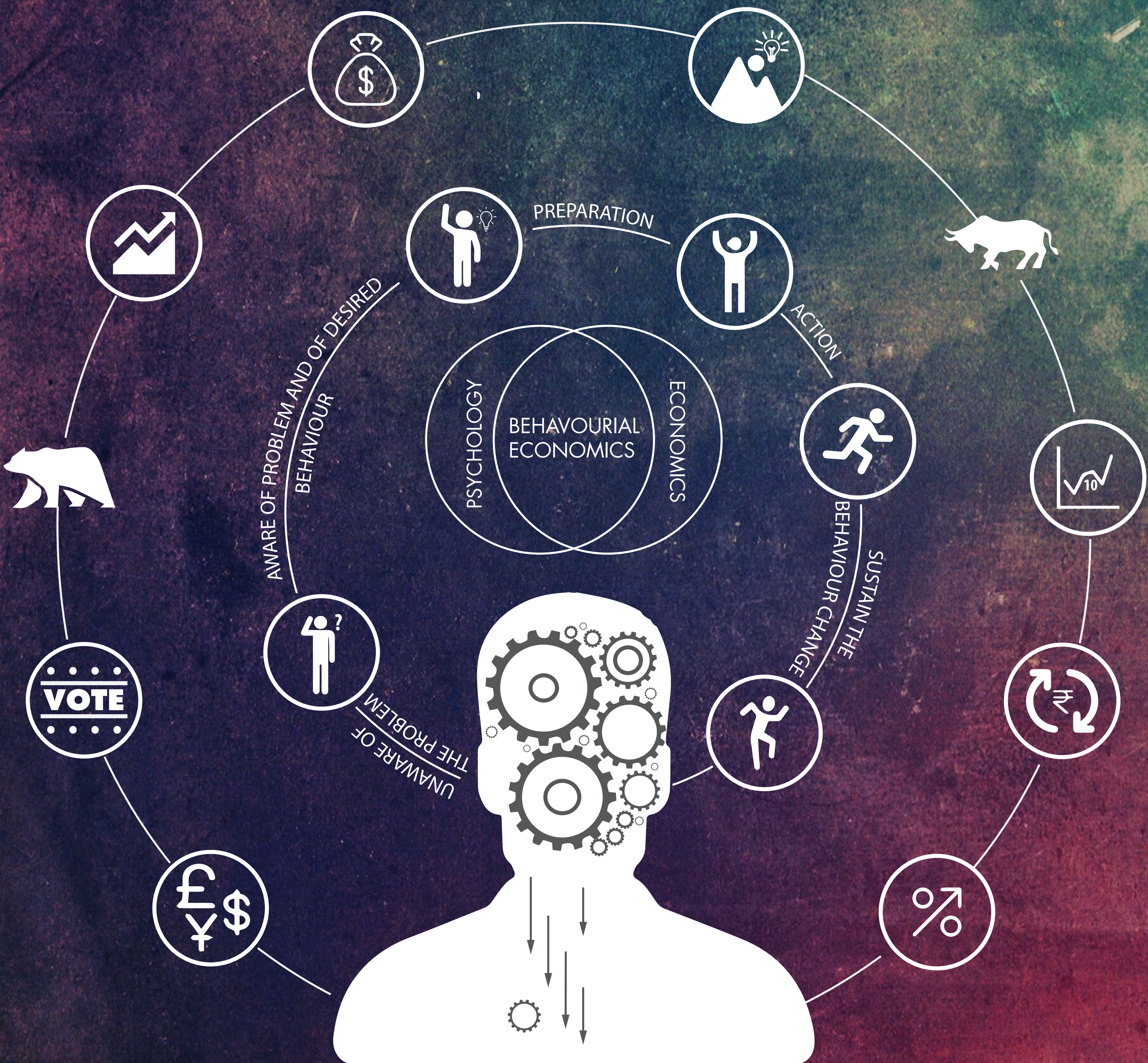
DAULAT RAM COLLEGE, UNIVERSITY OF DELHI

OPTIMA

TOWARDS EXCELLENCE

2018-19



The revelation of the cover page!

Behavioral Economics

Cover Design by – Riya Jain and Pallavi Agerwalla
2nd Year, B.A. (Hons) Economics
Daulat Ram College

The field of behavioral economics is devoted to studying how consumers actually make choices. It uses some of the insights from psychology to develop predictions about choices people will make and many of these predictions are at odds with the conventional economic model of "rational" consumers.

Conventional theory treats preferences as preexisting. In this view, preferences explain behaviour. Psychologists instead think of preferences as being constructed - people develop or create preferences through the act of choosing and consuming.

Thus, the inner circle demonstrates how a consumer actually constructs his preferences and then how these constructed preferences determine the ultimate behaviour of the consumer. When these individual preferences are summed up, they together determine how an economy works. This is depicted by the outer circle.

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OPTIMA

Towards Excellence

Annual Economic Outlook
2018-19

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ACKNOWLEDGEMENTS

The success of OPTIMA 2018-19 counts on the determination and industrious efforts of many individuals and thus we take it as an opportunity to duly recognise and acknowledge their consistent support. To begin with, we extend our profound gratitude to our mentor, Dr. Savita Roy, Principal, Daulat Ram College for her constant motivation and assistance at every stage. At the same time, we are also immensely grateful to our Convenor, Ms. Sumeet Goyal for her insightful comments, constructive criticism and valuable guidance. Our sincere thanks to the contributing authors for their diligence and contributions in terms of the time they dedicated and research they undertook. We would like to thank our sponsors for their much needed financial assistance. Last but not the least, we express our deep sense of gratitude to everyone who lent their hand in bringing OPTIMA to this echelon.

From the Principal's Desk

We live in a constantly changing world. The only thing that is constant is change itself. In this context, the discipline of economics acquires even greater significance.

Optima, the Annual Magazine of the Economics Department provides an opportunity to young budding Economists to analyse everyday events taking place at the global level and provide their take at such happenings like demonetization, financial crises or external shocks. These young, energetic and talented minds are the think tanks of solutions for problems facing the whole world today.

I extend my heartiest congratulations to the entire team of OPTIMA for bringing out its sixth edition and wish the Department of Economics success in all their endeavors.

Warm Regards

Dr. Savita Roy
Principal, Daulat Ram College

Mentors' Vistas

On yet another successful release of "Optima 2018-19", I congratulate the entire team of Optima. The team has put in great efforts for the past few months to come out with such an excellent Economics Magazine covering very knowledgeable articles on a wide variety of topics, puzzles, crosswords and events held in the Department of Economics. Kudos to the team!

- *Ms. Sumeet Goyal*
Economics Association In-Charge
Convenor, Optima

The sixth edition of Optima is set to be released. It is a moment of pride and happiness to see the magazine in print for its sixth year running. It is the fruit of the tireless efforts of many students working to put together the best articles contributed by teachers and students on various economic issues. Many congratulations to the Editorial board for their wonderful work.

- *Ms. Ritu Khanna*
Teacher In-Charge, Department of Economics
Bursar, Daulat Ram College

Optima has been a crucial part of the Economics Association's efforts to provide a platform to its members, to have a healthy exchange of ideas. Keeping in line with the tradition I believe that the 2018-19 edition will be better than the last in fulfilling this purpose.

- *Ms. Priyanka Yadav*
Assistant Professor
Department of Economics

I am extremely sanguine to know that the Economics Society Éclat of our college is bringing out their magazine Optima this year as well. It is believed that a thin line demarcates a good institution from a truly great one. I am deeply gratified to claim that in the past years of our enriching odyssey, we have made numerous attempts that make our college truly the best. Optima is indeed one of those. This platform harnesses the unbound talents of our young learners. I wish them all the success!

- ***Ms. Saachi Bhutani Bhagat***
Assistant Professor
Department of Economics

The magazine Optima acts as a chord by which all the members of the economics department are well connected. The most intriguing part of the magazine is that it recognises and appreciates the achievements of the members, which motivates the students to perform better both in curricular and co-curricular activities.

- ***Dr. Rita Rani***
Assistant Professor
Department of Economics

The Department of Economics at DRC is a well knit community of accomplished and highly committed teaching faculty and a very vibrant group of student body. The Magazine 'Optima' in its continual endeavour towards harmonizing excellence with inclusivity and equity draws strength from a dynamic teaching- learning process, where the faculty privileged to collaborate with its enthusiastic young scholars as they embark on an enriching and fulfilling life-long learning experience. I wish luck to every economics student, especially who have contributed to 'optima' and made the magazine a great success with their hard work.

- ***Ms. Aisha Ahmed***
Department of Economics

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From The Editorial Board

"The fire of our diligence continues to glow,
With our hands joined mightier than ever before,
Our eyes glare with the sight of the peak,
Of the mountain we dreamed to touch and seek"

It is with immense pride that the editorial board presents to you the sixth edition of OPTIMA: Towards Excellence. This edition is based on the theme of Behavioural Economics which studies the effects of psychological, cognitive, emotional, cultural and social factors on the economic decisions of individuals and institutions on our cover. Our magazine will engage and inspire the young readers by providing information on the current issues which are setting the world debate such as India-China Trade spat, world recession 2020, falling of Indian rupee, etc.

This edition offers interactive conversations with Mr. Banikanta Mishra, the former consultant to Citibank, New York, Georgetown consulting group and also to the government of Odisha and Dr. Madhura Swaminathan, professor at the Economic Analysis Unit, Indian statistical Institute (ISI), Bangalore and also the Chairperson of M S Swaminathan Research Foundation. We have two new and distinctive features -"Timelines of Demonetisation and GST" and "At a Glance of various economic topics". The fun elements of the magazine include Sudoku and puzzle.

The magazine offers an insight into the journey of Éclat - the Economics Society and revisits the various events and activities organised by the department in the previous academic year. Our journey has been a roller coaster ride full of adventures and learning. We hope that our readers will enjoy reading the magazine as much as we enjoyed in making it.

With Warm Regards,
Editorial Board
Optima, 2018-19

ÉCLAT – ECOPRENEURES' DOMICILE

Éclat has given me everything I could have ever asked for and even more. It is what made my college life amazing and worth. The feeling of being a part of something so great is unexplainable. As the President this year and a member of the union in the last two years as well, I am just glad and honoured to have been given the chance to try and take Éclat to greater heights every year. This will be missed thoroughly. Best wishes to everyone!

- *Naina Gupta*

These three years have been fruitful in every aspect of my life. Being in Éclat does not only teach you but also develops the skills of being a leader, a listener and a good communicator. Team spirit is always high. And events give you a sense of responsibility which you fulfill with utmost sincerity. Éclat is best association that I have ever been part of.

- *Ritika Gupta*

With every possible opportunity that has been provided by Éclat, I believe the increasing experiences is helping us grow. Being a part of this esteemed society has been a privilege and I would like to convey my heartfelt gratitude and extend warm wishes for future endeavors.

- *Radhika Boruah*

Being a part of the economics society, and especially the Optima board in the first two years of my college life has been a very enriching experience. I learned and enjoyed more than I had expected. The journey has, indeed been very special. I am eternally grateful to all the teachers, my friends and fellow mates who made these three years memorable and a cherished experience.

- *Ashima Chhabra*

Bountiful experience, immense exposure and the most supportive faculty to aid in the department's successes in events! The number of seminars we attended helped us not only clarify our career related doubts but we also got to know of the vast career choices that one could opt for. Pushing us to do things out of the box is one of the many things I'll be taking with me to the "outside" world.

- *Vibhorika Kumari*

Éclat has been the most special part of my college life since day one. Being a part of it has given me so many opportunities to grow as an individual and taught me how team work is actually done. I have made so memories in the 2 years and wish to make more that I'll cherish for the rest of my life.

- *Nikita Malik*

Starting from being a member to holding this current post, it was an amazing experience with everyone in the economics society.

- *Muskaan Guglani*

FRESHER'S 2018







FAREWELL 2018






Economania, the annual economics festival of Daulat Ram College, was organised on **31st January, 2018**. With its tagline 'Defying Assumptions, Defining Theories', Economania 2018 put forth intriguing new ideas and stimulated decisions

Walking on the footsteps, Éclat – The Economics Society of Daulat Ram College organised Mutasir, The Youth Conference on **2nd November 2017**. The conference witnessed words of wisdom from four influencial speakers and game changers in their field - Dr. Saptarshi Mukherjee, Dr. Shivangi Maletia and Mr. Sachin Bhamba

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Who Will Break The Ice: RBI Or The Government?

By - Devanshi Malhotra
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Daulat Ram College

On 10th December 2018, 24th RBI governor *Urjit Patel* resigned due to some personal reasons which are definitely not so personal. Disagreements and differences between the Central government and The Central Bank are not new and are inevitable. But every now and then the tension between RBI and Government is reaching to boiling point; let's analyse the reasons behind it.

1. Prompt Corrective Action (PCA)

PCA framework specifies regulatory trigger points on three parameters: Capital Adequacy Ratio, Non Performing Assets and Return on assets. When this came into action 11 out 21 public sector banks came under this category. This restricted them from lending, branch expansion, dividend distribution etc. These banks accounted for over Rs. 3 Lakh crore of the totals of Rs. 8.4 Lakh crore bad loans. Centre was very clear what it wants: if the smaller banks are allowed to lend, it will boost the Indian economy. RBI was also clear with its defence: if the Centre wants state owned banks to exit PCA then it must infuse more capital into it, for which the present government was reluctant to do after a certain point.

2. RBI Capital Reserves and An Independent Payment Regulator

The Finance Ministry wants to transfer Rs. 3.6 lakh crore of its total reserves, which will go mainly to finance the recapitalisation of Public Sector Banks and manage the fiscal deficit.

The present government wants to set up an independent payment board, which will oversee all the payments across the nation and be outside the purview of RBI. The RBI has long opposed such an attempt but a few weeks ago, it went ahead and released its dissent note on the issue.

3. Section 7, RBI Act, 1934

Section 7 of The RBI Act, 1934 empowers the central government to issue directions to the RBI in public interest. This section has however never being used before by the government. Section 7 has mainly two parts- *consultation and then issuing a direction* to the RBI for taking some action in public interest. However according to sources there was no consultation with the RBI. In a speech by The Deputy Governor Viral Acharya he said that there the government was imposing on RBI's autonomy which would have unsavoury consequences on the economy.

4. NPAs to be reclassified

The RBI which has been pushing banks to recognise NPAs predicts that there may be a decline in the NPA in the current fiscal year since 2015, when the regulator tightened the norms. Major contributors to the NPA have been the power, steel, road infrastructure and textile industry. The Reserve Bank has given certain reclassification in the private sector lenders asset classification. As a result of which Axis bank had to reclassify nine standard accounts into NPAs. Eight of these accounts belong to *consortium lending*. The power sector has 3 accounts amounting to Rs 1,685 crore as part of consortium lending while 4 accounts comprise a total of Rs 911 crore to various sectors. According to the RBI, the total outstanding loans of scheduled commercial banks to the sector stood at ₹5.65 Lakh crore as on

March 2018. About 80% of this is accounted for by public sector banks with stressed assets in the sector making up a fifth of this exposure. Even the Allahabad High Court has rejected to give any kind of relief against the norms tightened by RBI on NPAs whose major part made by the power sector.

