutinized and due to this a predicted timely scaling of the company fails which in return leads the company towards lay off. Due to this an unprecedented wave of forced unemployment comes into direct play and suddenly there is a outflow of liquidity from the circuit due to disinvestment and consumption of saving. This perennial system of layoffs promote the company to get bankrupt at some extent and then the investors money associated with it sinks and domino effect promotes loss of faith in the market.



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# YOUTH IN INDIA: DEMOGRAPHIC DIVIDEND OR DEMOGRAPHIC DISASTER?



Anam Firdaus



The United Nations Population Fund (UNFPA) is one of the United Nations' most prestigious sectors, established to improve the world's reproductive and maternal health, which defines a demographic dividend as the potential for economic growth. Especially, if the proportion of the working-age population (15-64) is higher than the proportion of the non-working-age population (14 and under and 65 and over), it may be due to changes in the age structure of the population. The potential for economic benefits is immeasurable if appropriate policies are in place and investment in human capital, mainly among young people, is substantive and strategic. The working-age population in countries with low births per year is increasing compared to young dependents. With so many people in the workforce and few children to support, the country has the

opportunity for economic growth with suitable social and economic investment and policies for health, education, governance, and the economy. India is having a huge youth population which is the greatest in any country in the world. The Census of India (2011) highlights the profiles and status of youth and youth populations that make up an important part of India's total population. Socio-political, economic, and demographic developments are based on them. The transition from education and training to employment represents an important stage in the lives of the youth that make up the country's operating workforce. High youth unemployment due to a lack of skills and poverty is a long-term challenge for India.

World	6.91
Youth (Aged 10-19 Yrs)	1.19
Youth (Aged 15- 24 Yrs)	1.22

In India, the youth population is 253 million and the youth population is 231.9 million, accounting for 20.9% and 19.2% of the total population, respectively, with both youth and youth accounting for 40.1% of India's total population, respectively. Occupies (India Census 2011). India's youth population is so large that the United Nations estimates it is equal to the total population of 18 countries in West Asia. Youth is defined by the United Nations as people between the ages of 15 and 24, but the age range of youth in different countries may vary depending on different environments and youth needs. During this transition, physical, educational, psychological, social, and economic changes

occur in their lives. The National Youth Policy of India (NYP) targets all young people aged 13-35 and is divided into two groups: 13-19 and 20-35 (National Youth Policy 2003). The latest National Youth Policy defines youth as the age group of 15-29 years, accounting for 27.5 percent of the population. Youth is a more dynamic segment than the fixed age group.

In addition to the central government, state governments, authorities, other stakeholders, and non-governmental organizations (NGOs) are helping raise young people into productive workers. Various analyzes show how socio-economic factors determine the developmental patterns of adolescents in the Indian situation. According to a 2010 survey by Bell and Blanchflower, young people (ages 16-24) are particularly vulnerable to the negative effects of the recession, leading to unemployment. The global recession has created many temporary jobs among them. Low literacy, youth poverty, and health problems are obstacles to the growth of young people in India.

The huge surplus of working-age people should have given the country a competitive advantage with cheap labor. Instead, there was an unemployment crisis. Even now, more than a decade later, the budget deficit has not fully recovered as companies went bankrupt and banks ran out of new capital. GDP rates began to recover from the pre-pandemic, but the ground noise was far less promising as political instability fueled economic dissatisfaction and concern among citizens of all disciplines. Many young people do not get the opportunity to contribute to India's economic growth. It is the quality of talent that determines their actual impact, which is of concern to India. Skilled workers are rare, Of the 13 million young professionals who find employment each year, one in four executives, one in five engineers, and one in ten college graduates are considered suitable for work. Of the many college graduates, most are considered unemployed. The growing importance of the knowledge base industry is increasing the demand for jobs that require a higher level of skill sets.

Job seekers often work in underqualified positions just to ensure financial security and repay their education loans. As the

labor market shrinks due to a pandemic, youth is willing to accept low wages and poor working conditions just because they are desperate to make a living. This golden era of demographic dividend can not be preserved but can only be utilized if we can service is also important, skilling up the existing workforce, the less explored sectors like creating avenues for the holistic development of youth and nurture them in the correct manner some of the ways out for same is to expand public services, increase the capacity of health care renewable energy, waste management, tourism, etc. need to be looked as a prospect to generate jobs, utilization of youth at the very grass root level i.e. through Panchayat, Blocks and District Head Quarter levels as well. The problem as possibilities has been put up now it's on the stakeholders i.e. Us who have to decide where we want to maneuver this golden era of demographic dividend.



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# MEHENGAI-DAYAN

*There is a by-line that "mehangai dayan khay jaye re", what actually creates this "dayan" how once after winning election a sisterhood is established by parties with inflation and tries to suppress it. this article put light on how central government is arcaiding with inflation.*



**Dibyajyoti Tripathy**



8 years prior to this frame of time we would flashback images of universally clinging, shouting, repealing, protesting dramatically by the then opposition party and contemporary ruling party campaign against the prevailing inflation for the common man during the reign of incumbent government. But none of them either hoped or speculated that inflation becomes the tamed devil of chair and the chair always tries to ignore it and the same is happening now. From the journey of "Mahengai Dayan" to "Mahangai behan" it has been a long journey what has been surpassed and how and when its again going to be worsened.

Let us understand how is exactly inflation taken into calculation. Inflation predications are quite speculative as they have to be assessed before formulating any monetary policy by RBI. It's quite advent that we remain uninformed

or unwarned by the knock of inflation but the government remains quite aware of it before hand. Inflation is measured basically by two parameters in India. One is the WPI (wholesale price index) and the other is CPI (Consumer price index), both of these represents wholesale inflation and retail inflation respectively. Wholesale inflation in place denotes the inflation from the producer side while as Retail inflation in place denotes inflation from the consumer side. Retail inflation in terms is very uncertain and fluctuative as compared to WPI as its counted monthly and consumer behaviour is quite easy to alter in small phase of time. Now visualize how and what is happening to our India now and how did the table turns and why inflation is always ignored.

Under the utopian rationale of the demagoguing boastful government there was a very buzzed reform

generally termed as the GST. the introduction of gst has led to the tussle of money baton between the central and state government. with the implementation of gst the existing well marked tax lines and slabs vanished and it all became very clumsy and incoherent to collect gst. With the decreased gst collection the total collection figures seemed to decrease day by day which resulted in chronological accessing of different products under gst. As gst is a tax which is aimed at collection at different stages from producer till consumer so undoubtedly the first price hike that is transcended till consumer is due to higher production cost and then subsequent adding of tax at each step which even worsen it, so a planned double back stab is looting the consumers. Along with these the we have to understand that the intermediary processing of some products is also brought into tax scrutiny under gst which were earlier non taxable before taxation incurring more cost to product. All these resulted in increasing percentage of WPI which let a very persistent inflated

market.

After the implementation of gst there were very limited products from which the state government could collect its revenue such as fuel, liquor, cereals, etc one such product is fuel, The international market of brunt (crude petroleum) has seen a very sharp fall from the reference year of 2013. The contemporary petrol rate was 62 Rs per litre after including all taxes when the brunt price was \$123 per barrel. After 2013 till 2015 there was slight rise in brunt prices which subsequently pushed the values till 72rs per litre. After 2015 the international crude prices start to decline then also the taxation on petroleum was not decreased, they were kept constant and started increasing at a rate of 2% annually. Due to this non-scrutinized ignorant government the state stake of gst is on a credit for 4 years till now which force them to increase VAT so that they could get adequate revenue to run the state and its scheme. This maximised the price hike and the transportation industry which is a part and partial of every industry started incurring more prices to the already inflated market, due to which the outcome was record breaking data of retail inflation. This along with poor management and regulation of Indian firms and mass appeasement trough freebies proved to be last nail in the coffin in the government management of inflation during post covid era.

The condition is even going to be worse as due to prolonged war between Ukraine and Russia there is a huge gap of wheat supply which the Indian market is sought to fill the gap as it's the third largest producer; which is reducing its own surplus and strategic this is incurring a price hike on atta, bread and other wheat-based products. Along with this Indonesia has banned import of palm oil which was sought as the main alternative after sunflower oil supply was drip to zero from Ukraine. The worst is yet to happen.

In a lay man's term all, this inflation is due the implementation of improper and draconian taxes which finally tears apart the consumer pocket and this is the bone of contention why all parties stand just turns 180 when it comes to inflation according to their current state in government as ruling or opposition because as a ruling party, they love the monetary surplus which is collected

trough taxes and try to gain it more and fill own pockets even if that counts blood and sweat for a poor.





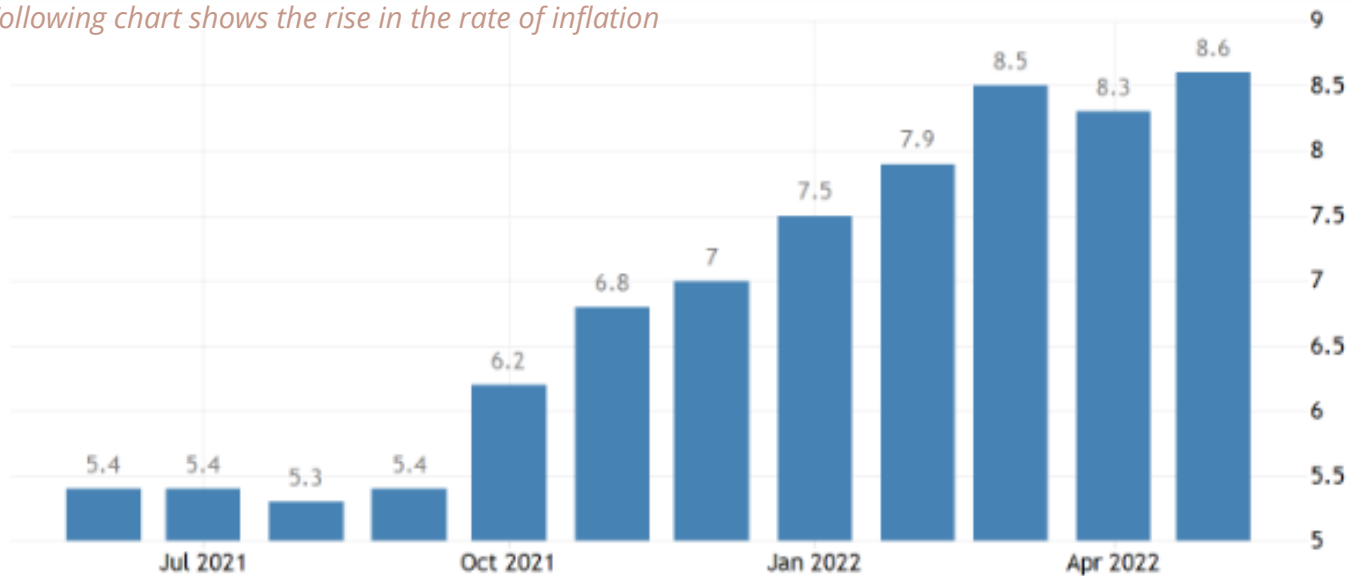
# US INFLATION, INTEREST RATE HIKE, AND SPILLOVERS TO EMERGING ECONOMIES



**Tokir Alam**

*With tight infuriation and cutthroat warm competition on the western longitudes there was a search a for the new marketing space which had the scope and potential to perform and out do profits in the market. These marketing prerequisites luckily entangled with the new growing south Asian startup markets. These startup market comprises of two vital markets, one the Chinese startup market and the other the Indian start up market.*

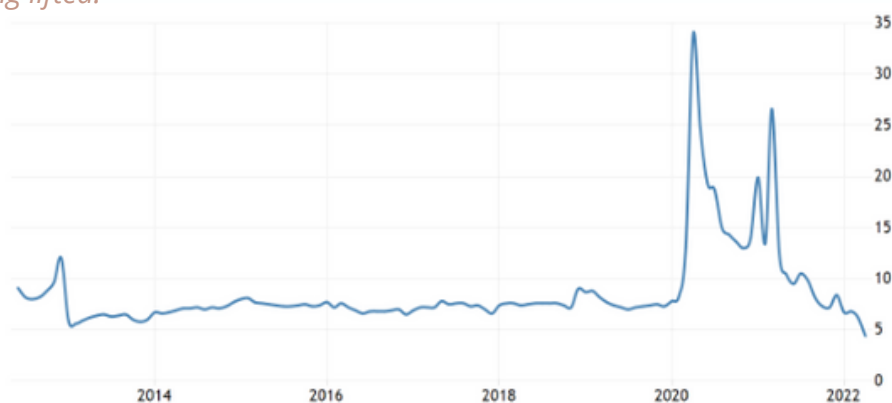
*Following chart shows the rise in the rate of inflation*



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But what led to this inflationary surge? When the pandemic broke out and people were forced to remain shut indoors, the demand for goods and services, and hence production went down dramatically. People amassed huge savings during this period. Yes, a lot of people indeed lost their jobs, but a lot of people were actually able to maintain their jobs and incomes. Thanks to the work-from-home model. Plus, everyone got stimulus checks and the people who lost jobs got unemployment benefits in three rounds. The US saw one of the most generous fiscal responses to the pandemic globally. \$1.2 trillion was spent in 2020 as a stimulus. Erica York, senior economist at the tax foundation said, "The payments were not as targeted as they could have been." She also added that about 90% of taxpayers received money regardless of whether they were experiencing financial hardships." Also, the stimulus money that the households got in the second and third rounds was mostly used for saving and paying off old debts.

*The below chart shows how the personal savings rate shot up in 2020 and started falling from 2021 as lockdowns were gradually being lifted.*



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So when the lockdowns were lifted, people had a lot of money to spend on everything. The demand for goods and services exploded. But the market was not yet ready to meet this hot demand. The kind of strong economic rebound that the US saw after the recession was unexpected. There were supply shortages due to decreased production and global supply chain disruptions due to the pandemic. Sellers were able to increase prices without losing customers. The Russian invasion of Ukraine also disrupted the movements of commodities like oil and grains which fed into the costs of other products and services. Hence this inflation - too much money chasing too few goods.

### FED'S POLICY RESPONSE

A well-known monetary policy tool to combat inflationary pressure is interest rate. A hike in interest rates impacts aggregate demand negatively which helps slow down the economy. When interest rates are high, the cost of borrowing goes up, meaning less investments by businesses, less mortgages and consumer loans, and less shopping with credit cards. In addition to that, people with old debts are going to pay more in the form of interest which leaves them with less disposable income. Hence the aggregate demand in the economy goes down. Now the US Federal Reserve has raised key interest rates by 75 basis points to stop the economy from overheating. This is the biggest hike in 28 years. The Fed is trying to achieve the so-called "safe landing" by raising the interest rate to a level that stops the economy from overheating but does not end up pushing the economy into another recession. But this is no easy task.

Suppose if the supply chain shortages ease, the market is ready to meet the demand and there is competition among sellers to gain customers again, the prices will slowly come down, then in such an optimistic scenario, the Fed might actually be able to land safely with this 75 basis points hike in the interest rate. But if the supply chain disruptions persist, as many experts say it will, then the Fed will have to hike the interest rates more drastically to curb the aggregate demand within the economy to bring the inflating prices under control. This will lead to another recession. The Fed officials have hinted that more such hikes are expected to come this year. They have already reduced their growth estimates down to 1.7% for this year which they had earlier predicted to be 2.8%. There is actually little chance of a safe-landing.

Some experts have said that the Fed should have begun its anti-inflationary campaign earlier. They would have been much better off if they would have reacted swiftly when the problem started.

### IMPACT ON EMERGING MARKETS

The impact of the US tightening monetary policy is not limited to American households and businesses. It has far-reaching consequences. There is evidence in history that suggests a strong correlation between sharp interest rate hikes by the Fed and negative spillovers in low and middle-income countries. Take for example the case of the Volcker Shock. The then chair of the Fed, Paul Volcker increased interest rates drastically at the end of the 1970s, the highest ever in history, to combat double digit inflation. This response by the Fed caused long-term output losses in developing nations. South Korea, Chile, and, Mexico were among affected countries.



In 1994, when the Fed increased policy rates it adversely affected Mexico. It contributed to Mexico's Tequila Crisis. The Mexican economy suffered so badly that the US had to bailout a rescue package of \$50 billion with the help of the IMF.



This time is going to be no different. Following are some of the ways in which interest rate hike in the US might impact other emerging markets like India:

- **Capital Flight.** Investors are going to pull out their money from emerging markets since now investment in the US will look more attractive to them because of higher rates. That means less foreign investments and capital in emerging markets. India has already witnessed a huge capital flight. Reports suggest that in the first five months of 2022, Foreign Institutional Investors (FIIs) have pulled out more than \$26 billion from debt and equity.
- **Weaker Currency.** Capital flight puts downward pressure on the domestic currency. The Indian rupee has depreciated by 5% against dollar in 2022, touching the record low of ₹78.20 per dollar on 13th of June.
- **Imported Inflation.** A weaker currency makes it more expensive to pay for imported goods. At a time when supply chain disruptions, and the Russia-Ukraine war has already hindered the movements of some of the very essential commodities like grains and oil, and inflated their prices, falling currency and rising import prices is going to hit the developing economies very hard. Domestic companies might have to face

lower profits due to increased costs of production. Continuous increase in the price of oil has already put upward pressure on the wholesale inflation in India. Indian rupee falling further might have catastrophic consequences as it starts feeding into the prices of other goods and services.

- **High Rates on Sovereign Debts.** Low and middle income countries with huge debts are going to suffer. According to Kristalina Geogieva, Managing Director of the IMF, 60% of low income countries were in or near "debt-distress" Higher interest rates and thus a rise in the dollar's value could make it more expensive to meet their dollar-denominated debt obligations. Rising debt obligations might shift priorities of the governments from expenditure on food, health, and infrastructure to debt repayments.

This, in turn, will hit already weak recoveries in developing economies.

The future as of now is quite uncertain and unpredictable. We cannot know for sure how things will unfold following the policy response by the Fed in the wake of soaring inflation and global supply chain disruptions. But one thing that we can be sure of is that this is going to give birth to a chain of events, and affect people across borders in one way or another, as all of us are connected in this globalized world. A hike in interest rate in the US might end up making it more expensive for you to buy groceries and vegetables. Interesting, isn't it?