Way Forward:

According to me, the government is at fault in the whole scenario. The autonomy of money making authority i.e. the RBI should not be intervened otherwise it would lead to, as said by Deputy Governor Viral Acharya "Government that do not respect central bank independence will sooner or later incur the wrath of financial markets, ignite economic fire and come to rue the day they undermined an important institution."

Considering the step taken by RBI applying PCA, is definitely a good action plan to improve the health of banking sector. It seems that in the short run it is a shock to economy but as injection pains a little initially but has positive impact; similar is the argument with PCA. Banks want to show the credit growth in their balance sheets while ignoring the other financial aspects. Another point of controversy is over the capital reserves. RBI maintains these reserves to manage the macroeconomic instability and other spill over crisis such as IL&FS. Government owns the entity but cannot be a dictator, autonomy of RBI is guaranteed in the act. Capital reserve is closely related to the independence and autonomy of the Reserve Bank and use of these reserves to finance fiscal deficit is undesirable. Government should not encroach these reserves proclaiming them to be excess reserves and also the finance minister failed to interpret the Section 7, RBI Act, 1934 correctly. In my view there should be a balance between the money generating authority and the expenditure authority but one should not overpower the other. Autonomy of RBI is threatened if government forces RBI to take certain actions which seems to be in public welfare but benefits a few powerful defaulters. NPAs in India are rising at an exponential rate. Banks are digging their own graves by not controlling it. Indian economy is already in short of domestic capital formation and if existing capital also drains in the form of NPA then how are we going to achieve a double digit growth rate?

Economy can neither grow by giving shocks like demonetisation nor by fighting with the life line of business (RBI). Steady growth, development and welfare are only possible when expert opinions are addressed and respected.

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Economics of Music Festivals

By - Ashima Khandelwal
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What do people think of when they hear '*music festivals*'? Naturally, their minds are drawn to the image of enormous crowds where people are chanting their favourite songs, eating, drinking, dancing and enjoying the moment. Music festivals have become trendy layoff these days. People either pay some amount of money to watch their favourite bands performing at a local venue for one day or pay a little extra to see them over the course of a weekend. Recent years have marked the exponential growth in the number of the music festivals in India and across the globe. Some of these festivals draw in hundreds and thousands of people. They started small but concert promoters quickly became millionaires.

Statistics of India

In India, every year more than 25 big-ticket Music Festivals happen. According to the facts, up to 1.5 million spectators are buying tickets to these galas. ***Sunburn Festival,*** held annually in Goa, was reportedly attended by 400,000 people in 2017.

Ticket prices were as follows:

Single Day Pass - starts at ₹ 2000 to ₹ 96,000 (VVIP)

Two Days Pass - ranges between ₹ 3000 to ₹7000

Caricature – Nancy Rana

Camping only- ₹ 8400 to ₹ 50400 (approx.)

And Festival Pass Price - starting at ₹ 6000 to ₹ 2,35,000 (VVIP)

Sunburn's rival, ***VH1 Supersonic,*** also reports to have the same number of visitors last year with ticket price ranging from ₹ 2000 to ₹ 25000 (VIP).

According to Music Industry speculators, size of this market in India is estimated around ₹ 150-350 crore. Yes, my heart too thumped like this (It's a lot of money).

Statistics of the Rest of the World

Music festivals have been on the rise from more than 25 years. It's an industry worth nearly $10 billion annually. In U.K, tickets on an average cost £200 (approx. 259 USD or approx. ₹18,915) per head for each music festival.

According to market research firm Mintel, the value of the live music industry in UK is believed to have grown by almost 60% in the last 8 years. The live music festivals have a value of £2 billion (₹200 crore) and could rise as high as £5 billion (₹500 crore) in 2020, Mintel researchers said. According to a study conducted in UK, more than 3.5 million people show up at these fests annually.

A report from Institute of Economic Growth, an estimated £1.03 billion ($1.34 billion) is spent almost every year on sponsoring music festivals. Coca-Cola, Pepsi-Co, Anheuser-Busch are among the most active sponsor.

Top five Music Festivals around the world in 2017 were:

1. Donauinselfest – Vienna, Austria (3.1 million attendees)

2. Mawazine – Rabat, Morocco (2,6 million attendees)
3. Summerfest – Milwaukee, Wisconsin (850,000 attendees)
4. Rock in Rio – Rio de Janeiro (700,000 attendees)
5. Coachella – Indio, California (675,000 attendees)

Factors for Massive Growth of Music Festivals
HUGE MONEY: As we have discussed till now, there is huge money in this business, numbers are heart thumping and staggering. The five biggest festivals grossed more than $190 billion in ticket sales **not** including sponsorship and merchandise, food and drinks.

More Money in Festivals than Tours: Many less-known bands bring in more playing at numerous festivals than playing at bars, clubs or doing tours. These festivals benefit them and take their fame to next level. Many artists credit these galas for their success.

Social Media: This is the generation of tweets, photos, and hash tags. People flood their social media handles with 'cool' photos and videos highlighting these fests. Also, artists use social media handles to do the publicity which drive large crowd to the show. The 2014 Eventbrite Study found that 75% of social conversations were about music festivals by the age group of 16-34. Study also reported that 23% of these posts were by the people who didn't actually attend the fest but watched live on YouTube or TV.

Impact on Tourism
In the global economy, tourism sector is one of the fastest growing sectors. There are many reasons, but the impact of music industry has been very notable. It is widely known that tourism and music go hand in hand. When you watch various festivals' videos, there is something happening inside you which compel you to visit the place and have the time of your life. (Isn't it?)

According to a survey conducted by Paolicelli Annex, international visitors have increased from 8% of the crowd in 2007 to 38% in 2016 most of which are from the age group of 20-24.

How Are Music Festivals More A Selling Business?
Music festivals are barely **just** about music today, it's about selling an experience and this experience is expensive. Organisers need a mini 'city' to accommodate hundred-thousand of people they are expecting. A music festival needs its own décor, sound systems, barricades, bars, stalls, security for crowd control, standby medics, merchandise, photo booths etc. This makes up the **production costs.** The other big chunk is artist costs especially for international artists which includes flights for the band and crew, excess baggage and musical equipment, five-star accommodation and local travel. Also, insurance for unpredictable eventualities like strikes, protests, weather etc.

Effect on Unemployment
Music festivals lay a huge impact on employment. Every music festival produces various jobs for people where it is being held. Various jobs at music festivals are:

1. Operations team
2. Volunteer coordinator
3. Audio visual technician
4. Medicals
5. Security guards
6. Talent booker
7. Event producer
8. Vendors
9. Social media manager

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Pros and Cons of Bullet Train in India

By - Spandan Garg,
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"Each one of us has both good and evil virtues. Those who focus on the good succeed in life."
- Shri Narendra Modi

High-speed rail is a type of rail transport which uses an integrated system of specialised rolling stock and dedicated tracks that lend it an amazingly faster speed than traditional rail transport. India aims to launch its first high speed rail corridor between Mumbai and Ahmedabad by 2022. Bullet train is no less than a heaven sent wonder for a country like India where life has become extremely fast paced and people cherish faster means of transportation.

Here through this article I would like to add to the readers' knowledge the benefits of bullet train and at the same time make them aware of its cons. To start on a positive note, let's first have a look at the pros of bullet trains.

In this era of soaring pollution, a way of commutation which keeps its doors closed for devils like deforestation is highly appreciable. Moreover, it comes with no compromise with the carrying capacity, speed and comfort. A major concern with transportation is safety. Bullet trains offer a crystal clear record of safe transit with an on record zero number of fatalities. Bullet train has paved way for a new and advanced mode of transportation in India and somewhere it's a matter of pride for Indians and a status symbol for India.

This project has also rolled out the red carpet for Foreign Direct Investments which is being utilized for the manufacturing of the train. Although the technology for manufacturing the train will be imported from Japan, but once we

Caricature - Rupal Chauhan

adopt it, we can become a tech exporter in coming future .The project truly acts an icing on the cake for the two financial giants of India, Mumbai and Ahmedabad. By connecting the two, Bullet train secures a very high probability of success and revenue earning. Further it would perk up the connectivity between the two business hubs giving India a financial and economic boost. With a speed as high as 320 KMPH, bullet train will act as a worthy and cheap substitute for airways and would also become the hero of those who fear airways (whether psychologically or financially). Generation of employment has also taken the front seat with the advent of the 'Bullet Project'. According to a report by the State Bank of India research team, Bullet train is expected to give birth to 20000 employment opportunities comprising of 4000 direct and 16000 indirect opportunities. With this the domination of ' The Unemployment Devil' will definitely lessen.

Since every coin has two sides, so I would now like to throw some light on the demerits of the Bullet train in India.

In the face of increasing costs and soaring losses in Indian Railways, it is reasonably doubtful whether the bullet train will continue to be a success story in the long run or not. It has been estimated that the cost of completely installing 1 km of metro track exceeds 1crore. The distance between Ahmedabad and Mumbai is approximately 500 KMs .A country like India where majority of the population is middle classed will hardly be able to pocket out the fares. And if a handful of well off people can afford, the majority cannot. The number of those who can afford can be counted in the fingers of two hands. This would further aggravate the plight of those who aspire to enjoy the new Bullet Train but lack the ability and willingness to pay for the cost incurred directly or indirectly..Added to this are the socio economic repercussions like land acquisition and rehabilitation of the displaced crowd. Also, a newer and more advanced technology namely 'Hyper loop Transportation Technology' has been discovered. It proposes to make travel as fast as 760 miles per hour. In this scenario, investing a mammoth of capital in bullet trains can turn out to be behindhand. Hence in a nutshell it can be said that although Bullet train is a boon for the country, it has the potential to boost up our economy, status, ease, and comfort but still in order to let it retain its sheen, equal emphasis has to be paid on its maintenance, affordability and time to time upgradation.

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Economics of Populism

By - Lipi Chawla
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The word populism, coming from the Latin word "populus", means 'people' Inherently a part of democracy, populism serves as an ideology that considers society to be ultimately separated into two groups. The most common approach to populism, especially in terms of politics, seeks to defend the interest and maximize the power of ordinary citizens, through reform rather than revolution, by relating to political movements that demand redistribution of political power and economic dominance away from the seemingly corrupt, greedy, or "elite" in favour of empowering "common people".

The populist economic agenda is characterised by short termism, denial of inter-temporal budget constraints, failure to evaluate pros and cons of different policy options as well as trade-offs between them. It often focuses on single and salient political issues, overemphasises negative aspects of international economic exchange and immigration, and blames foreigners or international institutions for economic difficulties. The populist economic agenda rejects compromise as well as favours simplistic solutions. Populist economic policies include fiscal stimulus (as opposed to austerity), printing more money and expanding deficit; this emphasises growth and income distribution and de-emphasizes risks of inflation and deficit finance. Despite several debates over whether and when the right time for macroeconomic populism is, in general it's pretty risky and not a long term solution.

Populist macroeconomic policy emphasises the benefits of more public spending and plays down the adverse consequences of growing public debt or inflation. While the benefits of expansionary fiscal and monetary policy are felt quickly, some time will usually pass before the adverse consequences of growing debt burdens, or even financial destabilisation, are felt. This reflects the short termism associated with populism. Populist macroeconomic policy neglects the adverse consequences of fiscal expansion either because the demand stimulus is expected to increase economic growth so that the fiscal expansion is self-financing, or because improved incentives, particularly due to lower taxes, generate more economic activity.

Among the economic factors that trigger populism, economic crises hold prominently. Events like financial crisis, the subsequent worldwide recession and the outbreak of the debt crisis have dire consequences for the people who lose employment, or experience a decline in the forms of support they receive. Latin America is a region where populist governments have repeatedly chosen to engage in expansionary fiscal and monetary policies, frequently with disastrous consequences. The detrimental effects of populist economic policies raise the question of why these policies receive any political support in the first place. In the context of elections, "economic populism" refers to a general opposition to income inequality and globalization (that is, trade agreements), as well as opposition to money in politics.

The populist phenomena that have been making headlines since 2016 are the Brexit vote and the election of US President Donald Trump. Donald Trump, a political outsider, set himself up as the populist candidate and voice of the unrepresented. He took over the Republicans and won the election, his victory marking the triumph of divisive rhetoric, disregard for facts, and promise of simple cures for all evils, and nativism which are common features of the new populism. Brexit shares many features of the Trump success. The campaign was driven by calls of "give us our country back" and "take back control". It promised an illusory 350 million British pounds per week of savings gained from ending Britain's contributions to the EU budget that would be spent on the National Health Service. Informed analysis of the effects of Brexit was dismissed as the self-serving work of interested parties. Equally important, this wave has recently swept several other populists to power, including Victor Orban in Hungary, Jaroslaw Kaczinsky in Poland and the Finns Party in Finland.

Coming to India, Gandhi was a populist. He motivated millions with his anti-modern, anti-colonial and anti-big-industry moral ideology. Next, Indira Gandhi was the best example of left-wing populism. She combined "*garibi hatao*" and electoral importance with attacks on the press and judiciary. Arguing that she alone embodied the people's wishes, she went to the extent of suspending democracy, calling the emergency an expression of popular will.

Like Indira Gandhi, it seems that even Prime Minister Narendra Modi privileges electoral majorities over everything else. Over the past year, the RSS and its associates have pushed the BJP government's policy in a more economically populist direction. While the RSS has moderated its once implacable opposition to globalisation and economic liberalisation, its current economic philosophy can be best summed up as populism with Indian characteristics. For much of the post-liberalisation era, Swadeshi was prominent within BJP. The BJP's 1996 election manifesto, while welcoming foreign investment in high-technology sectors, stresses that, "when foreign savings have to supplement and assist the economy in circumstances where domestic savings are inadequate; we compromise the nation's long-term interests." In India, politics relating to populism is a manner of the government. Its masses need to be pleased at all times. Modi channels the anxieties and concerns of middle and poor groups tired of daily corruption, use anti-elite narratives and manages these narratives on populist policies: the best example being demonitisation.

As far as the economic necessities of demonetization to end tax evasion are concerned, the move has populist elements tied to it. However, to the poor, it's being sold as a policy that ends black money of the rich.

Populist strategies thus promise short-term benefits, whether in free televisions, loan write-offs, or universal health which leads to fiscal pressures. However, while it upholds for a while - in political finance and major investment deals - it is eventually inefficient, leading to major rent extraction and a return of the anti-plutocrat sentiment.

Thus looking at India, the larger risk is not that populism would fail, but that it would succeed, consolidating a path that is fundamentally a trap, both in terms of social inequalities and long-term growth.

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The Importance of Apple in US Economy

By - Anushka Sharma
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Every day, while surfing through these various channels of television, I skip so many advertisements but one that always gets struck in my eyes is the one of Apple iPhone. Theme on which the whole ad is based, "THINK DIFFERENT" just gets on my nerves. So simple, yet so powerful, like the technological giant Apple itself. It made me wonder how this technological superpower came into existence. After some digging I got to know that Apple Inc. is an American company with headquarters in Cupertino, California, founded 42 years back by Steve Jobs, Steve Wozniak, and Ronal Wayne. And these researches broke the major stereotype for me, that Apple is just a technological supergiant. But it's much more than that for the US economy.