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# SRI-LANKA'S PROFITABLE EXTREMITY AND ITS IMPACT ON INDIA



Hanan Musheer

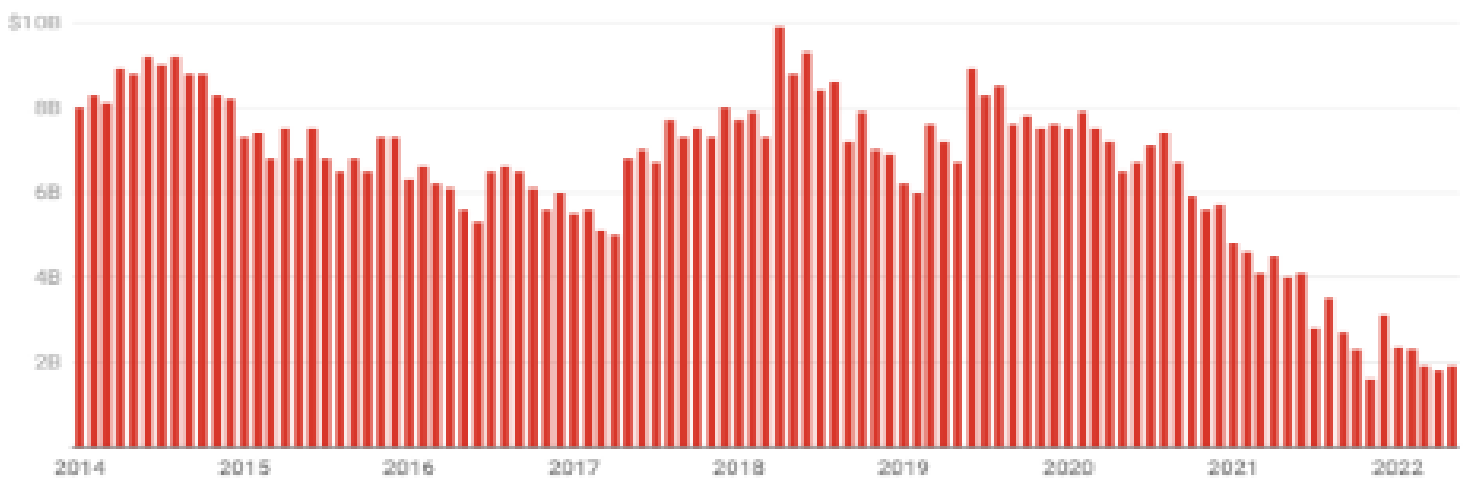
In April 2022, the Sri Lankan government declared default, making it the first autonomous dereliction in Sri Lanka's history since its independence in 1948 and the first stage in the Asia-Pacific region to enter autonomous dereliction in the 21st century.



The extremity in the islet nation has been exacerbated by mounting lucrative straits bordering Sri Lanka, a severe foreign currency imbalance, and the inability to pay for necessities like energy. The situation in Sri Lanka was worrying, with political unrest driving violence among the millions. It included debilitating power outages lasting up to 13 hours, a shortage of food, petroleum products, and necessities, as well as a high percentage of double-number affectation (17.5 percent). The lack of foreign exchange reserves which declined by 70 percent of Sri Lanka's foreign reserves has been exhausted due to economic mismanagement, leaving only \$2.31 billion to pay off more than \$4 billion in debt. The economic recession in Sri Lanka is exacerbated by the island nation's heavy reliance on imports of basic goods like sugar, pulses, and cereals since it lacks the foreign reserves needed to cover its import obligations. Additionally, Sri Lanka's FDI decreased. According to official statistics, FDI was \$548 million in 2020, down from \$793 million and \$1.6 billion in 2019 and 2018.

## Sri Lanka's falling foreign reserves

Gross official foreign reserves (in US dollars)



source: Quiggin, J. (n.d.-b). How did Sri Lanka run out of money? 5 graphs that explain its economic crisis. *The Conversation*. <https://theconversation.com/how-did-sri-lanka-run-out-of-money-5-graphs-that-explain-its-economic-crisis-187352>

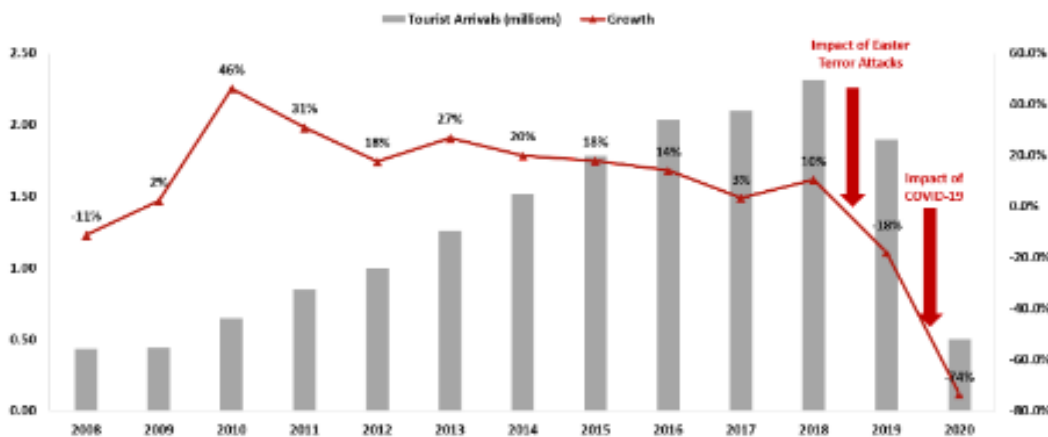
## SEVERAL FACTORS HAVE CONTRIBUTED TO THE FOREX EXTREMITY

### • Administrative Error by the Government -

The Sri Lankan government for a long period borrowed substantial quantities of money in the form of loans from overseas to fund public services, placing the nation in debt. A budget imbalance resulted from the government's disregard for expenditures exceeding income.

### • Tourism -

Sri Lanka, which is well-known for its tourism, is currently becoming worse. Another significant aspect of Sri Lanka's state of affairs is tourism. Tourists have been reluctant to travel to Colombo after the Easter bombings at several churches there in April 2019 left 253 people dead. Its foreign exchange reserves were impacted by this. The tourist sector, which contributes 10% of the nation's GDP, was decimated in such an event. Due to COVID-19, tourism also came to halt.



### • China's Intervention

The island country has experienced significant pressure due to China's close vicinity. China's plan has resulted in a sharp rise in political and economic instability in nations where it has increased its involvement. That is demonstrated by Pakistan. Additionally, its financial standing could be better.

## INDIAN OPPORTUNITIES AND DIFFICULTIES

As it navigates the difficulties and opportunities that this crisis in Sri Lanka has created, India, Sri Lanka's sole close neighbor, is walking a fine line. As the most lucrative extreme. India is not immune to the effects of the lucrative extremism in Sri Lanka as it intensifies, spilling over into civil unrest and political uncertainty in the island nation.

### • EXTREMITY OF REFUGEES

There has been a surge of people from the islet country looking to emigrate to India due to famine and job loss. The effect has increased by 17.5% from last month. The government canceled academy exams after running out of US dollars to import sheets and inks because people were dying while remaining in energy-saving zones. Every time there has been a political or social uprising in Sri Lanka, many ethnic Tamils from the Sinhala Land have fled to India across the Palk Strait and the Gulf of Munnar. However, India may need help managing such wealth and requires a strong system in place to deal with the problem.

### • PROFITABLE CHALLENGES

Given its prominence as a TRANSSHIPMENT hub, Colombo's harbor handles 60% of the weight of India's transshipment, and India heavily relies on it for international trade. 70 percent of the harborage's overall transshipment volume is comprised of transshipment is made up of weight related to India.

Thousands of holders, including those for Sri Lanka's consumption, were transported there. The transported transported transported there, and the transshipment weight has been left at the harborage uncleared since the authorities are unqualified to transfer holders between outstations. The structure of importance envisaged for Sri Lanka in Indian anchorages is the

result of this. India is exposed to rising costs and traffic problems if the Port of Colombo is disrupted in any way. India is also one of the countries that invest the most money directly in Sri Lanka (FDI). From 2005 to 2019, India's FDI totaled roughly US\$1.7 billion. India, with US\$ 139 million, was the third-largest source of FDI for Sri Lanka in 2019 after China and the UK. The primary industries in which India invests are retail petroleum, tourism, lodging, manufacturing, real estate, telecommunication, banking, and financial services. Large Indian businesses with investments in Sri Lanka, including such Indian oil painting, Airtel, Taj hospices, Dabur, Ashok Leyland, Tata Dispatches, Asian maquillages, State Bank of India, etc., may be affected by any instability there.

### • Humanitarian Crisis

Being the sole neighbor of Sri Lanka, India, the prospect of a significant humanitarian crisis might also affect India. India is in a position of great responsibility to prevent the disaster by providing all available assistance, given the lack of food and medicine and the escalating political unrest.

### • OPPORTUNITIES

India is eager to fill the supply gap created by Sri Lanka's unexpected decision to stop exporting tea to the world market. The world's top exporter of tea, Sri Lanka, is currently dealing with a dramatic fall in tea production due to daily power outages of 12

to 14 hours. Exporters of Indian tea are in a good position to seize markets in nations that import traditional tea. In addition to new markets like Turkey, Iraq, the US, China, and Canada, India might expand its presence in Iran. Given that the UK, EU, and even Latin American nations, where Indian textiles had little to no presence, are starting to place orders with Indian garment exporters, the Indian textile sector is prepared to benefit from the crisis. Before the financial crisis, about half of Sri Lanka's exports were textiles and apparel. Power failures, however, significantly impact the garment industry's production and supply.

Geopolitical analysts have also said that India can take this chance to reestablish its diplomatic ties with Sri Lanka, which have grown distant due to Sri Lanka's proximity to China. In contrast, Sri Lanka's current foreign policy has a clear attempt to balance both Asian superpowers by favoring China and India. India's delivery of fertilizer to Sri Lanka at the latter's request is considered a good move in bilateral ties as the dispute with China over the fertilizer issue grew more heated. India's four-pronged economic and financial aid strategy to Sri Lanka has been implemented in response. Credit lines for the import of goods like food, gasoline, and pharmaceuticals are included, as well as currency swaps to increase foreign exchange, modernization, and comprehensive investments in fields like renewable energy, ports, logistics, infrastructure, connectivity, and marine security



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# RUSSIA'S INVASION OF UKRAINE AND ITS IMPACT ON INDIA



Sampada Churasiya

*After the dissolution of the USSR, India and Russia have acquired a close relationship. The two nations share a "strategic partnership" based on five essential components, namely, politics, defense, civil nuclear energy, anti-terrorism co-operation and space. In recent years, the addition of bilateral trade as the sixth economic component has grown in importance as both nations have set a target to reach \$30 billion by 2025 from the \$9.4 billion in 2017.*



India is the largest customer of the Russian defence industry. In 2017, India imported 68% of its military hardware from Russia. The Indo-Russian Intergovernmental Commission (IRIGC), the main institutional mechanism maintaining economic cooperation between the two nations made developments for a bilateral treaty and new long term agreements for expansion of energy trade including nuclear, oil and gas.