Recently in its press release, Apple has announced that it will be contributing $350 million in the US economy over the next five years. According to the data revealed by Apple, it has created more than 2 million jobs including 80,000 direct jobs, 1.53 million in the App Store ecosystem and 4,50,000 jobs at third-party suppliers, serving as a major source of employment opportunities for US. Supporting the claims, Apple has revealed that the US developers have earned more than $16 billion from the app store since 2008. To calculate all this data, Apple cited a study by Research Firm Analysis Group and employment data collected by the US Bureau of Economic Analysis. Through its website, Apple notes that there are 29 cities with 250 or more employees, 44 states with an Apple Store, and that there has been a 28x increase in Apple employment outside of California since 2000. Additionally, the company says that there has been a 1,500 percent growth in U.S. employees altogether since 1998.

Not only this, but during the time of recession in 2008, Apple did not sit still. It innovated, worked on itself, made new products in two new categories which were iPod and iPad. No doubts on the fact that US economy would have recovered without even this help from Apple, but the sudden boost to the economy's progress would have still been the missing piece of the super power US is today. Apple has risen as a mark of sophistication and excellent technology.

America has benefitted a lot from Apple in terms of technological competitiveness. The trend that started with iPods was taken to a different level by iPhones. Not just in US, but Apple has proved its metal everywhere. Presently, Apple is no. 1 consumer brand in Japan and is expected to grow like this in other countries as well. It was because of Apple, that US came in the forefront view in terms of technological advancement. Apple has published a 'Paper and Packaging Strategy' whitepaper in which it brags about eliminating a few grams of paper and plastic from iPhone product packaging and announces technological innovations in eliminating plastic and replacing it with robust wood-derived packaging.

Apple is growing as a brand irrevocably. It has also been investing in various start-ups. Over $10 billion of Apple's expanded capital expenditures will be investments in data centres, relating to developing various software and apps. Apple is also planning to accelerate its efforts on the field of education by collaborating with the various educational programs so that students can learn to code with 'Swift', a simple and fast open source coding language for apps that run on iOS, macOS, watchOS and tvOS. The free swift playgrounds app and a free curriculum App development with Swift, all are available to anyone and are already being used by millions of students and schools, summer camps, colleges across the country. The company is planning to increase funding for the connected program, so students can get a chance to learn the coding skills and enjoy the benefits of technology in the classroom.

It's not that Apple is all about profit and positive vibes for the US economy. It's 'not as green as it seem' as stated by the Foundation for Economic Education. A big issue for which Apple has to face backlash more often is the working conditions of the employees and its tax evading policies. While Apple earns most of its profit because of America and its people, it is not giving anything significant back to them. But one must not overlook how large are its positives in front of the negatives for no matter of what importance it is to the rest of the world, Apple continues to be a boon for the US economy.

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Challenges and Problems of Public Sector Banks

By – Gauri Vig
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Public sector faced many challenges in the Indian economy. It took not only a lot of time but also many unsavoury developments, such as loss in market share, flight to competitors, archaic and unexciting products, and little or no growth in non-interest income. Various challenges faced by the public sector banks are:

Implementation of Latest Technology

Online banking uses modern computer techno logies to offer the users convenient banking facilities. Private sector and foreign banks were using advanced technology and computerized systems sincetheir beginning while PSBs were not. So, they found difficulty in managing their operations efficiently. Many of Indian PSBs ignored technological changes and had lost market share to foreign banks and new private banks. Technology helps in having a huge branch-network easily and also it reduces the operational cost. With such an automatic system in place, the bankers need not hire employees specialized in handling paper work and teller interactions. This reduces the bankers' operating costs considerably, translating into significant cost savings over the long-term.

Corporate Governance - A Key Challenge in the Era of Globalization

It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, customers. Currently in India four-fifths of the banking businesses are in control of public sector banks. Sound cooperate governance is not only relevant at the level of individual banks, but also is a critical ingredient at system level. Effective management of these banks' vests in the hands of government and top management and board merely operate as functionaries. Hence PSBs face many risks with weak cooperate governance.

Manpower Planning

Manpower is the biggest challenge faced by the public sector banks. While private sector banks were expanding their manpower to match the business growth, public sector banks were faced with a large attrition rate of over 30%. Firstly, it takes as long as 18 months for the recruitment process of a typical state-owned bank to be concluded and of the candidates shortlisted; many drop out on their own. Even the hired employees also drop out due to lack of incentives. Also, most of the employees in these banks belong to the average age group of 50 who believe in the conventional way of doing work due to which it loses its customers to tech savvy competitors. So, it is a challenge to not only recruit more employees but also to recruit quality professionals.

Caricature – Shreya Dahiya

Customer Service

The Public Sector Banks may need to include customer-oriented approach or higher customer focus in their five areas of businesses such as cash accessibility, asset-security, money transfer, deferred payment and financial advices. In order to develop close relationship with the customers, the PSBs have to focus on dealing with customers with smart use of Information Technology, computerization of records, maintenance of customer data base; online customer service will enhance the customer loyalty apart from exploring new opportunities for cross selling/sell ups. Also, the banks have to excel in various fields in which its competitors excel and attract new customers and keep the existing ones. So providing better services than Private Sector Banks at lower prices to customers is a challenge for Public Sector Banks because a satisfied customer brings in more customers and is the best advertisement.

Worldwide Reach of Public Sector Banks

Public Sector Banks should now go global in search of new markets, customers and higher profits. Some of the Public Sector Banks have their presence in overseas but only to a limited extent.

The State Bank of India, the largest bank of India, ranks only 82nd amongst the top global banks. Our banks are not equipped enough to compete in the international arena. Also, due to lack of technology in the public sector banks, they are not only unable to compete with international banks but also private sector banks which provide better services and use latest technology retain customers. Also the public sector banks don't have proper resources to compete with international banks.

Increasing Non-Performing Assets

A non- performing asset is one which is not productive or which does not produce any income anymore. Banks usually classify NPA as any commercial loan which has been overdue for more than 90days and consumer loans which are more than 180 days overdue. The gross NPA of state-owned banks continue to pile up. Quarterly result of 14 such banks including SBI show these banks contributed nearly RS 7.34 lakh crore to the total bad loan pile in the quarter ended march 2018, bulk of which came from corporate defaulters. However, on the other hand NPA of private sector bank was considerably low to 1.03 lakh crore. Due to increase in NPA banks follow policy of low interest to depositors and high interest to loan borrowers which creates problems in getting new buyers and hence PSBs eventually lose their market share to private sector banks.

Conclusion

Indian banks are facing innumerable challenges such as lack of technology, increasing NPAs, loss of market share to private banks and competition from international banks. Multiple regulations are the main weakness in PSBs. They have no single controlling system as in the private sector banks. They are guided by the government and are controlled by RBI and also have their own union. So, there is a three-layered controlling system which delays policy implementation and hence causes PSBs to lag behind in the race with its competitors. Various other factors like late implementation of technology, long process of recruitment makes public sector bank face a lot of challenges in the economy.

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The Rise of Little Giant OYO Rooms

By - Reshu Agarwal
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OYO rooms is a chain of hotels, established by Ritesh Agarwal. He is the pioneer of India's biggest hospitality service. Its main feature is that it gives in-budget a huge variety to choose from, for people having different budgets. It was founded in 2013 and now has spread its roots to over 8,500 hotels in over 230 cities of India, Malaysia, UAE, China and Indonesia. Oravel Stays Private Limited was the parent company, as before this Ritesh started Oravel and after finding a jackpot in this career, he came up with OYO.

Advantages to Customers

Customers or travelers who used to drop the idea of staying at a hotel because of high hotel room rents ended up staying at a dormitory, now prefer to stay at a hotel without lying themselves out of their budgets. Its standardized services provided to everyone and in every hotel come out as an over-edge advantage. Its official tie up with Biotique (toiletries) is appreciated by many. 'A good morning means a good day' is followed explicitly by Ritesh. Customers of OYO rooms are served with a healthy and tastier breakfast. OYO also tries to cater to the personal needs of this generation such as WIFI because many-a-times people feel ridiculed with the hotel if there are network issues.

Ritesh's Struggle

I can say, there is something about a drop out from engineering (B.Tech.). He was also one amongst drop outs. Ritesh belonged to a well-off family and was a habitant of Orissa. He came to Kota, Rajasthan, for pursuing his studies further. But with a business mind, he cannot resist himself to engineering. He started to manage his living with a meagre income by selling Sim cards. He was afraid his well off family would end his entrepreneurial dreams and summon him back home to Odisha if they knew of his struggles. In Kota also, his dreams demanded him to leave the comfort zone and work day and night. He separated himself from his luxurious life and couldn't wait to slip every weekend to Delhi and learn about from the people doing their own thing.

Caricature – Shreya Dahiya

Then Ritesh started his entrepreneurial journey when he was 17 years old. He dropped out of college and launched his first start up Oravel Stays Pvt. Ltd. in the year 2012. Oravel was designed as a platform to enable listing and booking of budget accommodation. Ritesh was himself an avid traveller; he senses and experience invoked a feeling that the only thing missing was predictability. Therefore, he pivoted Oravel to OYO Rooms in 2013 with the key proposition of offering affordable and standardized accommodation.

Advantages to Economy

He is the founder and CEO of disruptive hospitality business and app - OYO Rooms — a network of 2,200 hotels operating in 154 cities across India — with monthly revenues of $3.5m and 1,600. Hospitality and hotel industry can now see its graph rising. Eventually, it became easier for travelers to find an accommodation while travelling. It gave a boost to the tourism industry as well. In-fact the hotels which were not recognised earlier, now have a stand.

Boost to Hospitality Sector

In these years of glory, OYO rooms have been a significant participant in India's booming hospitality industry and in sweeping away the distrust of the people too. Being considered a real game changer, OYO has changed the perspective of millions of how they will be served in India. In the nine months from January to October' 18, the tourism industry has seen a growth of 8.30% while in the same time OYO grew from a million dollar company to a $5 billion company, which is indicating to a direct relationship. A new angle was added to hospitality industry options when OYO developed OYO Town Houses and OYO Homes. It has completely revolutionized the hospitality industry.

Entry to 5 Billion Company Club

In order to fund expansion in UK and China recently, OYO raised $1 billion from Soft Bank Vision Fund, Sequoia Capital. The funding announced values OYO business at $5 billion, making it India's second most-valuable company, after One 97 communication's PayTm.

How & Why World Accepted Oyo

Oyo not just franchises the hotel but has all of it. OYO signs on hotel owners and then trains staffs as well as upgrades everything from linen, toiletries and bathroom fittings to their standard. In the scenario of luxury and comfort, OYO is the real player to drive the demand in its favour. The world wants luxury at its finger tips, and OYO comes out be a new trend as it serves all from big pockets to a person seeking pocket friendly options. OYO has expanded its roots to Malaysia, UK, US, CHINA and South East Asian and Middle Eastern and European markets recently and has successfully provided a rich experience of comfort to all. This has trapped the needs of these countries to accept OYO, because of its all-time raising standards.

It is a blend of luxury and in-budget accommodation which was the need of every person travelling either to explore or work somewhere. It has reduced the chances of bland experiences and distrusting perspective of the people towards hotel industry.

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From Well Being to Being Well - Analysis of World Happiness Report 2018

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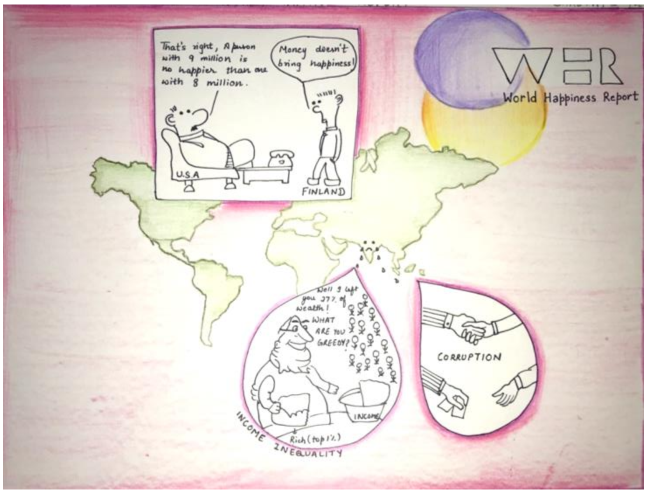
Evidently, with years, so many things are being added on to our lives, that basic ones are being left behind. The farther we go, we tend to lose our memory of what made us go this far. This is why the most basic aspects of our life, such as health, happiness, state of mind; all these have to be studied specifically in order to account for the times we stepped upon them. Keeping the same in mind, The world happiness report, was an initiative which became successful in measuring the development- including these intangible or immeasurable aspects. In the light of this article, let's begin with how our definition of wellness has changed from well-being to being well.

From Sense of well being:

Human well being is interpreted in numerous ways and lacks a universally accepted definition. It includes every aspect of life such as emotional health, progress, economic stability, respect, social welfare and what not! Clearly, it is not a well constructed ideology, however; two broad approaches which are used to understand this concept are - Hedonic and Eudaimonic approach.

Hedonic approach brings into consideration of well being happiness, pain avoidance and pleasure attainment.

Whereas, Eudaimonic approach focuses on self realization of the degree to which a person functions.



Caricature – Shreya Dahiya

To Sense of being well:

Basically, being in a financially stable and good position sums up 'being well'. A person in favourable and stable circumstances is said to be well or well provided. Where well-being is more of a broader concept which includes all the immaterial dimensions and impalpable, being well is restricted to the material wellness which is palpable. The analysis of World Happiness Report falls under the hedonic branch of research.

World Happiness Report: What Is It?

World happiness report is an annual publication of United Nations Sustainable Development Solutions Network. It was first published in April 2012 after the adoption of resolution 65/309 which deals with happiness. The main objective of this is to formulate public policies with having people's happiness in mind.

Source of information:

The report primarily uses data from the Gallup World poll. The poll consists of about 100 global questions as well as region specific ones. It includes the following: law and order, food and shelter, good jobs, brain gain etc. It interviews approximately 1000 residents per country, aged 15 and above. In regions where telephonic conversations can cover about 80%

population, it is used; and where telephones can't reach, face to face interviewing is used.

Usually, the study covers the following primary dimension, with several others add on:
1) Setting up the base of happiness movement
2) Distribution of world happiness
3) Involvement of secular ethics
4) Sustainability and happiness
5) Human flourishing
6) Challenges to human happiness
7) Parenthood and children
8) Geography of happiness

With one major theme focused upon each year, while others remain constant. Report 2018: The year 2018 focused on the relation between migration and happiness. The first five out of seven chapters deal primarily with migration. Upon the ease with which people moved within or out of a country to another, how well they settled, what problems they faced and how happy they were, the countries were ranked. All the countries are compared against a hypothetical nation named Dystopia, with lowest averages of the criterion and is used as a regression benchmark. There is an additional effect that helped in ranking countries this year - 'the footprint effect'. According to this effect, immigrants are happier as compared to general citizens in countries with a lower level of happiness whereas immigrants fall behind the general happy population in countries which have a higher happiness rank. This is inevitable because an immigrant faces a lot of changes once he shifts, which brings changes in the amount of satisfaction.