Russia declared to cooperate with India on its 'Make in India' initiative by engaging in the development of smart cities, the aerospace sector, and the nuclear sector through co-development and co-production. Russian President Vladimir Putin mentioned in an interview that one of his government's priorities was to build a smart city in India, "a smart city on the basis of Russian technologies".

In March 1992, the Treaty on friendship and cooperation was signed between India and Ukraine, providing a major boost to India-Ukraine trade relations. Since Independence, Ukraine has been a source of military technology and equipment to India. Ukraine signed 4 agreements worth \$70 million which include sale of new weapons and upgradation of the old ones with the Indian armed forces. India exports pharmaceuticals, minerals, ores, tea, coffee, spices, etc. to Ukraine. In the Asia-Pacific region, India is Ukraine's largest export destination.

Russia's war on Ukraine broke out on 24th February 2022, which threatened global economic growth creating global inflationary pressures. Till now, India has maintained a balanced relationship with Russia and Ukraine, since it shares historical and strategic ties with both the nations. India chose

to refrain from voting in the United Nations Security Council on the resolution to condemn Russia's invasion of Ukraine.

The immediate adversity that India suffered after the war broke out was the falling of sensex by 2700 points. This was due to panic selling and nervousness among investors which led to a loss of Rs.7.5 lakh crores in the stock market. As India has limited connections in terms of banking and corporate sectors with both the countries, impact on these areas were negligible, as reported by the State Bank of India. Two months into the conflict, oil prices were facing steep upward movement. Policymakers had a tough time as the economy was just starting to come out from the crisis caused by the Pandemic. Russia is the third largest oil producer in the world. Countries that used to import oil from Russia have put sanctions and restrictions. They now rely on the Middle East for their oil

consumption. Even though India gets around 80% of its oil imports from the Middle East and less than 1% from Russia, India's oil prices seem to have been adversely affected. The most obvious impact of high oil prices is inflation. With the Wholesale Price Index at 14.55% and the Consumer Price Index at 6.95%, India faced an all time high record.

As the Russia-Ukraine war entered its fourth month, global food markets faced disruptions. Russia being the largest wheat exporter and Ukraine standing at the fifth position, both nations account for 30% of global wheat exports. In this backdrop, the world turned to India to fulfill its demand. Prime Minister Narendra Modi claimed that India's farmers were capable of feeding the world. India, which gets its fresh harvest in this period, saw this as an opportunity to strengthen its bilateral relation and to cement its position as a major player. Despite its public promises, the Indian Government announced a ban on its wheat export on May 13th, 2022. This decision was taken in order to realistically secure domestic interest.

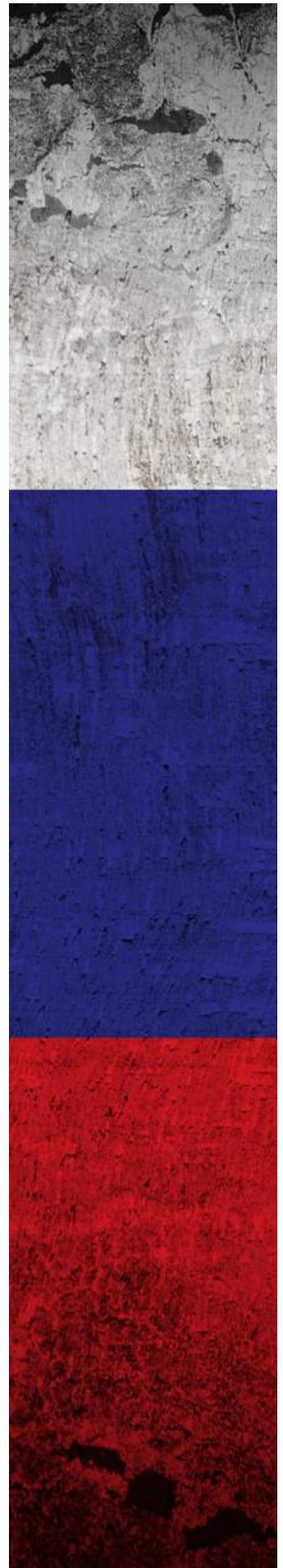
International shocks due to the Pandemic and the Ukraine war have motivated us to reduce our dependence on other countries for basic goods and to protect India from further global supply shocks. The Atmanirbhar Bharat (self-reliant India) Abhiyan is a Rs.20 lakh crore (10% of India's GDP) economic package introduced in 2020 to make India self-sufficient based on five pillars; economy, infrastructure, technology driven system, vibrant demography and demand. After the global shocks, several bold reforms such as supply chain reforms for agriculture, rational tax system, simple and clear laws, capable human resource and strong financial system were introduced to boost the Atmanirbhar Bharat Abhiyan. Significant initiatives have been taken under the Atmanirbhar Bharat and the Make In India programmes to enhance India's manufacturing capabilities and exports. Production Linked Incentive (PLI) has been introduced to incentivise domestic and foreign investment. The PLI scheme will significantly boost domestic production, exports and employment.

This mission focusing on the importance of "local products", has led India to double its budget allocation to Micro, Small and Medium Enterprises (MSMEs) from Rs.7,572 crores in Financial year 2020-21 to Rs.15,699 crores in Financial year 2021-22. More than 6.3 crore MSMEs contribute to 29% of India's GDP. This sector is also one of the largest employers. National Logistics Policy has been introduced under the Atmanirbhar Abhiyan which will focus on digital transformation in the logistics sector. This policy aims to make Indian goods more competitive and to boost ease of doing business. Establishing New Logistics Policy will support the Prime Minister Gati Shakti initiative, a masterplan for multi modal connectivity.

Russia's invasion of Ukraine has confronted India with difficult strategic choices. In the long run, India will have to restructure its international relations. With de-globalisation impacting growth in world trade, capital and technology flows, India will have to strengthen its economy on its own. The public sector will have to play an important role, India's focus has to be on research and development for enhancing its own capabilities.

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# THE NEW COLLAB GAME

Not as old as the time of oblivion but a phase beyond 5 years we had a new buzz in the market called the all-in-one app or an app through which we could buy, gain and order anything from one app, some of these apps were the buzz words such as TAPZO, FREECHARGE etc, but surprisingly these all failed. At that time the system was not appreciable due to a major cause as in place of discounts these apps were providing extra charges for all other related activities due to which the customer used to get discouraged to use these apps and also due to new platforms exploring their own markets so were hesitant to collab to prevent loss of market share.



**Dibyajyoti Tripathy**



But now preferably the trend has changed, consumers are now generating a good and positive approach towards collabs. This shift in consumer behaviour is due to the effect of mergers and acquisitions and better analysed product level collaboration. When the market for any product expands, its consumer priority shifts from availability to credibility. The collab and cross-interface profits and discounts ensure a sense of more freedom on the acquired discount. For example, before the collab of Indian payments apps and e-commerce giants, the provided discount or cash back could only be remitted in that app, but after its collab, the same could be accessed through any app that ensured consumer ease. This type of collabs also help to strengthen the inventory model or the transaction might and anything else.

When we go to product level collaboration, there exists two strategies which are always preferred. The first strategy is the acquisition or merger with the group which is included in the next or the preceding step of the production cycle. This type of product merger ensures that the combination will be the best serving.

This type of merger is most preferably seen in two industries predominantly. One is the tech industry of mobile phone, laptops etc., and second is in the case of eye wear. In the technical industry this type of collabs literally act as a booster for the industry as the customer gets an additional utility due to the particular part prepared by a specialized reputed model of the company. For example, that's the reason why mobiles nowadays get their camera sensors made by the camera giants, such as Sony, Hasselblad, etc, which shoot up their model price and demand. In eye wear the similar effect is seen with lenses and frames. The core tactic here is consumer utility maximization through additional effects of specialization and quality.

The second strategy that acts on the product level collaboration is the economics of complementary objects. In this type of collaboration two absurdly different industries collab in order to increase both of their combined sales. This type of compliment collaboration ensures that due to this collaboration, the two different industries' volatility of production in the ratio to one another would reduce as before and would ensure the consumer his constant utility. This type of collaboration is predominantly

seen in the FMGC sector as most often consumers couple these two very different categories into a supplementary pair. For example, the recent collaboration between Jack Daniels the whiskey company with the Coca-Cola beverage company as these two mixtures are a world-wide famous cocktail. A similar model has been used by Gillet for decades to reap profit by patenting the style of the blade rather than the razor as the blade is more perishable.

These trends are now often supported as we are on a way to create a more rationally exclusive consumer. The confidence that the market will gain once there is a merger is through speculative gains. These mergers extend the perennial scope and due to cultural crowd acceptance scope of capital gaining increases as there would be a bounce in sales.

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# BOOK REVIEW



# A WORLD OF THREE ZEROS

*Muhammad Yunus*



Iqra Adeel

This book, in my opinion, is an easy and must-read for not just the students of Economics but everyone. Muhammad Yunus (*winner of the Nobel Peace Prize*) from Bangladesh is the author and has tried to address the 3 major issues of present times: Poverty, Unemployment, and Carbon emissions.

The book seems to put forward the idea of 'Social Business', which he defines as a non-dividend company dedicated to solving human problems.

The book is a critique of capitalists and suggests a new economic framework that accurately reflects human nature, human needs, and human desires are needed.

Firstly, we need to replace the assumption that people are by nature selfish, and selfishness is the code driving force behind all economic progress with the new assumption that people are both selfish and selfless and that both motivators can be applied to economic activity.

Secondly, we need to replace the assumption that nearly all people are born to spend their lives working for other people with the new assumption that all people are born entrepreneurs packed with unlimited creativity and capabilities.

Charity and welfare programs are well-intended efforts to lessen the damage done by the capitalist system, but a real

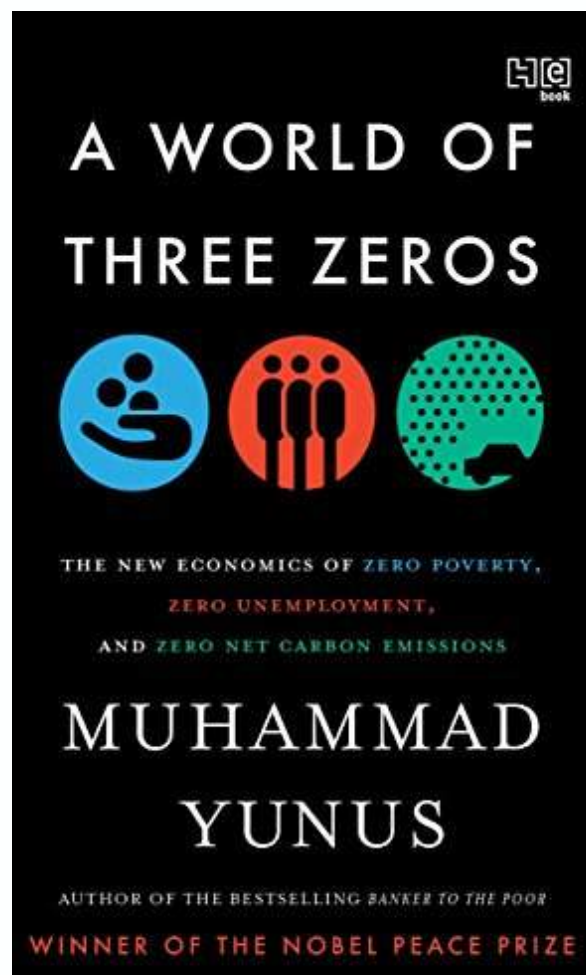
solution requires a change in the system itself. He advocates social business to address poverty, hunger, disease environmental degradation, and unemployment.

He believes the current generation is luckiest as born with the most powerful tool known to human history i.e. *Technology*. The full dimensions of it are yet to explore but technology and make everything possible.

By the end, he is successfully able to convince and impress the reader with examples of various social businesses that operate in seven countries

in the world.

The modern world has limited the definition of entrepreneur, businesses do not require a degree compulsorily, he gives an example of the Golden Bee Social Business program from Uganda where beekeeping is growing business and helping the Ugandan economy to come out of poverty and employing people. Bee-produced honey is a commercial product used as a sweetener in many kinds of food, Bee-wax which is an important ingredient used in many kinds of cosmetics and health care products, Bee venom which is popular for



medical purposes, and propolis which is sometimes called big blue is a resonance substance being studied by modern researchers for its potential medical uses. This is also entrepreneurship.

By the end, he is successfully able to convince and impress the reader with examples of various social businesses that operate in seven countries.

The modern world has limited the definition of 'entrepreneur'. Businesses do not require a degree compulsorily. He gives an example of the *Golden Bee Social Business program* from Uganda where beekeeping is growing business and helping the Ugandan economy to come out of poverty and employ people. Bee-produced honey is a commercial product used as a sweetener in many kinds of food, Bee-wax which is an important ingredient used in many kinds of cosmetics and health care products, Bee venom which is popular for medical purposes, and propolis which is sometimes called big blue is a resonance substance being studied by modern researchers for its potential medical uses. This is also entrepreneurship.

When he talks of poverty he says, Poverty is not created by poor people, it is an artificial imposition on people who are born with the same Unlimited potential for creativity and energy. Eliminating poverty is a question of removing various barriers faced by poor people and unleashing their creativity to solve their problems, so he suggests social business as a solution to a poverty-free future.

Addressing unemployment, he says that it is a problem because of its wrong diagnosis and wrong cure, it is a problem because everyone is looking for a job. He feels that every human being can be a job creator, not just a job seeker, and the attitude of job seeking has been developed in individuals through the education process and social setup, they aim to look for jobs provided by few people in such situations the policies institutions, etc. work according to the interest of the wealth holders and capitalists further worsens the situation. So, the expansion of Entrepreneurship in different dimensions is a solution.

This will turn unemployment into entrepreneurship, and stop the concentration of wealth in a few hands. Secondly, wages will also improve as more employers create competition in the labor market and amongst entrepreneurs.

The goal of Net Zero Carbon Emission has been developed he did mention various countries like Bangladesh and environmental problems, and he has very finely assessed the performance of the various agreements regarding the climate protection of the environment, also suggest the idea of social business that is environmentally sustainable with successful examples.

The Book is in favor of redesigning the Economic System to redesign the world, for which he suggests the use of three Mega Powers:

- Youth
- Technology (*He talks very optimistically about technology, which he defines as the power of science to liberate all people*)
- Good Governance & Human Rights (*Good governance to create a better equal and just society is required to grow economically because corruption is the killer disease.*)

Apart from these, he talks about:

- Intergenerational partnering of young and the old i.e., young, and retired people working together, as 'retirement' is not the end of a person's life, and rather old people are creative and resourceful people and the young can learn from them.
- Minimizing government corruption and crony capitalism is not an easy challenge but it is a problem it is one of the biggest hurdles in the path of every nation. He said that the problem is not the kind of government, the problem is that we are unable to figure out the problems as they are.
- The politics-driven decisions and investments to support economic growth are dangerous
- Need for legal and financial infrastructure he discusses and

elaborates on the problems the present system has, and talks about simplified loans that cover microfinance programs and reduce regulations, encourage small-scale entrepreneurship, provide a regulatory waiver for the poor, design welfare and healthcare laws, encourage individual independence, simplify visa immigration, powerful system to increase international travels, etc. He concludes his book by saying that Social Business is a powerful Avenue for self-discovery self-exploration and self-definition. The best part of social business is that if you have created one, you want to create more as nothing in life is more rewarding than full filling the creative passion by imagining a social business and then translating it into reality. Nothing is more pleasing than seeing hungry children fed, the homeless given shelter, the diseased people cured, such things are the highest form of humanity as well as economic activities.

We are fortunate to have been born during a time of immense opportunity, characterized by astonishing technological advancements, abundant riches, and endless human capabilities that have the potential to generate hope and remedies for global issues.

The aim of human existence on Earth goes beyond mere survival, and instead, involves living with elegance, splendor, and joy. It is our responsibility to actualize this ideal and establish a new society founded not on greed, but on the entire spectrum of human principles.



*Photo Courtesy: Wikipedia*

## KEY POINTS

- Critical about assumptions like a man acts like profit-maximizing machines.
- The present system has led to wealth concentration and inequality which further influence political decision-making.
- Mentions every problem with facts and suggests every solution with examples.
- Demands change in Economic and Institutional framework.
- Youth today is not just looking for basic income support to support their life but also have a suppressed hunger for finding meaning in their lives.
- Money is not in short supply people live in oceans of money only poor people cannot get a sip of it.
- Assessment of idealistic programs like Sustainable Development Goals (SDG) and Millennium Development Goals (MDG) is done.
- Redefining the purpose of the education system, that works to bring about a change in the values and attitude of the children, and just not limit it to getting jobs.