Since the last four reports, four countries have held the top four spots; Denmark, Switzerland, Norway and now Finland with Finland being the happiest country. These countries were seen to have the best values of Income, social support, healthy life expectancy, trust, generosity and freedom. The most remarkable result of this analysis was that order of ranking remained the same for general citizens as well as the immigrants. This trend goes on for the top ten countries with Finland being at the top of both the lists, with the happiest immigrants and the happiest general population.

Criticism though the reports have succeeded in ranking countries, however there has been criticism. Some people believe that measuring happiness of people is misleading because happiness is an individual matter. Other critics point out that the domains used are unreliable. Moreover, some dimensions suggest that they are counterintuitive. For example, a measure of unhappiness with respect to the suicide rate also suggests the ranks of countries in both the lists as same, which is not true. Hence, several arguments suggest the impotency of this report to help formulate a public policy which keeps in mind the happiness.

Yet, the report tends to highlight discrepancies of including happiness as an important factor of deciding the state of lives of people in different countries. Even with criticism, it pushes one to ponder upon the value of being happy while embracing the technical changes of our future.

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How does Netflix make money?

By - Muskaan Bhagat
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Friends, Game of Thrones, Sacred Games, Breaking Bad, Orange is the New Black, Suits and many more- we've all been flabbergasted by the storylines, direction and characters. Watching a movie or a TV series has become one of the most popular medium of recreation today and the wonderland that houses all the shows on our binge-watch checklist is 'Netflix'. Netflix is an American media services provider founded in 1997 with 130 million total subscribers, as of July 2018. It was initially started out as a DVD rental business which then expanded to digital streaming. It also started producing its own content known as 'Netflix Originals' in 2012. Netflix offers 3 types of subscriptions classified as basic, standard and premium priced at INR 500, INR 650 and INR 800. The main feature which separates them from the other is the number of screens. The basic subscription can operate in only 1 screen, the standard in 2 screens and the premium in 4 screens.

The biggest reason for Netflix being the most successful streaming source is its recent willingness to produce Non-USA content. This makes possible a large variety of varied and original content be available for the subscribers. Netflix now has original documentaries, stand-up specials and kids' content covering each and every need and mood of the customers.

Netflix earned a profit of 558.93 million USD in 2017. The main source of revenue is its subscriptions which totals to more than 950 million USD per month. It also earns a small portion of its revenue from DVD rentals which totals to more than 30 million USD per month. According to Forbes, the total revenue earned by it in 2017 is 11.7 billion USD. The costs involved behind emerging as the world's leading internet entertainment service are payments for licensing and original programming as well as expenditure on production of original content. The costliest TV series Netflix has produced is 'The Get Down' with an expenditure of 120 million USD while the costliest movie produced is 'Bright' in 2017 with an overall expenditure of 90 million USD. The height of expenditure incurred depends on factors such as starring a major celebrity, hiring of a major director or adoption of a famous storyline. Netflix does not earn any money through advertisements or commercials in its streaming service. On an average, the production of a 'Netflix Original' costs about 22 million USD. Netflix also spent 2 billion USD on marketing as compared to 1.3 billion USD in 2016.

It may be surprising to note that the streaming giant technically incurred a loss of 2 billion USD in 2017. This is in regard to the Free Cash Flow (FCF) in the books of Netflix Inc. The reason they stated was the timing of content payments which will occur in 2018. In 2018, the FCF expected is around negative 3 to 4 billion USD. This is because Netflix is growing faster than expected which allows them to invest more in original content than before. In terms of number of users, Netflix has showed positive growth but in terms of number of hours spent, there has been backlog. The emergence of competitors such as Amazon Prime, Hulu, HBO Go, etc is the main reason behind this. Let's look at this statistically. According to Verto, the Netflix US users increased by 38% year-over-year but the average time spent per user fell by 18% year-over-year. However, Netflix continues to lead in terms of over base which stands at 65.2 million users in the US as of December versus Hulu with 41.5 million, Amazon with 19 million, HBO Go with 4.7 million and Sling TV with 1.5 million.

According to Wired, the company has more than 125 million paying subscribers worldwide with 300 million profiles across 450 million devices. In future, Netflix aims to expand its user base as well as profits hugely. It has planned an 8 billion USD expenditure on content this year as compared to 6.3 billion USD of last year. It also aims to rule new markets by partnering with established TV brands such as Tata Sky in India and Sky TV across Europe. According to Reed Hastings, the CEO of Netflix, if someone watches 30 minutes of a show and then stops in the middle then that is not success in their terms. He said, “It’s really the watching it all the way through that we thrive on”.

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Zombie Banks

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If we go to the literary meaning of the word "zombie", then it refers to a dead person brought back to life without the ability to speak or move easily. Similar is going to be the condition of Indian banks in a few years. Zombie banks are the financial institutions which have negative or zero net worth but are surviving on the mercy of central bank, providing them with the subsidies and bailouts.

Historically speaking, this term was first coined by Edward Kane of Boston College in an article titled: "Dangers of Capital Forbearance: The Case of the F.S.L.I and Zombie S&L's" in 1987. The FSLI (Federal Savings and Loan Insurance Corporation) was primarily set up to provide insurance for deposits made by individuals in S&L (Savings and Lending). But when S&L failed, the FSLI was left with $20 billion debt making the corporation bankrupt. During these crises the deposits of some 500 banks were backed by the state run funds. The concept of state run bank insurance funds collapsed along with these banks.

Also the recent example of Japan can be cited in this context. In 1990, Japan suffered a collapse in real estate and stock markets that pushed many banks into insolvency. Instead of shutting down such banks, government continued to provide financial aid to them. This resulted in huge drainage of resources.

The major reason for the emergence of Zombie banks is bad loans. Talking in milieu of India, latest Financial Stability Report of RBI says gross NPAs rose from 9.2% in September 2016 to 9.6% in March 2017. Net Non Performing Advances (NNPA) Ratio marginally increased to 5.5% in March 2017 from 5.4% in September 2016. NPA in India started growing from 2006-08 when the economic growth was in two digits and banks made mistakes. Banks had a casual approach for making proper check of collaterals and other legal compliances. They had to achieve credit targets and so the loans were distributed as sweets. Another reason which can be traced for higher NPAs is loans sanctioned under SIDBI run credit guarantee schemes. A joint study of SIDBI and Credit Bureau Cibil had said that risky loans worth Rs.1.2 Lakh Crores to MSMEs could potentially create NPAs worth 16000 crore by march 2019.

Impact of NPAs will be straight on the revenue models of the banks. Majority of the revenue resources will be wiped off. If banks will fall short of the revenue then it is a matter to be pondered upon how the economy will run. Banks are the life lines of any economy. As a consequence of which crisis will arise in the market. In fact the future earnings are unpredictable of such banks due to huge NPAs in their balance sheets. No revenue with banks means no investment, no investment multiplier effect, and no money in the hands of people and thus the market activity is destroyed. But government is so open handed that it provides aids to such financial institutions in a hope of that these banks will revive, but it all ends up with the banking institutions which are zombies for the economy. *Zombie banks are like financial vacuum cleaner which takes deposits but puts nothing back in the economy.* The bearing of such institutions in the economy is recession. Zombie banks offer higher interest rates to attract more deposits. Investors take risk as well as wrong judgment of the situation. At the back of their mind there is an assumption that government will support them if investment fails. These banks provide a clear way to corruption.

In order to curb such situations in the economy USA introduced a *Bank Stress Test.* It is a detailed analysis conducted under hypothetical unfavorable economic conditions such as deep recession, high inflation and financial crisis. This scrutiny gives a report about the pecuniary health of the banks. This test focuses on credit risk, liability risk and market risk. Banks are required to publish their results. Non-compliance by any of the bank to the parameters of the test prescribed is given a conditional pass on or it is closed. Banks that are given pass on are required to submit another action plan. Foreign banks such as Santander and Deutsche Bank failed stress test many a times.

In a nutshell, banks are the powerhouse of any economy that helps to bring opulence in the country. But what if banks turn out to be demons for any nation? Piling up of bad loans in a growing economy like India is shooting itself in the foot. It is not only creating our financial institutions zombies but also devastating the present economic growth.

So, dear readers it is a high time now if we want to see our hard earned money invested in a young sprawling tree or precarious mischievous spirit i.e. *Zombie Banks!*

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Rafale Deal's Trials and Tribulations

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2007

- MMRCA (Medium Multi Role Combat Aircraft) tender had been floated in August, 2007. It embarked the inception of India's largest defense deal pertaining to the purchase of 126 multi – role combat aircraft for the Indian Air Force (IAF)
- The central ministry of finance had allocated a massive budget of INR 55000 crores (USD 7.7 billion).
- Six renowned air crafts namely: Boeing's F/A -18E/F Super Hornet, Dassault's Rafale, Eurofighter's Typhoon, Lockheed's Martin F-16 fighting Falcon, Mikoyan's MIG-35 and Saab JAS 39 Gripen were listed as bidders.

2011

- On 27 April, 2011 after an intensive and detailed evaluation IAF reduced it to 2 bidders namely Eurofighter's Typhoon and Dassault's Rafale

2012

- On the fated day of January, 2012 it was announced that Dassault won the competition due to its lower life cycle cost.
- The UPA government immediately laid down a MOU containing provisions for delivery of 18 of air fighters along with 108 of them being assembled by HAL (Hindustan Aeronautics Limited). The second point of contention was a provision requiring Dassault to reinvest 50% of the total worth of the deal in India's defense sector either through purchase or imparting of technological expertise.

2013

- Unfortunately Dasault had its reservations about the ability of HAL to accommodate the complex manufacturing and technology transfers of the aircraft. This eventually led to a deadlock and the negotiations ultimately came to a standstill. The deal was further neglected due to the upcoming 2014 general elections.

2014

- In March, 2014 after several fruitful deliberations the two sides unanimously agreed that the first 18 aircrafts will be delivered in fly away condition and the rest 108 will be built 70 percent by HAL and 30 percent by Dassault.
- India and France were expected to finalize the contract in March 2015

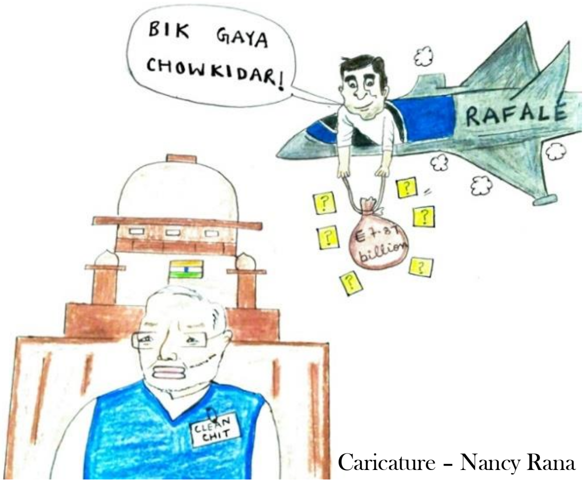
2015

- After the UPA government was overthrown by the NDA, the deal again took a backseat.
- On 13 April 2015, the defense minister Manohar Parrikar made an announcement that the MMRCA tender is "effectively dead".
- On 31 July 2015, India officially withdrew the 126-aircraft MMRCA tender

- There was a new set of terms and conditions agreed upon. The agreed upon terms in April 2015 totaled USD 8 billion for 36 airplanes, with an offset requirement of 30 percent of the deal's value for France to reinvest in India's defense sector and create infrastructure in India for the Rafale to operate. India was insisting on a 50 percent offset and two bases, which France says will increase price and require separate infrastructure and two sets of maintenance, training and armament storage facilities. Ending up, India and France missed the July 2015 target of finalizing the 36-aircraft agreement.

2016

- In January 2016, in order to establish commonalities between IAF and Navy, the Indian government asked the Naval Chief to undertake briefings from Dassault regarding Rafale. This gave birth to new need of purchasing 54 naval fighters in order to upgrade Indian Navy to bring it at par with Indian Air Force.
- The inter-governmental deal was valued at INR 58000 crore (7.8 billion Euros) in which India brought 36 off the shelf Dassault twin engine fighters along with spares and weaponry, including the Meteor missile, considered among the most advanced in the world . Additionally, an accompanying offset clause was sealed through which France will invest 30 per cent of the 7.8 billion Euros in India's military aeronautics-related research programmes and 20 per cent into local production of Rafale components
- For off-set deal, the NDA admitted that Dassault chose Reliance Aerostructure, a Reliance Defence subsidiary, to be a partner in forming a joint venture with its subsidiary Dassault Aviation, dubbed Dassault Relaince Aerospace.



Caricature – Nancy Rana

2017

- Around these provisions and agreements the UPA built a web of accusations not realizing that they were entangling themselves.
- The primary allegation imposed by Congress president Rahul Gandhi is over pricing. However, the defence ministry's internal calculations show that each Rafale jet works out Rs 59 crore cheaper than what it would have cost under the UPA deal. The deputy chief marshal of Indian air force Raghunath Nambair affirmed that the price negotiated along with other terms and conditions and specifications of air fighters were way better than what UPA government had complied with.
- The second accusation adamantly claimed time and again by the opposition leader is directed towards favoritism of NDA government towards the Ambani's. He vehemently questioned "Why HAL was not chosen over Reliance Defense Ltd.?"
- The BJP government backfired with the following 3 constructives
  1. Firstly, RIL is not the only private company that is chosen by Dassault

to fulfill its off-set obligations. There are several others like Kinetic and Mahindra.

2. Secondly in 2012, Dassault chose RIL over HAL under UPA regime but at that point of time no fingers were raised about the credibility of the deal.
3. The next contradiction that cannot be taken lightly is the fact that Sanjay Bhandari was trying since 2012 to lobby with Dassault to become its off-set agreement partner.

2018

- Despite the spread of several baseless accusations, in March 2018, Manohar Lal Sharma, Prashant Bhushan and Yashwant Sinha went ahead with filing a petition in Supreme Court demanding a stay on the Rafale deal on the basis of aforementioned accusations. The apex court agreed to hear the plea on 5 September 2018.
- On 26th October 2018, Dassault CEO Eric Tappier clarified that the off-set obligation partner, the Anil Ambani lead Reliance Defense Limited was chosen with mutual consent.
- On 31st October 2018, the apex court asked the NDA to furnish all the possible details in an affidavit, share information that can be brought into public domain with the petitioners.
- On 12th November 2018, the NDA government provided the SC with all the classified information in a sealed envelope.
- On December 18, 2018 the SC the bench headed by Chief Justice Ranjan Gogoi said that it had studied the matter extensively and that there was no room for doubt. “Perception of individuals cannot be the basis of roving inquiry by the court," the Supreme Court said, adding that it had "no objection to any part of the deal".

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The Falling Indian Rupee

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With the Indian rupee at an all-time low of \$74.34 against the US dollar, the currency has been on a downward trajectory for some time and is not showing any signs of a rebound. The value of the Indian rupee has declined by 12% between the months of January and September, 2018. Now, the exchange rate between the dollar and the Indian rupee is hovering around ₹73.53=\$1. Depreciation of the rupee means that it has become less valuable with respect to the US dollar because of market forces.

A fall in the Indian currency can be attributed to global and domestic cues. There are mainly two reasons behind this fall, firstly, India produces just 20% crude oil of her requirement and the rest is imported from Gulf countries like Iraq, Saudi Arabia, and Iran. And we also know that, Crude oil is the biggest contributor in the import bill of India. So rising crude oil prices, primarily because of US sanctions on Iranian exports and a drop in Venezuela's production, has attributed to the payment of more dollars to oil exporting countries. Hence, the demand for the dollar will increase in the Indian market reducing the value of the Indian rupee. Secondly, the dollar has strengthened with the robust recovery in the US. The US Federal Reserve's steady hike in interest rates has made investment in the US treasuries more attractive thus resulting in funds moving out of emerging markets such as India. The economic crisis in Turkey and Argentina and trade tensions between the US and China has also sourced the global risk and has had a dampening effect on the major economies of the world.

Caricature – Nancy Rana

A continuous fall in the value of the Indian rupee is worrying importers, leading to them buying more stock in advance in order to avoid paying a higher price in the future, in turn causing more demand for the dollar. Many exporters are postponing exports to get more profits as the value of the Indian rupee is falling continuously. This is increasing the trade deficit which in turn gives rise to the Current Account Deficit.

It is highly likely that the traders will export most goods rather than selling them in domestic markets. This will increase the prices in domestic markets. As a result of the entire process, inflation occurs. When inflation is too high sales will drop, thus, affecting the country's economy. Ultimately, it will reduce savings from people. Repaying foreign debts will become much more expensive. This weak and fluctuating currency will discourage foreign investors from investing in the country. Therefore, foreign direct investment to India will slow down. Foreign education is hit badly; those who have gone abroad for 3-4 years to complete an educational course are worst hit. Whereas a trip abroad is optional and can be deferred, foreign education cannot.

The Gradual and continuous fall in the currency cannot be ruled out and it poses an inflationary risk given that imports are costlier when the currency depreciates. This would only add to RBI's reasons for raising interest rates further. The central bank has been raising interest rates to match the rising interest rates in the US. If RBI does not raise interest rates, the “interest differential” with the US might narrow down, potentially prompting more capital outflows from India and further weighing down the Indian rupee. The central bank's rate hikes have, however, complicated matters for India's banking sector, already reeling under a massive, and bad debt problem.

However, there are positives of the depreciation as well. Exports become cheaper due to more competition; therefore this provides a boost for domestic demand. Companies, many of which are small and labour-intensive, have struggled with the transition to the goods and services tax, and several have had a hard time getting credit. A weaker rupee would also offset competition of cheap imports from countries like China, which could give domestic industries a much-needed boost. Travel to India gets cheaper, the local industry may benefit. Those working abroad can give more on remitting money to their homeland. Ultimately, it assists in reducing the current account deficit.

A cheaper rupee will incentivise Indian companies to export more besides helping them substitute some of the costlier imported goods in the domestic market with local products. Thus, despite strengthening the ills like inflation, the depreciation of the Indian rupee has its positives and can help in developing the manufacturing base of the economy.

Though we cannot control major factors like increasing crude oil prices, trade wars and so on, we can take some steps to strengthen the rupee or at least prevent a further fall in the value of the currency by retaining the trust of investors which in turn would attract more FDI, reduce dependence on imports by encouraging domestic manufacturing and by investing more in the development of renewable energy resources.

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IL&FS - The centre of India's Financial Market Crisis

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Infrastructure leasing and financial service (IL&FS) was founded in 1987 by the Central bank of India, HDFC and UTI to provide finance and loans for major infrastructure projects. Over the years it has formed 169 group companies. LIC and ORIX of Japan now own 48.8% shares of the same. IL&FS currently has a debt of 91,000 crores. Its default in August and September across multiple instruments, rattled financial markets and as a result credit from banks and mutual funds (MF's) freezing up.

What went wrong?

First, borrowing mismanagement: IL&FS relied heavily on short term borrowings while its investments were in extremely long term infrastructure assets. The Company also faced cost overruns and delays in land acquisition and approvals. Disputes over contracts have locked about 90 billion rupees of payment that the government owes to IL&FS. Second, liquidity gap: Liabilities do not have matching revenues. Bulk of the revenue of the company is in receivables. Third, the management's culpability and corruption. Fourth, global factors: IL&FS crisis has its origin in the tightening of liquidity globally in the last 2-3 months. With US interest rates on the rise, investments in the US are more attractive compared to investments in India. Because of this the flow of funds from foreign institutional investors (FII) has been negative so far this year. Debt flow has also seen sharp reversal. So, external funding has decreased and the liquidity has dried up. This proved to be a flash point for IL&FS's default.

Now, we analyse the effects of IL&FS's default on the financial markets and Indian economy. The effect of default of IL&FS is more on non-banking and financial companies (NBFC) than on banks. NBFCs are trapped in the asset-liability mismatch in which banks were once. Banks had to save due to RBI's capital norms and ownership of liquid assets. According to a research by Crisil, 'NBFC's and housing finance companies (HFC's) grow at the cost of public sector banks because PSUs reduced their lending books on account of increasing NPA's'.

'The aggregate balance sheet of 11,400 NBFCs showed 22 lakh crores at the end of F.Y.-2018. Borrowing rose by 19% leading to a dip in share capital, implying rising leverage' RBI data showed. The Loan books of NBFC'S and HFC have grown by 17.5% between FY'14 and FY'18, taking their share of total system credit to 24% from 20% in the same period , according to a report by Jefferies. About One-third of this money came from mutual Funds.

The Default by IL&FS and sell-off in commercial papers (CP) led to tightening of lending by banks and mutual funds. Mutual Funds came under pressure due to redemption demand. So, they started selling CP's in the market at a discount to meet redemption demand. In these circumstances, it is tough for NBFCs and HFCs to borrow in market against CPs as that may lead to cash flow mismatch and result in default. If this happens, then there will be serious rise in consequences for the Indian economy. The default of IL&FS which is now affecting MFs, NBFCs and HFCs on the increasing scale down the order will be trickled-down to the SMSE, tiny industries, employment, auto finance, microfinance and common man.

The non in the non-Banking Finance Companies gives a negative tone but in reality NBFCS are complementing the banks by providing credit to those segments of economy where the banks are unable to reach. NBFCS basically lend to truck and bus operators, MSMEs and small traders who do not have proper record keeping systems. They also finance the purchase of cars, two wheelers, consumer durables, personal loans, gold loans, etc.

An RBI study released in August said that the MSME sector consists of more than 63 million units and employs around 111 million people. They have stepped in wherever banks feared to enter. They further the cause of financial inclusion. FICCI in its letter to the Governor of RBI pointed out that if the current crisis of confidence relating to the NBFCS is not resolved quickly, it will have serious implications for the economy. After the IL&FS default, MFs have almost completely stopped extending credit to NBFCS.

Mutual funds have more than Rs. 4.2 lakh crores worth of exposure in financial services sector excluding banks of which more than Rs 2.2 lakh crores is coming up for maturity in the next 12 months. The amount if not refinanced will lead to a grinding halt of all the activities leading to a default and will have a catastrophic impact on the financial services sector, severely impacting jobs and overall economy, FICCI pointed out.

Now what are the solutions?

As far as IL&FS is concerned, the IL&FS crisis is a combination of poor management, corruption and system deficiency (financial model). Management has been changed at the top level. Corruption is being investigated seriously by Fraud- Investigating offices. What RBI and the government need to look on are the faults within the system. Firstly, the government should pay the money it owes to IL&FS. Another strongly needed fix is ratings. Rating agencies must be held accountable for their ratings. Overnight 3A ratings debt instruments turned into pieces of junk. The final solution lies in a significant capital infusion, disinvestments and debt restructuring.

As far as NBFCS and HFCs are concerned, the RBI should introduce NBFC reforms in small installments so that the market can digest them. The RBI should infuse liquidity and make special arrangements to restore confidence in financial market if there is a collapse. Special liquidity window for NBFCs apart from bank borrowing credit lines already sanctioned to them will help. The bond market should be revived for funding infrastructure. Infrastructure should not depend on banks or private lenders.

World Recession 2020

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It has been said that the current global expansion will likely continue into next year as well given that China is pursuing loose fiscal and credit policies, US is also running large deficits and Europe remains on a recovery path. There are still ongoing debates about the causes and the consequences of the financial crisis, but the more relevant question is what will actual trigger the next global recession and crisis and when.

Since unemployment has hit an 18-year old low of 3.8% in May 2018 and average wage growth is widely expected to reach 3% by the end of the year, so two-thirds of the economists are predicting a slump by the end of 2020 while half of them foresee a recession.

Some of the reasons for this condition are: Firstly, fiscal-stimulus policies will soon run out by 2020 and a modest fiscal drag will pull growth from 3% to slightly below 2%. Secondly, because of the stimulus, inflation rate is rising above the target. Due to the continuous rise in the central funds by the central bank, it will push up the short and long term interest rates. Thirdly, the leverage in many emerging markets and some advanced economies is clearly excessive. Commercial and residential real estate is far too expensive in many parts of the world. Fourthly, it has been said Europe will experience slower growth because of monetary-policy tightening and trade fictions and there are several more reasons for the possibility of this condition. The late stage of an economic expansion is the most vulnerable one. It's typically when unemployment falls, inflation heats up, the Federal Reserve (or, Central bank in any country's case) raises interest rates to cool the economy down, often going too far, and investors and consumers pull back. Analysts say that the recession in two years' time will be less damaging than the 2008 crash, which saw markets plunge worldwide and has been described as the worst one in the history. Bigger falls would be seen in the value of base metals, energy prices and shares in emerging markets, such as Brazil, Russia, India and China.

Strategists at JPMorgan, John Normand and Federico Manicardihave described this scenario as "probably unalarming" relative to the average of past crises. Their analysis is based on a model that takes into account the potential duration of the next recession, the length of the economic expansion, the degree of leverage, the level of deregulation, the asset-price valuations and financial innovation before the crisis. Another analyst at the bank has predicted that the next financial crisis could be sparked by "flash crashes" which means sudden stock sell-offs by computerized trading systems. The great liquidity crisis and the expectations of social tensions similar to those witnessed 50 years ago in 1968 are also some of the reasons for the next global financial crisis which is expected to begin from 2020.

Some of the baseline scenarios which according to the economists at JPMorgan will cause recession in 2020 are: Firstly, higher energy prices, oil price spikes have already contributed to every recession since World War II by depleting consumers' purchasing power. Secondly, escalating trade conflicts, prices on tariffs on steel and aluminum has risen for consumers and businesses and has also drawn retaliation from other nations against, say, US exports. Thirdly, higher inflation and asset prices, falling unemployment and rising wages are a good thing, but eventually higher pay forces companies to raise prices more sharply. This has prompted many Central Banks to raise rates faster; perhaps there have been four hikes in 2018 instead of three which was forecasted. And, other reasons are budget battles because of hammering stocks and consumer and business confidence and trouble overseas.

On the other hand, Joe LaVorgna, chief economist of Natixis, believes the chances of all these scenarios are low. And with a more global economy and e-commerce holding down inflation long-term, he thinks that the Central Banks will raise rates more slowly than many anticipate. He is not expecting a recession over the next few years.

Brunello Rosa, co-founder and CEO at Rosa &Roubini Associates, believes that unlike in 2008, when governments had the policy tools needed to prevent a free fall, the policymakers who must confront the next downturn will have their hands tied while overall debt levels are higher than during the 2008 crisis. When it comes, the next crisis, which is 2020, the recession could be even more severe and prolonged than the last.

Although the global economy has been undergoing a sustained period of synchronized growth, it will inevitably lose steam as unsustainable fiscal policies have started to phase out. In 2020, the stage will be set for another downturn and unlike in 2008, governments will lack the policy tools to manage it.

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Caricature – Rupal Chauhan

Story of Bad Loans in Good Times of India

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Sometimes we see our country performing really well creating headlines like 'India second fast growing economy, or India likely in a boom period' but during the same period of time we hear about banks stating 'No respite for Indian banks as bad loans hit record $146 billion' or 'Bank insecurities worse' which becomes a paradoxical situation and confusing to analyse how our banking sector is performing so poor in these good times of economic growth. To see why we have this conflict, we first need to analyse what exactly bad loans and bad loans crises are.

As we know the major function of banks is to channelise surplus funds from people and give a proportion of these funds to those in need of them in the form of loans. The banks give out these loans after checking ratings (for e.g. CRISIL i.e. credit rating information service of India ltd.) and credibility of the company and the purpose of loans i.e. if the company is credible and carefully using loans for productive purposes are more likely to repay it on time.

Bad loans are the amount owed by a debtor to a creditor that is not repaid as it was agreed before and has a possibility of never being repaid. These types of loans are classified as Nonperforming assets or NPA's. An NPA is a classification for loans or advances that are in default or are in arrears on scheduled payments of principal or interest. They are typically listed on the balance sheets to meet regulatory requirements.

Recently, we have seen so many cases of huge amounts of bank defaults made by people of famous enterprises. Citing a few examples like Nirav Modi who is a jewel designer and diamond merchant was involved in a $2 billion fraud case of Punjab National Bank. A set of partnership firms approached the bank and requested for buyer's credit (facility to finance imports of goods and services) to make payments abroad. The firms had Nirav Modi, as one of the partners. The bank officials requested the firms to keep a 100% cash margin for issuing LOU but the bank officials discovered that employees had fraudulently issued LOU's in the past without following the correct procedures.

However, in this Rs. 1,400 cr. scam, the Central government is helping to provide help to the banks after this case of bad loans for the banks to recover. It has announced a ₹2.11 lakh crore capital infusion to the sector in October 2017.

Similarly another case was in the year starting from 2012 where the ex-chairman of United spirits, He is also known for having launched a major business venture in 2005 that later became insolvent and was shut down in 2012.

Vijay Mallya was involved in financial controversies and a group of 17 Indian banks are trying to collect approximately ₹9,000 crore (US$1.3 billion) in loans which Mallya has allegedly routed to gain 100% or a partial stake in about 40 companies across the world. Several agencies including the Income tax department is investigating Mallya for charges including financial fraud and money laundering. His assets abroad are excess to loans taken by him. The 17 banks added a joint petition at the Supreme Court in March 2016 to try to prevent Mallya from leaving the country, but the Indian government indicated that he had already left.

A rising number of NPA's in the balance sheet of the banks is causing great havoc and worries in the economy. One might question that even in this fast paced growth of Indian economy and strong GDP figures, why is our economy still facing such a situation ,with banking sector facing so many problems and how is it that we are growing so fast?