# THE UNDERCOVER ECONOMIST

Tim Harford

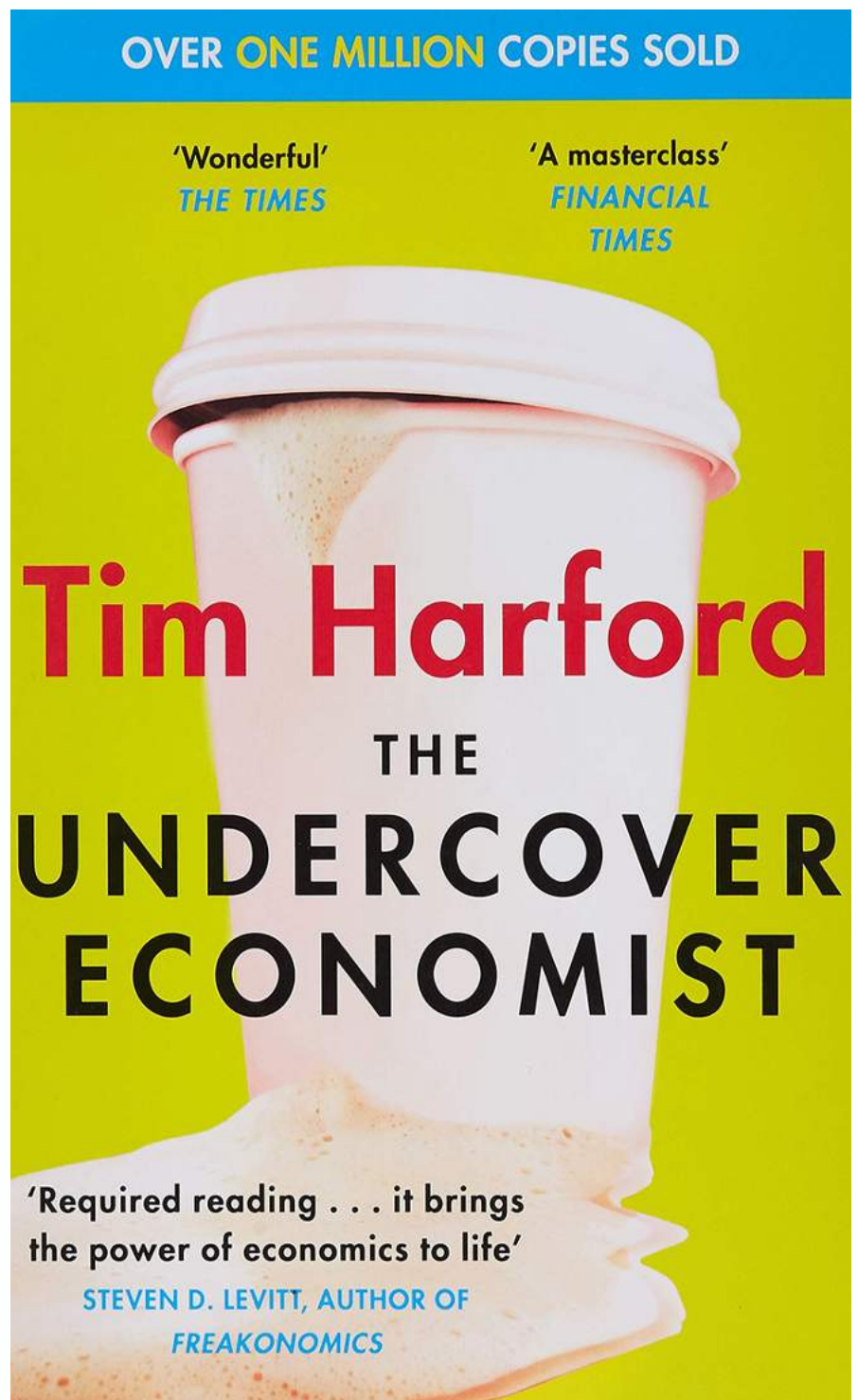


Muhammad Abdullah Ghazali

Most readers of the book would agree – The Undercover Economist brings Economics to life. It's great training in thinking like an economist. It makes you realize that the seemingly esoteric economic theories actually govern the world.

The Ricardian theory of rent, for instance, might appear to be some obscure analysis of how farm rents were set in early 19th-century Britain. What use could that be now? Tim Harford explains that by telling you why coffee is expensive at metro stations. One would think at first that this has to do with high shop-rents. That turns out to be the wrong way to think. The willingness to pay high- prices pushes rents up and not the other way around. Ricardian rent is determined not just by differences in productivity between various grades of the land but also the price of agricultural produce. So too, one of the reasons why prime coffee-bar locations command high rents is that *"rush-hour customers are so desperate for caffeine...that they are practically price-blind"*.

Through such micro and macro phenomena, the book emphasizes the paramount importance of incentives in outcomes. In the context of development work, for example, the role of technology and financial investments is often





overestimated and that motivation tends to be ignored. The basic economic logic of diminishing returns suggests that investments should be the most rewarding in the Least Developed Countries. Why many poor countries have failed to escape their predicament (or worse, have become poorer) even in the face of huge funding from organizations like the World Bank, then, is anyone's guess. In the chapter on why poor countries are poor, Harford explains the missing piece of the puzzle – corruption. He points out how inefficient, long-drawn procedures that stifle entrepreneurship are in fact desirable to a bureaucracy. The longer the standard process the greater is the temptation to pay 'speed money', observes Harford while describing his time in the destitute African country of Cameroon. Closer to home, this logic of incentives has led to a bemusing paradox in Nepal. Modern dams seem to have reduced the effectiveness of irrigation systems in Nepal. You know that traditional knowledge is far more suited to local conditions. Right? Asks Harford. Wrong, he tells you.

The insight is that a project is most likely to be successful if the people who benefit from its success are the same people who make it possible. Irrigation systems have to be maintained to be of any use. But naturally, no civil servant is interested in the dead-end job of maintenance with negligible chances of getting bribes. Contrast this with large construction contracts which offer much greater chances of backhanders.

The other part of the paradox is really the one that drives home the point about the importance of motivations. Even as modern dams have failed in Nepal, modern irrigation canals have strengthened the irrigation system. And the reason is not that modern canals don't require maintenance.

Maintenance entails two main tasks; keeping the dam in one piece and clearing the canals of obstructions. While all farmers need the dam to be kept in one piece farmers near the dam don't care much about what happens to the canal further down the hill. Nepali farmers have worked out an ingenious solution; farmers downstream help maintain the dam in exchange for assistance on the canal. With a modern dam, however, everything falls apart. A modern dam requires very little maintenance, and the cooperative bargain between farmers breaks down. Harford argues that although the technical properties of the system have been improved, the human ones have not been addressed at all.

Another really interesting part of the book is where Harford explains why you can never buy a decent second-hand car. This has to do with what is technically called *asymmetric information*. Buyers in the second-hand car market run the risk of buying junk. That's why they are only willing to pay so much for something that has an even chance of turning out to be a liability.

Sellers, on the other hand, who know which cars are good and which ones are not are only willing to sell the bad ones at the low price buyers offer. This means that the market for good second-hand cars is virtually non-existent. Obviously, this tragedy is a result of one party having access to inside information which the other doesn't.

Harford's style is really magnetic, especially by being so accessible to those without an Economics background. It gives you a way to look at the world through the lens of the economist. It helps you figure out why people, firms, governments and so on behave the way they do; shattering your naive assumptions about the motives of others and also your own. It tells you the price of so much you might know the value of. And yet it's witty and unputdownable. It's no surprise, then, that *The Undercover Economist* is not undercover at all – the bestseller has sold nearly 2 million copies!

# MISCELLANEOUS





# MAJOR ECONOMIC EVENTS

Compiled By:



Anam Firdaus



Hanan Musheer

## • The Beginning of the Drono-nomics, era over the long term:

The Prime Minister inaugurated the Drone Mahotsav on 27 May 2022 at Pragati Maidan, New Delhi.

- PM commented on the Mahotsav that “This excitement is apparent and reflects the enormous growth of the drone services and drone-based businesses in India. It demonstrates the potential of an expanding significant sector for creating jobs in India”.
- According to co-founder Shyam Sundar Singh, “Agriculture drones effectively investigate environmental aspects like weather, soil conditions, and temperature, which aid farmers in making well-informed judgments”.
- Amit Shah, head of the Drone Federation of India, claims that in the health sector, it can guarantee the delivery of medications in urgent situations within one hour at important hub points within a 100-150 km radius.
- Drones have evolved from a niche hobby sport to an emergent primary source for data processing and collection. According to Reports, In the next three years, over ₹5,000 crores could be invested in the production of drones and drone componentry. Possibly increasing the drone manufacturing sector's yearly sales turnover from Rs 60 crore in 2020–21 to over Rs 900 crore in 2023–24.



## • Variables that affected Indian Economy in the year 2022

### • GDP Growth Rate

Growth for Quarter 2 was 6.3% but GDP growth figures for the September quarter again led to questions. Even though the RBI forecasted a 6.8% GDP increase in its monetary policy announcement, worries over the GDP persisted. GDP growth was only 4.1% at the beginning of the year, however, it jumped to more than 13% in the June quarter, providing some relief.

### • Soaring Inflation

Concern increased as a result of the RBI's repeated rate hikes failing to reduce inflation for a few months. The acceptable inflation rate is 6 percent; nevertheless, the cap was crossed in January, and it jumped to 7.79 percent in April. After the RBI increased the repo rates multiple times since April, retail inflation as measured by the Consumer Price Index (CPI) fell to an 11-month low of 5.88% in November 2022.

### • Forex Reserves

The RBI took several measures to cope with the skyrocketing value of the US Dollar against the Indian Rupee. Major measures included selling dollars, which led to a fall in the forex reserves. Then, the RBI tried to maximize foreign inflows to augment the forex reserves. After witnessing a downtrend since August, forex reserves have surged by \$6.56 billion (for the week ending October 28) and recorded the highest jump in the past year.

### • USD-INR Exchange Rate

On July 19, 2022, the Rupee crossed the 80 mark against the Dollar for the first time as crude oil prices increased in the global market the day before. Although it reached an all-time high of ₹ 83.002 on October 22, the average exchange rate was largely around 80.74.

### • Import and Export

This year, India's exports suffered a severe decline; between June and October 2022, exports plummeted by more than 25%. The numbers did, however, increase slightly in November. Imports experienced a likewise downward trend.

### • Monetary Policy Rate

Between April and December, the central bank increased the repo rate by 225 basis points to combat the inflationary crisis. While the increase in the repo rate provided some relief to people who had fixed deposits and other types of deposits, it became a source of increasing concern for loan debtors.

### • Per Capita Income

It's one of the few economic measures that showed a positive trend. The per capita net national income increased by more than 8% and 16%, respectively, in constant price and current price terms (measured with the impact of price inflation). However, it has not yet attained the pre-Covid level.

### • Unemployment

Between January and November 2022, the unemployment rate in India increased by more than 1.4%. In August, the jobless rate reached a peak of about 10%.