The answer can be explained by determining what mistakes the banking sector did. Raghuram Rajan , the former RBI governor explained us about this in detail. He explained that during the period of 2006-2008 the economic growth was strong and infrastructure projects and plants had accomplished their timely goal within their budget constraint. It is in fact at such times only that due to the over-optimism banks made mistakes. They see this past growth and then determine how industries will perform in the future. So they are ready to accept higher negotiability and less promoter equity. In fact sometimes banks signed up to lend based on project reports by the promoter's investment bank, without doing their own homework. At one point of time the situation was that the banks were waving checkbooks, asking to name the amount they wanted and hence this is an instance of irrationality on the part of banks, common across countries at such a phase in the cycle i.e. at higher growth levels.

The bad loans provide a great threat to our economy in the form of capital base mainly of public sector banks and if the situation is not controlled it may lead to a problem which the government wants to avoid which is the deposit erosion. It will affect the public as if the number of bad loans will rise then they might not be able to withdraw from their money and banks would collapse which could lead to a crises. Hence the banks and government needs to be vigilant and pin point each and every case of fraud and try and recover it. There should be improvement in governance of public sector banks and improvement in the process of project evaluation. Recovery, restructuring and banking processes should be strengthened and made speedy. There is still hope but the situation should improve fast otherwise it might be late for the banking sector to recover from the crises that might be about to happen in near future.

Caricature – Nancy Rana

Paraguay: The Most Positive Country in the World

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Want to experience more positivity around you? Want to laugh a little harder , feel well rested and respected then it's time to take a trip to Paraguay , a landlocked country between Argentina, Brazil, Bolivia which topped the "**Positive Experience Index**" compiled by Gallup Global Emotions Poll. The country with more than 30 percent of its population living under poverty certainly had the most positive experiences as compared to any other country in the world.

It has been rightly said that "Money can't buy happiness" because the happiest and the most positive people in the world resides in a bilingual, poor agricultural economy called Paraguay. Citizens living in wealthiest countries might score high on Quantitative measures like Gross Domestic Product but they lack behind in terms of positivity and are among the unhappiest lot.

With an attempt to capture the emotional state of nations, *THE GALLUP GLOBAL EMOTIONS POLL* was conducted over phones and face to face interviews with citizens of 145 countries in **2017** to gauge the positivity index of the nations. The Poll constituted following questions –

- Were people well rested
- Whether they laughed or smiled a day before the interview
- Whether they felt productive and satisfied

Caricature – Nancy Rana

Highest Positive Experiences Worldwide

	Positive Experience Index
Paraguay	85
Colombia	82
El Salvador	82
Guatemala	82
Canada	81
Costa Rica	81
Ecuador	81
Honduras	81
Iceland	81
Indonesia	81
Panama	81
Uzbekistan	81

(Source – World Economic Forum)

More than 70% of the people had reported to have been experiencing positive emotions. Paraguay after having topped the list in the year 2015 and 2016 secured the first spot in the survey conducted ahead of the UN led International Day of Happiness for the year 2017. Besides Paraguay, other Latin American countries also made it to the list by securing 6 out of top 10 places.

What has this survey taught us? In all these years, **GDP** (Gross Domestic Product) has been a prominent measure to know about any country's Economic Well being but Paraguay has put forth an example that a poor, rural economy which is low on the Quantitative measures like GDP, Human development Index has topped the charts with flying colours of positivity. Isn't it inspiring?

The basic motive behind the need to estimate the emotions of any country grew out of a new concept called **"HAPPINESS ECONOMICS"**. It is a Quantitative and Theoretical study of happiness, positive and negative emotions and its impact on well-being that is combining Economics with Psychology (Wikipedia). It has been a proven fact that Positive emotions create a Ripple effect – it increases one's well-being and optimises health. Laughing, experiencing empathy, taking interest in every work makes one more productive and gives the ability to fight the adversities coming their way. That's the power of emotions. Amazed?

Let's unravel the reasons that gave Paraguay an edge over other countries.

1. According to World Bank Reports (2017) Paraguayan population was 68.1 Lakhs. The 95 Percent of the population is Mestizo (Mixed Spanish and Guarani Native American descendants). The original Guarani culture teaches them to focus on the positive things in life. The Paraguayan Ambassador to Korea Ceferino Veldez gave credit of this success to a Paraguayan sentiment known as "tranquilo pa" which translates into having an easy going approach towards life.
2. The Paraguayan Navy is the largest of any landlocked country in the world. This has kept the country protected from any war or crises which led to the feeling of peace and positivity among the residents.
3. The country has been successful in preventing the outbreak of diseases like Malaria and thereby increasing the overall well being of the citizens.
4. Paraguay is having the literacy of 94 percent highest among any other country in Latin America.

What can a developing country like India imbibe from this experience?

The motive here is to not make a comparison as these two countries are poles apart politically, geographically and culturally but just to know the facts that made Paraguay stand apart. Though India has low poverty levels but certainly lacks behind its counterpart in terms of peace and literacy rate.

It's important for Indians to feel content with what they have. We must try to minimise the anxiety and stress levels in order to step on the upward ladder towards positivity.

So all these figures and analysis boils down to one fact that Money is a prerequisite to achieve all the monetary benefits and to score high on Quantitative indices but when it comes to feeling satisfied and happy money might not be the best substitute. Just think about it for a moment!

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The Rise and Fall of Chanda Kochhar

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Chanda Kochhar is not a name unknown to the Indian banking and finance sector. Born and brought up in the city of Jodhpur, Rajasthan, she graduated with a Bachelor's degree in Commerce from Jai Hind College and further pursued cost accountancy from Institute of Cost Accountants of India. Later, she acquired a Master's degree in management studies from Jamnalal Bajaj Institute of Management Studies. Her diligent and hardworking nature got herself bestowed withlot of awards during her academic years.

With a series of unexpected twists and turns, Kochhar, who aspired to become a part of the Indian Administrative Services, opted for an interview with the Industrial Credit and Investment Corporation of India (ICICI) to begin her legendary journey in the organisation. Chanda Kochhar joined the organisation in 1984 as a management trainee. Along with being a part of the core functioning team of the organisation, she also looked into the matters of the petrochemical, textile, paper and the cement industry. With the steady growth of the organisation, Kochhar's involvement in the working as well as her position, both elevated significantly. K.V. Kamath, the building block of the future of ICICIBank was impressed by Kochhar's management decisions and her proactive self. She soon listed in one of the favourite employees of Kamath's list. Carving its way as a commercial bank in 1994, Kochhar helped ICICI in expanding its lending power to the telecom, power and transportation sectors. As a general manager in 1998, she headed the major client group, which included the top 200 clients of the organisation. During the late 1990's and the early 2000's Kamath asked Kochhar to lead the organisation towards retail business. Her actions in the organisation earned her awards and acclaims like- *Retail Banker of the Year* by the Asian Banker(2004), *Business Woman of The Year* by The Economics Times(2005), to name a few. With the utmost dedication, passion and efficacy, Kochhar and her team pushed ICICI all the way to become a prestigious, top private sector retail bank. The hard work in turn gave Kochhar a position in the board. The years that followed only saw her rise. In 2007, she was named the Chief Financial Officer and the Managing Director, only to be positioned as the Chief Executing Officer of ICICI Bank in year 2009- after replacing K.V. Kamath.

But when you are the leader of an institution, your journey is not supposed to be a cake walk. On 15 September, 2008, one of the top financial services firm in the US, Lehman Brothers, came crashing down and filed in for bankruptcy. The Lehman collapse led to the Great Economic Meltdown which had its own share of impact on the Indian Financial System. Rumours soared that ICICI bank may soon go bankrupt under the prevailing conditions. The ministry, Reserve Bank of India and the market regulators intervened and declared the rumours to be false and stuck to their statement of the bank being safe from any bankruptcy. Though, ICICI had been struggling with bad loans prior to the meltdown, with the Gross Non Performing Assets ratio being equal to 4.63 percent. The expansion of the organisation in the retail sector opened the bank's loan portfolio to unsecured credit. Using the maturity and experience that Kochhar gained over the years, she brought the profitability of the bank and made the organisation grow and rise to the next level by the year 2012. This was a culmination point in Kochhar's career and because of her commendable performance in the financial and banking sector- she received several awards which including *Padma Bhushan* in 2011 and earned herself a spot in the list of *World's most Influential and Powerful women.*

The Indian Finance Sector soon faced a crisis in its bad loan books as most of the banks, including ICICI, paid utmost attention to the infrastructure loans. The bad loans for ICICI increased from Rs. 9,400 crores to Rs.53,400 crores during Kochhar's regime. The NPA ratio also rose from 4.63 percent to 9.65 percent. The profits grew at a slow pace, only 70 percent from 2010 to 2018. Consequently, the share price of ICICI rose only to 122 percent while the competitors had their share prices soaring high.

It was in 2016 when an Activist and Shareholder, Arvind Gupta, accused Kochhar of lending a debt-laden Videocon another loan and wherein, a part of the loan was being invested in her husband, Deepak Kochhar's firm NuPower Renewables. The allegations didn't attract much attention the same year though the whole case caught spotlight in the year 2018. The whistleblower returned with a vengeance and alleged that the company, NuPower Renewables proprietorship was transferred to a trust owned by Deepak Kochhar for Rs.9 lakhs after Videocon received the loan from ICICI. The attention received by the case from the media and the government forced the organisation to appoint a panel of judges to look further into the matter.

The panel appointed for the investigation is headed by retired SC Judge, Justice B.N. Srikrishna. Chanda Kochhar, to date remains on an indefinite leave, until any evidence or fact is acquired for the case. InGovern, India's first proxy advisory and governance firm's founder and managing director, Shriram Subramanian, is sceptical about the case and is uncertain about Kochhar's return even if she is given a clean chit in the controversy. It is also speculated that the board might not be willing to provide any position to Kochharin the coming few years. Despite the accusations and allegations, Kochhar has proved herself as a woman of substance and an inspiration to the youth of India. Chanda Kochhar stands amidst all the allegations as a woman who has paved her own way, leaving nothing to chance but to hard work and dedication.

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Slum Economy

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About one-fourth world's urban population lives in slums. They generally inhabit marginal locations like riverbanks, steep slopes or dumping grounds. Legal occupational status is given to slum households which lack in one or more of these:

1. Durable housing of a permanent nature that protects against extreme climatic conditions.

2. Inadequate living space.

3. Easy access to safe water in sufficient amounts at affordable price.

4. Adequate access to sanitation in form of private public toilet shared by reasonable number of people.

5. Security of tenure against post evictions. Legal tenure status depends on *de facto* or *de jure* rights or lack of them.

The number of slummers in underdeveloped nations increased from 689 million to 880 million (1990-2014) according to UN world cities Report. Kibera is Africa's largest while Orangi Town Karachi is Asia's largest slum. Their population growing at 4.5% p.a. i.e. doubles at every 15 years in Sub-Saharan Arica. Some economists suggest 'Modernisation-theory of Slums'. According to this slums are transitory phenomenon characteristic of fast-growing economies. Rural migrants have to move formal housing within the cities so that benefits of migration into slum gets passed along from generation to generation. Glaeser's 2011 Report shows that urban poor are richer and happier that their rural counterparts. Chowdhury,

Mobarak, Bryan (2009) findings show that seasonal urban migration in Bangladesh can generate welfare improvements for them. In December 2010 was held the first international conference on slum tourism in Bristol 'Ghetto tourism' in developed countries. Slum tourism provides *gangsta* rap, video games, *graffiti* and creates employment for tour guides and income from souvenirs in several African and South American countries. Seventy slums are result of 'disjointed modernisation'.70% of cross-countries variations in slum incidence is explained by demographic, economic and institutional factors. Origins of 'disjointed modernisation' in Sub-Saharan Africa backs to colonial period. Slums in developing countries have young and numerous members who build their own homes and are least conscious of their political potential. Slums are never found in isolated areas. There are physical threats from natural and manmade disasters. They themselves impact their environment due to lack of basics, contaminated soil and waterways. They face high transaction costs, transportation expenditures due to inadequate infrastructure, disease burden, ambiguous property, tenancy rights which reduce efficiency of urban land, housing markets and discourage investments. This threatens sustainable urban development making country less competitive. Lack of relative empirical research in slums: safety issues for research fieldworkers, high mobility, turnover rates of respondents and target households are regularly absent. Improvement is difficult through marginal investments in housing, health or infrastructures alone. Low human capital is produced in lack of living space, insufficient public goods provision and poor quality of basic amenities

Policy trap may prevent slum dwellers from ceasing economic opportunities offered by geographic proximity to cities. Land sales or leases, reconstruction, redevelopment and commercial establishments dispossess urban poor of their houses, perpetuating urban poverty cycle. Road margins and junctions are most valuable land in slums.

In a survey of Delhi slums,83% toilets were infected with faecal. Cholera, underweight, stunting, acute malnutrition, lower life expectancy and higher infant mortality are greater in slum outskirts of capital free town than in rural areas. In Bangladesh 56% slummers do not get basic needs, 48% are not safe,26% could not get medical treatments.

Trapped in low skills, low-income equilibrium as continuous influx of rural migrants maintains wages at subsistence levels, hindering investments in human capital, there exist dysfunctional institutions, depressed publics where neither government nor broader society organise effective market in land and housing. High rent premiums paid to live in proximity of city reduce savings accumulation. Bureaucratic entrepreneurs fill governance space as opposed to legitimate local governments. They may collude with local chiefs to discourage improvements in housing infrastructure that lead to entrenched tenancy rights. Otherwise gangs fulfil governance space to enforce rules of their own, levy taxes, control expenditure and investment in neighbourhoods. In cross-country regression framework (2010), prevalence of slums correlated with aggregate economic indicators (GDP per capita negative), debt stock, debt service, inequality measured by Gini coefficient (positive). Extreme rural poverty, natural disasters and civil wars are main drivers of 'urbanisation without growth'.

INDIAN SCENARIO

In India, slums populations were enumerated first time in 2001. *Dharavi* which spreads over 240 ha is the largest slum in India. 60% of Mumbai's population of more than 18 Million lives in slums with narrow alleys, open drains and canopies of electric cables. They are mostly potters, leather tanners, weavers and soap makers. Informal sector is responsible for majority of India's annual economic growth and 90% of all employment. It has annual economic output of 600 Million dollars to more than Billion. Being visual eyesore, symbol of raw inequality, epitomises failures and underscores. There are *Pongal* houses and communal toilets for 3 cents. 1 lac people in *Dharavi* produce goods and services of a Billion Dollar each year. Smaller firms are in no position to adhere to labour laws, survive by escaping regulations. Larger firms do not keep workers on their payroll. Workers do not receive appointment letters, provident fund or maternity leaves. More than 80% of city's plastic waste is recycled here. Slum in Bengaluru is increasing due to software industry growth. 70% slum families live in debt. 7 out of 10 households have stayed in slums for at least 4 generations. There is little upliftment despite better education levels due to rapidly changing profile of entry level jobs. Undergraduate or technical certificates can only provide low-paying jobs.

POLICIES TO HELP THEM

1. Cheap technologies can lead to substantial improvements in income and welfare.

2. Todaro Paradox (1976): Slum living standards cannot be improved without generating an additional influx of rural migrants which in turn depresses public and private investments in existing settlements. Lipton and Bates argued that, 'urban bias' of policy and tax-based income transfers between peasants and city-dwellers until 1990s as chief cause of rural-urban migration. Seminal model of rural-urban migration was that of Harris and Todaro who modelled rural-urban wage gap as driving force behind migration decisions.

3. Indian government announced *Rajiv Awas Yojna* (RAY) to make country 'slum free' within 5 years in 2009. Committee Slum Statistics estimated total sum population would still increase by 12% from 2011 to 2017.

4. Outright evictions have been used to reduce slums. 'Operation Clean-up' (2005) in Harare, Zimbabwe cleared homes of 7,00,000 individuals. Rather than resettling squatters, government

should focus on basic infrastructure, sanitation, waste management and safe drinking water.

5. Home investments would be safer for squatters to access credit markets to finance, investments to create small businesses and educate their children- the ultimate engines of poverty reduction.

6. Land tilting would concomitantly increase local tax base and enable municipalities to improve provision of basic public goods.

7. UN-Habitat (2012) advocated 'continuum of land rights' on participatory land enumeration and record-keeping to improve tenure security for urban poor. The millennium development goals aim to improve 100 Million slummer's lives by 2020.

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HDI India Report 2018: Is India really improving?

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The United Nations Development programme (UNDP), an agency of the United Nations articulated the concept of human development in its Human Development Report (HDR) of 1990. The basic proposition of this new approach was that people and their quality of life should be the ultimate criteria for assessing the development of a country, not only the National Income (GNI Per Capita) and Economic Growth - as had long been the practice. This led to the construction of the Human Development Index.

The idea of HDI was conceived and developed by two visionary economists, the Nobel Laureate, Amartya Sen from India and Mahboob-Ul-Huq from Pakistan who worked with other leading development thinkers of that time namely, Gustav Ranis of Yale University and Lord Meghnad Desai of London School of Economics. The basis of their idea of Human Development Index was that 'Human Development' is the 'End of all Activities' and 'Economic Growth' is simply a 'means to that end'. It showed how two countries with same GNI Per Capita can end up with different human development outcomes.

The Human Development Index is thus a composite measure of every country's average achievement in three key dimensions, namely:

1. Standard of living measured by Gross National Income per capita: GNI Index;
2. Health assessed by life expectancy at birth: Life Expectancy Index;
3. Education levels calculated by mean years of education among the adult population aged 25 years or more and expected years of schooling for children: Education Index.

The HDI is the 'geometric mean ' of normalized indices for each of these 3 dimensions.

As per the latest Human Development Ranking released by the UNDP on September 14, 2018, India has climbed one spot to 130 out of 189 countries. Where in 2017 India's HDI value was 0.624 putting it at 131 rank, it turned out to be 0.640 in 2018 which puts the country in medium human development category.

According to the UNDP report, between 1990 and 2017, India's HDI value increased from 0.427 to 0.640 an increase of nearly 50 per cent- "an indicator of the country's remarkable achievement in lifting millions of people out of poverty." This increase reflects the immense improvement of the country in the basic three dimensions of Human Development. Between 1990 and 2017, India's life expectancy at birth has increased by nearly 11 years and children today are predicted to stay in school for 4.7 years longer than in 1990. The highest leap has been registered in India's Gross National Income per capita which has increased by a staggering 266.6 per cent between 1990 and 2017.

Among South-Asian countries, India's HDI turned out to be above the average of 6.38 for the region, with Pakistan and Bangladesh, countries with similar population size being ranked 136 and 150 respectively.

Looking at it from a global perspective average HDI levels have risen significantly since 1990 – 22 per cent globally and 51 per cent in least developed countries "reflecting that people on an average are living longer, are more educated and have greater income." However, in spite of the strides made overall, inequality manifests in the form of "massive differences across the world in people's well-being" not just between countries but also within each country which casts a shadow on sustained human development progress.

In India's context what signals these glaring inequalities is the country's HDI value declining by more than a fourth when adjusted for inequality – from 0.64 to 0.468.This shows that 26.8 per cent of India's HDI outcome is lost on account of inequalities – a loss greater than most South-Asian neighbours, the average loss of the region being 26.1 per cent. As stated by Francine Pickup, Country UNDP Director, India, "Although India's HDI has increased tremendously in the last two and a half decades, however we need to focus on inequalities and pockets of deprivation that are dragging the HDI down."

One of the key sources of this stark inequality within countries is the gap in opportunities, achievements and access to education, health and income between various sections of the society .This inequality is caused mainly due to the very low economic participation of women across the world. Globally the average HDI for women is 6 percent lower than men because of their lower income and educational attainments in many countries. These challenges are even evident in India where despite considerable progress at the policy and the legislative levels, women remain less politically, economically and socially empowered than men .India ranks 127 out of 160 countries on Gender Inequality Index which reflects gender based inequalities in productive health, political representation and economic activity.

The report notes that in India, women hold just 11.6 per cent of the parliamentary seats while only 39 per cent of adult women have reached at least a secondary level of education as compared to 64 percent men .Most distressing on the gender scale is the state of female participation in labour market which is 27.2 per cent compared to 78.8 per cent for men. However, in spite of all this, India performs better than its neighbours- Bangladesh and Pakistan ranking 127 out of 160 countries on gender inequality index. Francine Pickup acknowledged this speedy progress made by India in improving its HDI value. "The government of India is committed for improving the quality of life for its entire people. The success of India's national development schemes like 'Beti Bachao, Beti Padhao', 'Swachha Bharat', 'Make in India' and other initiatives aimed at universalising school education and health care will be crucial in ensuring that the upward trend of Human Development accelerates and also achieves the prime ministers vision of 'development for all' and the key principle of 'sustainable development'- to leave no one behind."

Should Bitcoin be classified as a legal tender by the Indian Government?

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When we talk about bitcoins and whether it should be identified as the legal tender in India, the first thing that we need to elucidate is what these terms stand for. Bitcoin is a cryptocurrency, a form of digitally generated electronic cash that is available in a limited amount and is tied by the basic fiber of decentralized (that is, it cannot be backed by any government or central bank) and peer to peer technology. While the legal tender of any nation is the official medium of exchange recognized by law that can be used to extinguish a public or private debt, or meet a financial obligation.

In India, the status of bitcoin is not clear – which is, it has not been declared legal or illegal yet. Although, be it the Finance Ministry or the Reserve Bank of India, both have expressed their reluctance to promote this form of digitally created, volatile currency and have been sure of apprising their investors of the downfalls of investing in bitcoins, among other virtual currencies.

Caricature – Rupal Chauhan

With the reluctance of the government as well as the central bank, the question of whether bitcoins should be classified as legal tender is both improbable and futile but we need to know exactly why. Firstly, we need to see how easily accessible these portals or 'exchanges' of cryptocurrencies are. It is an established fact that to use bitcoins as a medium of exchange or for transactions, the user needs to own at least a minimalistic form of a device that promises them all the features of a smartphone. In India, the smartphone user penetration rate is expected to reach 36% by the end of year 2018. This clearly implies that if bitcoins are made the legal tender then 64% of the Indian population won't be able to benefit from them. There is no point of having a form of legal tender in the name of "digitalization" when more than half of the nation can't even avail it.

Secondly, virtual currencies do not even fall under the definition of a currency or a coin. Although, bitcoins are being described as 'coins' - there is, however, no physical attribute to these 'coins'. Hence, it is not a legitimate currency which can be used to make transactions and the risks associated with these "Ponzi schemes" are numerous. First, they raise concerns related to security and consumer protection. These virtual or digital currencies, being in an electronic format are highly prone to hacking or the leak of personal data or password. Reportedly, on December 19th, 2017, a South Korean cryptocurrency exchange announced that it would file for bankruptcy after it was hacked for the second time that year.

Thirdly, the decentralized technology leads to the absence of an authorized central agency or government to regulate the payments or to turn to for redressal of grievances. Also, no one can guarantee its minimum valuation. If a large group of merchants decide to “dump” Bitcoins and leave the system, its valuation will decrease greatly which will immensely hurt users who have a large amount of wealth invested in Bitcoins. Also, the lack of underlying of assets for bitcoins make their value a matter of speculation and due to their extremely volatile nature, these values may change significantly even in a single day, which would might lead to a large capital loss. Chris Larsen, the co-founder of Ripple, lost $44 billion as the value of coins dropped from $3.65 to 45 cents. Another reason why it cannot be accepted as the legal tender owes to the fact that exchanges are located in various parts of the world, making the law enforcement tough for the various jurisdictions available. It would be impossible for one legal body to regulate the entire world. Trading may expose the user to illicit and illegal activities since these virtual currencies are not controlled by any authority and practicing illegal methods anonymously becomes easy. By providing a digital and anonymous payment mechanism, bitcoins have facilitated the growth of the 'dark web' online marketplaces where illegal goods and services are traded on a regular basis. The FBI seizure of over $4 million of bitcoin from one such marketplace, called the 'Silk Road', gives us some idea about the intensity of the problem faced by the regulators. Approximately one-quarter of all users (25%) and close to one-half of bitcoin transactions (nearly, 44%) are associated with illegal activity (as estimated in the year 2017). The estimated 24 million bitcoin market participants that use bitcoin primarily for illegal purposes conduct around 36 million transactions per annum, with a value of around $72 billion, and collectively hold around $8 billion worth of bitcoins. This has ethical implications bitcoin as investment. Therefore, bitcoins successfully raise concerns regarding security, market integrity, money laundering and other illegal activities. Lastly, the fact that Bitcoin is capped means that its use as a currency will result in deflation. In the classical macroeconomic theory, deflation is viewed as a negative as it causes the economy to shrink. It challenges the tenets of an inflation-driven economy by deducting the incentives for risk investment and by discouraging spending. A deflationary economy profoundly encourages saving and simultaneously, investment falls. For a developing country like ours, this sudden fall in investment is not favorable. Thus, if crypto currencies grow beyond a critical size they can pose a danger to the financial stability of the country.

Therefore, keeping in mind that India’s digital currency ecosystem is currently unregulated and underdeveloped, and the number of risks associated to bitcoins, it is better to not classify them as the legal tender as it would make the transactions less transparent and more complicated.

The Plight of Indian Farmers

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India is an agricultural nation with nearly 60% of the population engaged in agriculture for its livelihood contributing around 17-18 percent to the country's GDP (as of 2018). With more than 50 percent of the workforce engaged in agriculture, the average number of farmers dying every year is around 5230 (more at times) and this worsening situation in India is a grave issue to be pondered upon. An agrarian economy which is fed upon by the farmers is not able to live up to the expectations that the farmer has from his country and it is bereaving to see that his demands and protests go in vain as they're mostly left unheard.

We've recently witnessed a lot of agitation in the country as the farmer is not able to reap what he sows and thus it has triggered the death rates in the recent time. Today food production is not the major agriculture crisis but the volatility of crop prices in the global and local market. The rising costs are impacting the farmer's income, indebtedness and thereby his welfare. It is the farmers who are suffering the risks right from the farm fields to the market as the risks are not evenly distributed and thus all the risks of crop loss, unfair crop insurance, losses in storage and transportation, uncertainty in selling prices are borne by the farmers themselves putting them into a distressing state which is difficult to come out from. Almost all the states are dependent on farm economy but where is the investment for farmers which is an utmost need of the hour?

According to the *Economic Survey Report 2017-2018,* the average income of a farmer is estimated at Rs 77,976 per year and thus it is unimaginable to think that the farmers can pay back their loans of amount in lakhs and crores with this nominal income. The government promises to double the farmer's income but even with doubling this income the farmer will still not be able to pay back his debt of huge amounts.

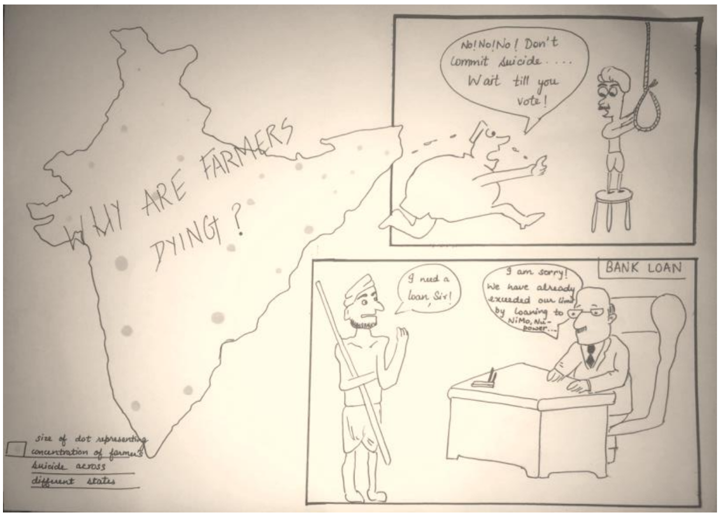
The age old problem of middlemen exploiting the farmers has still not been eliminated which leads to the poor farmer receive fewer price for his crops whereas in reality they are sold at more than 200% higher price in the market thus giving him negligible returns for his toil in the fields. Recently, two farmers in Nashik committed suicide because they were given Rs 4.72 for the onion per kg whereas in the market it was sold for Rs 20.00 thus leaving the farmer with no option but to suicide. With so many middlemen between the farmer and the consumer, neither the farmer gets the right price for his crop leaving him distressed with his dues nor does the consumer get a low price for the product that he buys thus affecting his daily budget.

When it comes to technology, our farmers are not well equipped with the latest technology and are also not trained to adopt it fast. Lack of new technological updates coerces our Indian farmers to continue with the traditional methods which lead to low food production as compared to global standards and hence a lower price is fetched. Technology upgradation to global standards should be viewed as the topmost priority.

There is also a dearth of Research and Development departments advising farmers about the new technologies, inputs and techniques of production to increase the agricultural productivity. It analyses the interaction of agriculture with other economic sectors and also helps in discovering new ways of doubling production and income. We need more researchers and proper communication of the research to the farmers in the field to enhance the productivity of this sector.

Currently, there has been a row on waiving of the farm loans, but this is not a long-term solution as waiving of farm loans might relief a farmer temporarily but he will be again caught in the vicious circle of debt as the process of taking loans for further production continues. Waiving of farm loans is not a solution but an indirect political way of distracting them from the real problems. Who will bear the brunt if the farm loans are waived off? The indirect brunt is always borne by consumers like us. We need to solve the real problem of making the farmers self-sufficient, protect the small cultivators, and ensure a fair price market for them and a decent life to live.

There have been many opinions on the recent demands for a high Minimum Support Price (MSP) by the farmers but that alone is not a solution to the farmer's woes. India ratings director and principal economist Sunil Sinha says "A prudent response to the ever-increasing cost of production lies in the enhancement of agricultural productivity, else the pressure to increase the MSP in accordance with the cost of production will continue. It will not boost his income but increasing farm productivity can."



Caricature – Shreya Dahiya

The problem lies outside the farm and not in the farm. It is not the nature but the economic policy design because of which they're suffering. Indian farmers require long-term sustainable solutions instead of rhetorical promises made by the government.