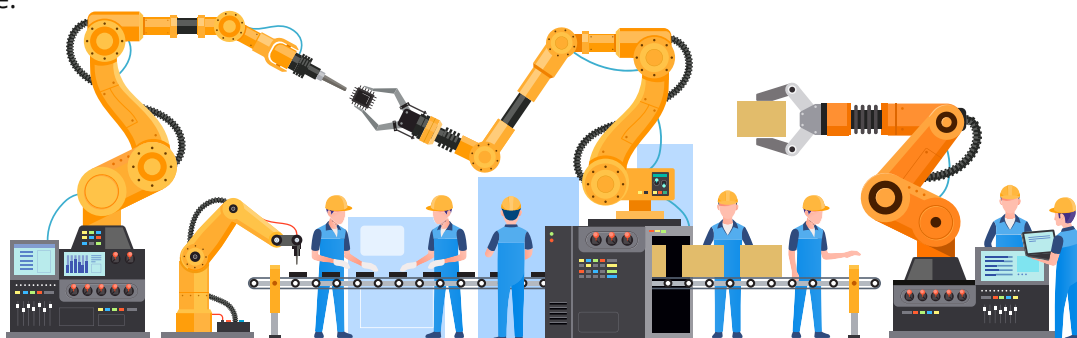
## • Sustainable Development and Climate Change

- On the NITI Aayog SDG India Index and Dashboard, India's total score increased to 66 in 2020-21.
- Aiming to phase out single-use plastic by 2022, the Plastic Waste Management Amendment Rules, 2021 were announced in August 2021.
- An extended producer responsibility draft regulation for plastic packaging was made public.
- The Prime Minister declared aggressive goals to be met by 2030 to enable additional emission reductions during the national statement he made at the 26th Conference of Parties (COP 26) in Glasgow in November 2021.



## • Indian Industry, Infrastructure and Services (The year 2021-22)

- In comparison to April through November 2020, when it increased by (-)15.3%, the Index of Industrial Production (IIP) increased by 17.4% (YoY) in 2021.
- The Indian Railways' capital spending climbed from an average annual level of Rs. 45,980 crores between 2009-14 to Rs. 155,181 crores in 2020-21, and it is budgeted to rise further to Rs. 215,058 crores in 2021-22, which is a five-fold increase from the level in 2014.
- The daily length of road construction rose significantly to 36.5 Km in 2020-21.
- In the July-September quarter of 2021-2022, the GVA of services is above the pre-pandemic level; nevertheless, the GVA of contact-intensive industries like trade, transport, etc. continues to be below the pre-pandemic level.
- Exports of services reached pre-pandemic levels in the January-March 2020-21 quarter and increased by 21.6 percent in the first half of 2021-22, helped by increased exports of software and IT services on a global scale.
- Over 14000 new start-ups were officially recognized in 2021-2022; additionally, 44 Indian start-ups attained unicorn status in 2021, bringing the total number of unicorns to 83, with the majority of them operating in the services sector. After China and the United States, India now has the third-largest start-up ecosystem worldwide.



## • Gloomy and more uncertain development

- **Worldwide inflation has spiked again, prompting more central bank tightening.**

According to the World Economic Outlook, consumer spending has risen steadily, just as was widely anticipated, since 2021. The consumer price index in the United States rose by 9.1 % year over year in June and by 9.1 % in the United Kingdom in May, representing the highest inflation rates in these two countries in the last 40 years. In the eurozone, inflation reached 8.6 % in June, the highest since the monetary union's inception. In addition, second-quarter inflation in emerging markets and developing economies is expected to be 9.8 percent. Food and energy price increases, supply constraints in many sectors, and demand rebalancing returning to services have pushed up inflationary pressures in most economies.

- **The slowing Chinese economy has exacerbated global supply chain disruptions.**

COVID-19 outbreaks and transportation restrictions imposed by the government as part of their zero-COVID goal have significantly affected commercial activity. Shanghai, a key global supply chain center, went into a rigorous lockdown in April 2022, bringing the city's economic activities to a stop for almost eight weeks. Real GDP fell by 2.6 percent sequentially in the second quarter, owing to weaker consumption—the largest drop since the first quarter of 2020, when the pandemic began, when it fell by 10.3 percent.

- **The war in Ukraine is still going on, creating considerable misery. The humanitarian cost of the war is mounting, with 9 million people affected**

People have left Ukraine since the Russian invasion began, and there has been a continued loss of life and devastation of physical capital. Additional financial penalties have been imposed on Russia by key advanced economies since April 2022, and the European Union decided to impose import bans on coal starting August 2022 and on Russian seaborne oil starting 2023. The amount of Russian pipeline gas going to Europe has decreased rapidly to around 40% of what it was a year ago. This caused natural gas prices to spike significantly in June. Due to the better-than-expected performance of crude oil and non-energy exports, it is believed that Russia's GDP shrank during the second quarter by less than originally anticipated. The war's consequences on key European economies have been worse than anticipated due to increasing oil costs, decreased consumer confidence, and decreased industrial growth as a result of ongoing supply chain problems and higher input prices.

- **The food situation deteriorates.**

Despite recent stabilization, global food prices are still much higher than they were in 2021. The war in Ukraine has been the main factor driving up food costs globally, especially for cereals like wheat. Export bans in various nations have also contributed to this trend, though some of these bans have lately been lifted. The effects of this inflation are being felt most acutely in low-income nations where food accounts for a bigger portion of consumption.

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# THE GAME OF CHOICE

Created By:



Subia Syed



Welcome, Readers!!

*"I am who I am today because of the choices I made yesterday."*

- **Eleanor Roosevelt**

Let me explain to you how to play the game of choice.

This is how the tale unfolds. For the past few months, you and your partner have been engaged in the drug-running business. The cops have just taken both of you into custody and are interrogating you in separate rooms.

You can testify against your partner and get off scot-free. The game of choice is about to begin.

You now have two choices:

**Testify against your partner**

**Stay Silent**

1. Testify against your partner.
2. Stay silent.

Stop right there and think hard!

Take a second and think about your decision.

If you choose the first course, turn to section 1 of the game. If you decide to stay silent, turn to section 2 of the game.

## SECTION 1

It appears that you decided to testify against your partner.

One more time, are you certain you want to give a testimony against your partner? Are you sure?

Please move on to section 2 if you are not.

Else, stay put and carry on playing. Now, pick one colour from red and green for the game of chance.

If you choose red, move on to section 3 now. If you go green, go to section 4. (Let's hope you picked the right path)

## SECTION 2

So, you have opted to keep quiet. (So nice of you to be loyal to your partner.)

Are you certain you want to keep quiet and raise the probability that you spend time in jail? Are you sure?

Please move on to game section 1 if you are not.

If you selected "yes," it indicates that you truly loyal to your partner. Stay on this page and continue playing. Now, pick one colour from red and green for the game of chance.

Turn to section 5 of the game if you choose red. If you decide to go with green, though, move on to section 6. (Let's hope you picked the proper path)

## SECTION 3

It seems like you decided to testify against your partner. Now you must live in guilt because your partner was loyal. They were given the same choice but they decided to stay silent.

Congratulations, you are free to leave, but your partner will have to serve 20 years in jail, which includes 10 years of your jail time.

Refer to the section "The point of Reality" to understand what just happened with you.

## SECTION 4

You decided to testify against your partner to save yourself, and as the saying goes, as you sow so shall you reap; your bad luck starts now. Your partner also decided to testify against you.

Now since both of you testified against each other, each of you get a sentence of 10 years in jail.

All the best for the jail time!

Refer to the section "The point of Reality" to understand what just happened with you.

## SECTION 5

It seems like you decided to remain silent (let me tell you, you made a wise decision. congratulations!). And congratulations once again, your partner is also royal. They also decided to remain silent. Both of you get a year in jail. However, if you had testified against your partner for your own sake, your punishment would have been much worse. We will discuss this later.

Refer to the section "The point of Reality" to understand what just happened with you.

## SECTION 6

You decided to keep quiet, huh? Unfortunately, though, there seems to be some fault in your stars. Your partner was given the same choice and they decided to testify against you. You now get 20 years in jail, which includes 10 years of your partner's jail time, and they are free to go (sorry for your loss). Refer to the section "The point of Reality" to understand what just happened with you.

## THE POINT OF REALITY

Since you are here, you must have completed the game of choice. So let me tell you what exactly happened when you made the choices and what would have happened had you acted differently.

There were three possibilities:

- If both you and your partner had remained silent, then both of you would have got only 1 year of imprisonment.
- If only one of you had testified against the other and the other partner stayed silent, the one who remained silent would have been given 20 years in jail.
- Had both of you testified against the other, each would get 10 years in jail.

The situation in which you were placed is called **prisoner's dilemma**.

If you keep playing the above game of choices again and again, you will notice that it's in your interest to be more cooperative than before.

The prisoner's dilemma is a paradox in decision analysis. It shows how two people acting in their own self-interests do not result in the best possible solution.

There are corporate and economic applications of the prisoner's dilemma. Think about two companies (like Coca-Cola and Pepsi) that sell comparable goods. Each party must select a pricing plan.

When both companies charge high prices, they can most effectively use their combined market power; each generates a monthly profit of \$10 million. Setting a competitively low price allows one to steal many clients from the competitor. Let's say that while the rival's profit drops to \$7 million, it increases to \$12 million for the firm which reduced price. Also, let's assume that when both adopt cheap pricing; their respective profits are equal, totaling \$9 million. Here, the low-cost tactic is comparable to the prisoner's testimony against their partner, while the high-cost tactic is comparable to keeping quiet. Refer to the former as dishonesty and the latter as cooperation. Then, cheating becomes the prevailing approach for each firm, yet when both "cheat," the outcome is worse for each than when both cooperate.

The prisoner's dilemma is a well-known parable for the challenge of resolving issues involving collective action. The figurative inmates suffer a heavier punishment as a result of acting selfishly than they would have if they had cooperated. The players could create incentives for collaboration, though, if the experiment were repeated over an extended period of time.

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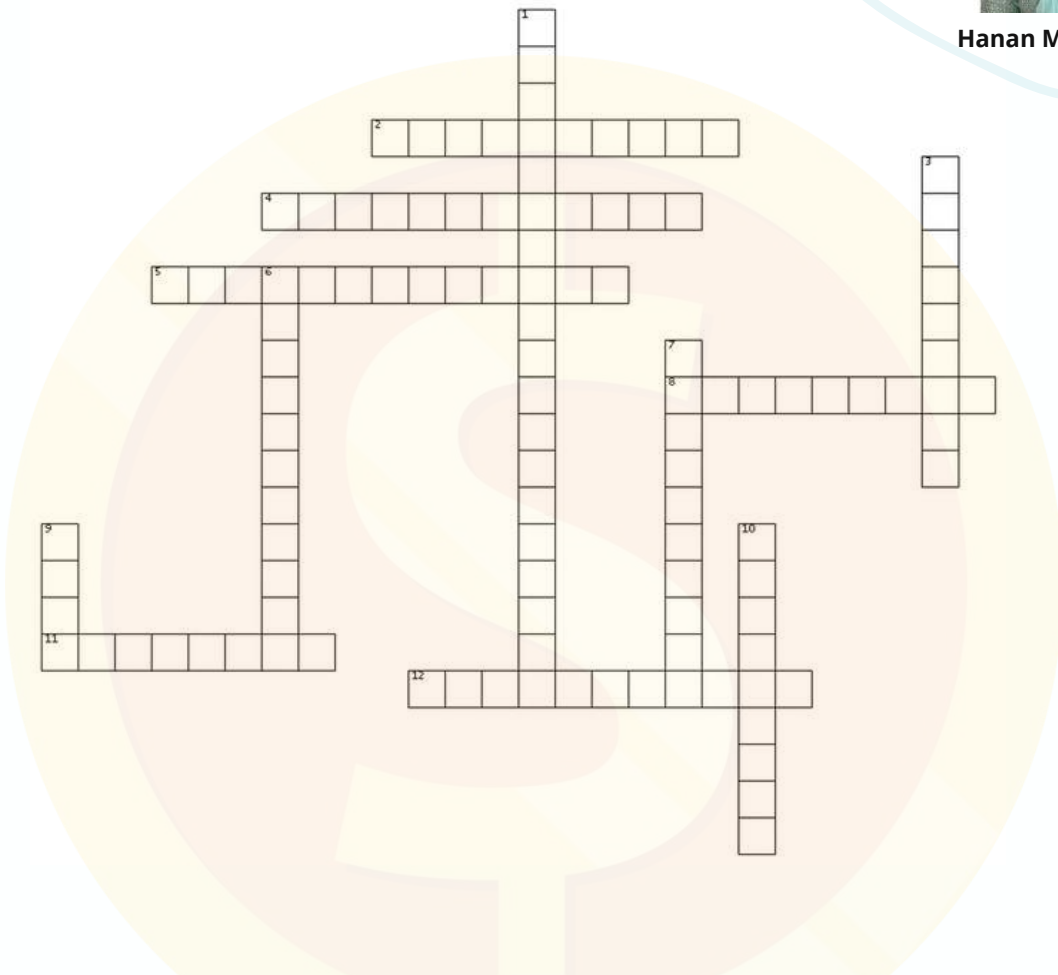
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# INVESTMENT QUIZ

Created By:



Hanan Musheer



## ACROSS

2. What is shown first when the assets are arranged according to their liquidity?
4. A group of mutual funds with common management are known as
5. Over a period, investors determine the compound growth rate of investment by
8. An investor invests in assets known as a
11. If there is an increase in interest rates then the fixed interest rate of the corporate bond will
12. Treasury bills are traded in

## DOWN

1. In Capital Market Line every investment is
3. The return relative solves the problem of
6. The largest single institutional owner of common stocks is
7. A person who is willing to take high risks for high returns
9. is considered a risk-free investment
10. An unmanaged fixed-income security portfolio handled by an independent trustee is known as



# MEMECONOMICS

Created By:

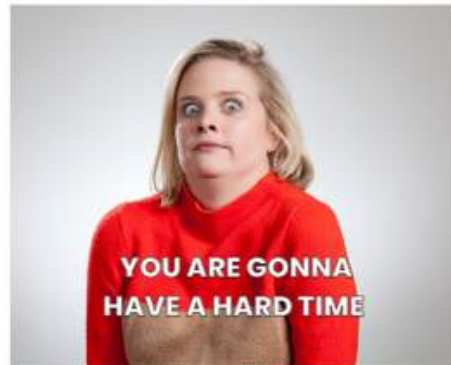


Subia Syed



If you too think that a country's inflation rate should be zero, you are utterly mistaken. In fact, some inflation is required for economic expansion. When there is no inflation, having money in an account may be more useful than taking a risk. It also lowers investment.

When a person believes that a change in quantity demanded and a change in demand are the same thing

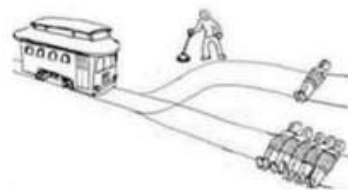


Many people use the terms demand and quantity demanded interchangeably. Demand and quantity demanded are fundamentally different from one another because demand only refers to a person's willingness and ability to make a purchase. On the other hand, the quantity demanded reflects the quantity of economic goods or services that customers will purchase at a set price.

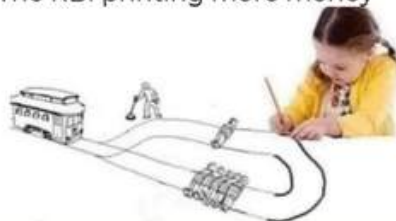


According to the law of diminishing marginal utility, when consumption rises, the marginal utility gained from each extra unit decreases, other things remaining constant. The incremental increase in utility brought on by consuming one more unit is known as marginal utility. Utility is just the economic term for satisfaction or happiness.

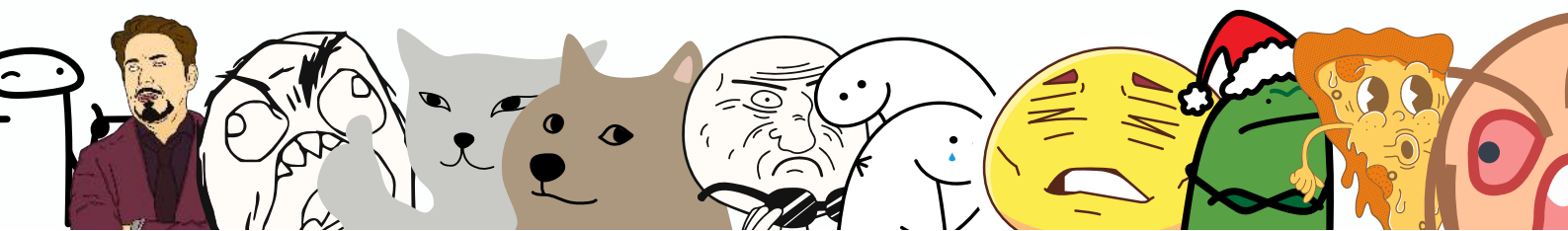
Me trying to fight inflation and the crippling economy



The RBI printing more money



If a nation tries to get rich by printing more money, a phenomenon called 'hyperinflation' could occur. More money in the system causes all commodity prices to escalate to a point where even the additional cash flow is insufficient.



when a commercial makes me laugh



Capitalism was criticized by German philosopher Karl Marx as a system that alienates the masses. Given the enormous influence capitalism has, the critical Marxist perspective finds it difficult to understand the art of advertising. The creativity of the artist or designer is being sold; this is done for personal profit.



when I find money in my old Jacket.



When I realize that the concept of Time value of Money exists.

The time value of money (TVM) is the concept that a sum of money is worth more now than at a future date due to its earnings potential in the interim.

When the marginal revenue falls below the average total cost

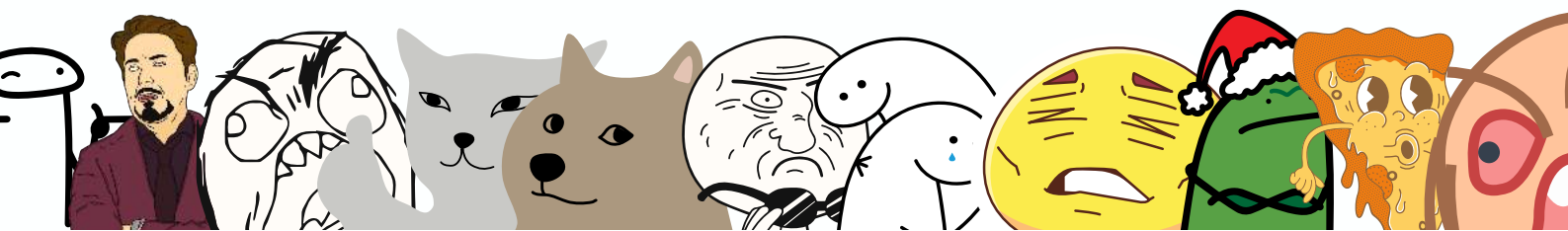


Firms often follow the cost-benefit principle and stop production when marginal revenue is below marginal cost because there are no longer any benefits to be gained from continuing to produce.

Firm: \*doesn't try to maximise profit\*  
Classical economists:



The objective of the firm, in the view of classical economics, is to maximize profits. It assumes that a company's decision-making is rational and effective and that in order to maximize profits, the firm would effectively utilize its resources and take advantage of market opportunities.





# **ECO-INSIGHT**

**2021-22**

**DEPARTMENT OF ECONOMICS  
JAMIA MILLIA ISLAMIA**