In order to boost the agriculture sector thereby the incomes, we need to act on the sustainable and long-term solutions such as ensuring direct linkages between the grower and the consumer for ensuring certainty in the supply chain, procurement of easy loans from the banks and not from the middlemen, to create a zero wastage production by ensuring equilibrium between demand and supply using latest technology boosting their planned production. There is also a need for more private firms to invest in the fields and bring in new technology, build cold storages for the crops to be stored during natural disasters and thus helping the debt stricken farmers to pay off their loans by reaping profits.

Revolution in the agriculture sector is what the country is calling out for today as it is an integral part of our economy. We need long term, strategic and sustainable solutions so that the one who feeds the entire country is not left to die alone.

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U.S.-China Trade Spat

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How the U.S.-China trade war escalated?

Starting in April 2018, The U.S. imposed tariffs on steel and Aluminum imports from China as well as Canada and countries like European Union. On July 6, The U.S. imposed 25% tariffs on $34 Billion worth of Chinese Goods as a part of President Donald Trump's Tariffs policy which led China to respond with similarly sized tariffs on U.S. products. Four days later trump ordered the office of U.S. Trade Representative to publish the list of $200 Billion Chinese product to be subjected but not yet implemented 10% tariffs. China quickly responded to the announcement as irrational and completely unacceptable. Trump's administration said that tariffs were necessary to protect national security and intellectual property of U.S. business and help to reduce the U.S.-China Trade deficit with China.

Advantage China has over U.S

Almost 60% of the exports to U.S from China are from non Chinese companies who have their manufacturing base in China. Much of these consist of very specialized parts required by U.S. factories to make a variety of product ranging from motor boats to computer routers. Since these non- Chinese companies cannot easily relocate their operations to other countries, the net burden of tariffs will be felt by U.S consumers. The reason why it can't shift their operations outside China and also what makes china the favorite amongst the investors are as follows-

Lower Wages

China is home to 1.35 Billion people which make it the most populous country in the world. Law of supply tells us that since the supply of workers are more than the demand, wages stay low. The huge labor pool helps to produce in bulk, accommodate any seasonal industry requirement or even cater to sudden rise in demand schedule.

Now the obvious question that comes to one's mind and which is also one of the main arguments of the trump administration for imposing tariffs on China is "Do cheap imported goods from China really cost Americans their job?"

Dumping is a practice of flooding a market with cheap imports. A real life example is of China dumping cheap textiles into foreign markets. China can do this because it has a comparative advantage among almost all the nations because of lower labor cost. So these cheap Chinese goods are forcing the domestic producers in America to either shutdown their manufacturing units or to do a pay cut.

On the flip side, cheap imports means that more American enjoys lower prices at shops that stock Chinese textiles and people in retail sell more. Retailers see their profits margin go up and investors in those retailers see some of the profits. In this way dumping can become an overall boon to the economy. Additionally, the resources and labor that were tied to domestic textiles industries can now be used somewhere else where U.S. has an edge.

Now what generally the government does and what Trump's administration has done is subsidize textiles with tax payer's money through tariffs or quotas. This in turn reduces the pay check of every American to keep a select few working. Hence this is no solution to Dumping. What should actually be done is to simply differentiate the products.

A very good example comes handy here - China is a major exporter of toys. However in 2007, there was a lead paint toys scandal wherein Chinese Toy Company sold toys in U.S. which has unsafe level of lead in them.

After this incident, the long suffering toy producers in America saw a huge jump in their sales because their high quality toys were worth a premium not just because they were good toys but they were perceived as safer. This shows that there will always be a market for domestic product that can differentiate itself from foreign competition in a way that justifies higher price.

Business Eco System

Industrial production does not take place in isolation but rather relies on networks of suppliers, component manufacturers, distributors and govt. agencies and so on who are involved in the process of production through competition and co-operation. For example Shenzhen, a city bordering Hong-Kong has evolved as a hub for electronic industry. It has cultivated an eco-system to support the manufacturing supply chain including component manufacturers, low cost workers, a technical workforce and assembly suppliers. For example – American companies like Apple take advantage of supply chain efficiencies in the main land to keep the cost low and margins high. Therefore it will be economy unfeasible to take the components to U.S. to assemble the final product.

Lesser Compliance

Manufacturers in the west are expected to comply with certain basic guide lines with regard to the child labor, health or safety norm, wage and hour laws and protection of environment. Chinese factories are known for not following most of these laws and guidelines even in the permissive regulatory environment. Some factories even have policies where workers are paid once a year, a strategy to keep them from quitting before the year is out. When the Trump's administration imposed, a 20% tax on washing machine in February it led to its price going up in U.S. stores by 16.4%. The Peterson institute of International Economics estimates that 87% of computers and electronics which constitute the largest share of Chinese exports to U.S. include parts and financing from other countries like South Korea, Japan and even U.S. itself. So not only does this limit the negative impact on Chinese manufacturing practice, but it also affects other countries.

Another example to explain this point is through 'Trade Deficit and I Phones'. A driving force behind trumps tariffs is the trade deficit with China and the president's view that China is taking advantage of U.S. by exporting far more than what they are importing. A closer look at what goes behind the I-Phone shows why trade deficit is not the right way to think about global trade flows. An I Phone 7 which is assembled in China is recorded as a U.S. import at its factory cost of about $ 240. But in reality, only $ 8.50 of that actually stays in China because virtually all the part comes from suppliers in variety of countries including South Korea, Japan and U.S. itself. This means U.S. trade deficit with China is about a third of $ 375 Billion actually recorded in 2017. In short, China gets a lot of low paid jobs while profit flow to other countries.

Some analysts estimate that a full-blown trade war could cut global economic growth to 2.5% from a projected 3% in 2019, with an even greater impact on growth in the U.S. and China. Investors are clearly worried about the risk of such a conflict: financial markets have rallied whenever tensions have eased, and dipped when they have intensified.

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National Digital Communications Policy-2018

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Digital infrastructure and services are increasingly emerging as key enablers and critical determinants of a country's growth and well-being. India's digital profile and footprint is one of the fastest growing in the world. With over a billion mobile phones and digital identities and half a billion internet users, India's mobile data consumption is already the highest in the world. Over 200 million Indians regularly use social media and in the last year alone, over 200 million Indians took to mobile banking and digitals payments. It has been broadly estimated that a 10% increase in broadband penetration in a country could potentially lead to an over 1% increase in GDP.

Keeping in mind the importance of digitalisation, the Union Cabinet, on September 26, 2018, approved the **National Digital Communications Policy-2018 (NDCP- 2018).**

The National Digital Communications Policy, 2018 seeks to unlock the transformative power of digital communications networks - to achieve the goal of digital empowerment and improved well-being of the people of India.

The key objectives of NDCP-2018 are:

1. Broadband for all.
2. Creating 4 million additional jobs in the Digital Communication sector.
3. Enhancing the contribution of the Digital Communication sector to 8% of India's GDP from 6% in 2017.
4. Propelling India to the top 50 nations in the ICT Development Index of ITU(India is ranked at 134 in the year 2017)
5. Enhancing India's contribution to Global Values Chains.
6. Ensuring Digital Sovereignty.

NDPC-2018 aims to attract USD 100 billion in the telecommunication sector. In the last three years, the Foreign Direct Investment (FDI) in the telecom sector has jumped nearly five times from USD 1.3 billion in 2015-16 to USD 6.2 billion in 2017-18. Recently, the Department of Telecommunications (DoT) cleared 100% FDI in Idea Cellular. India has announced plans to launch 5G service by 2020 which provides a big investment opportunity in the country.

NDCP-2018 aims to:

- Provide universal broadband connectivity at 50 mbps to every citizen.
- Provide 1 GBPS connectivity to all Gram Panchayats by 2020 and 10 GBPS by 2022.
- Ensure connectivity to all uncovered areas.
- Attract investments of USD 100 billion in the Digital Communications sector.
- Train 1 million manpower for building New Age Skills.
- Expand Internet of Things (IoT) ecosystem to 5 billion connected devices.
- Facilitate India's effective participation in the Global Digital economy.
- Enforce accountability through appropriate institutional mechanisms to assure citizens of safe and secure digital

communications infrastructure and services.

The new policy is expected to give a thrust to the entire telecom sector and ensure the financially stressed industry is not merely treated as a revenue generator but one that can provide immense socio-economic impetus to the economy.

In addition, when this intent is acted upon, it would result in achieving certain targets. Failure and success of a policy would be judged from what was achieved because of acting on the policy. The traditional SMART principle can come very handy in this respect. According to this principle, targets should be Specific, Measurable, Agreed, Realistic and Time bound on worthwhile parameters. Targets laid down in various telecom policies generally meet the criteria of being Specific, Measurable and Time-bound on Worthwhile parameters but these fail on criteria of being Realistic and partly on account of being Agreed.

Now, when the set targets in NDCP-2018 appears to be unrealistic, the best possible way to achieve maximum targets is to have a relook and set targets, which are realistic, leaving aside the targets, set in the NDCP-2018. The best chance of achieving the targets are stretchable realistic targets.

It is hoped that this policy will facilitate the unleashing of the creative energies of citizens, enterprises and institutions in India; and play a seminal role in fulfilling the aspirations of all Indians for a better quality of life.

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The Disregarded Resource of Economic Upliftment

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Economics is that one subject where the matter is available in abundance under its several sub dimensions such as financial economics, banking, international economics, microeconomics, macroeconomics, political economics, environmental economics, health economics, information economics, labour economics, monetary economics, and so on. The list is almost never ending and it often seems like any prefix can be given to the term economics and it would make sense and demand for more and more research in the field. Another such branch as have been talked of above is that of Feminist Economics that is a concept that has been newly identified. However, it may not be thought that this is something very new and fresh as the truth still holds that it has its roots in the past which led to the origination of several economic theories and models.

The topic under discussion comprises of the role of women towards economy as they perform those activities which are not even considered economic in any form. An example may be cited here.

Let us consider that there is a couple which includes a man who is marketing manager in a firm, and a woman who is a housewife and carries out all household chores given the fact that she is not employed elsewhere. Therefore the man is the only person earning in the family. The couple also has a school going child. The man regularly goes to his office and earns money in lieu of services performed. The woman cooks food, washes clothes, takes care of the child's needs, does all cleaning work, etc. on daily basis. However, in return she does not get any salary. She continuously performs her tasks which are thought to be her duties for the smooth functioning of the household. This notion has been generally adopted by her husband, child, the society, and even herself.

From the above example there are certain important questions that emerge. Firstly, on what basis is the notion "household work is a woman's moral duty" is justified? Secondly, if a woman would also find employment in the market and would employ a maid or servant for household chores, then would it not lead to increase in economic activity doubly? And third, should domestic work and care provided by women be accounted at macroeconomic level when aggregate economic activity is considered? I would answer all these questions one by one.

In the first question it may first be noted that gender roles are absolutely perceptional and not absolute and supreme. It is only a general notion. This notion has been facing criticism from another dimension of society since quite a very long time. Therefore, it cannot anywhere be defined in absolute terms as to what roles are designated for men and women. The second question answers a very critical question raised by feminist economists. In terms of economic activity, if a woman is employed somewhere then she would also earn a salary every month and with that she would be able to afford a paid servant who would also lead to increase in economic activity by providing services and getting paid for them. Therefore it is clear here that the domestic work performed by a woman for whom she is not paid is also an economic activity and if performed elsewhere except from their own households would yield an income. The third question seeks the answer to whether this household work should be accounted while calculating the national income. Even though there is economic activity happening, it would not be favourable to include it in national income as this care and work is only instrumental in happening of a productive activity and is not a productive activity in itself.

From the above it may be deduced that women's domestic contribution though may not be a part of macroeconomic estimates such as national income, but should be given due consideration at the national level. It must be understood that both men and women contribute in their own unique ways in the welfare of the economy. And even though the latter's contribution is a pre requisite to that of former's contribution, it may in no respect shall be ignored and under estimated.

However, one solution that can solve the problem is that amongst man and woman, the earning party should pay a nominal amount in form of a salary to the party that stays at home and performs household chores and care work, be it any of them just like they would have paid any hired servant for those services. In this manner, even household work can be accounted at national level while calculating national income of the country. But this requires a change of mindset which is difficult to achieve, however not impossible.

I would conclude by putting forth this known belief that a will to change would definitely lead to it. And therefore, slowly and gradually people would start thinking of this concept from a fresh side. And it would be possible to break stereotypes for more and judicious use of human resources for economic efficiency.

Transition to a Low Carbon Economy

By – Deeksha
2nd Year, B.A. (Hons) Economics
Daulat Ram College

"A low carbon economy is a system that aims to minimize its output of greenhouse gases while functioning as a typical economic program." A move towards low carbon economy is necessitated due to the fact that the average global temperature has increased by about 0.8° Celsius since 1880. It might seem to be an insignificant amount of temperature rise but it takes a huge amount of heat to warm all the oceans, atmosphere and land by that much. As a matter of fact, it only took a one to two degree drop in Earth's temperature to plunge it into the Little Ice Age.

A transition to a low carbon economy presents an enormous challenge when considering the amount of investment required building an eco-friendly infrastructure when given that the returns will accumulate well into the future. Building environment-friendly infrastructure requires close coordination between policy, technology, and capital. Vaxjo, a southern Swedish city presents the world with a radical example of transiting to a low carbon economy. The per capita CO2 emissions of Vaxjo have dropped by 58% from 1993 to 2016 and per capita GDP increased by 90% during the same time. In fact, in 1991 Vaxjo became the first city in the world to declare its intention to become fossil fuel free by 2030 and it is halfway through its goal. The city gets 90% of its heat and a quarter of electricity from the waste wood of pine forest surrounding it. No wonder why BBC called it "the greenest city in Europe".

On one hand, emerging economies like China and India are raising their carbon consumption for increasing economic growth to remove poverty and developed countries like the USA are reluctant to reduce their carbon consumption. On the other hand economists across the world are astonished by Vaxjo's continued growth despite its decreasing carbon consumption.

What has helped Vaxjo reach this echelon is a very high tax on carbon emission and lower tax on all kinds of renewable energy. In addition to this, Vaxjo plants new forest every year to neutralise the carbon emission by burning of biomass. Vaxjo has proved that carbon taxes do not deter the growth of an economy and that the notion that carbon tax is harmful is only a political notion. Of course, there are subtle differences in countries around the world and no other country has an as extensive forest cover as Sweden's but each country has some form of renewable energy that it can rely on. In a world where governments of all countries are struggling to meet the goals set by Paris climate agreement, Vaxjo puts forward a blueprint that countries can learn from.

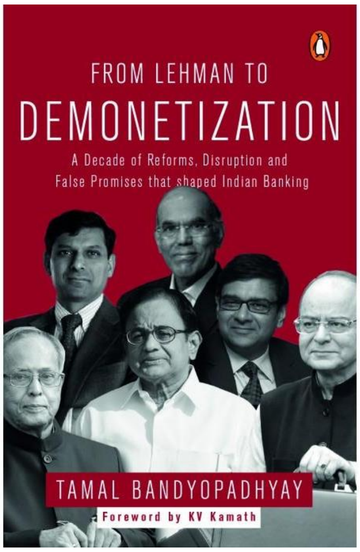
References

- The Guardian
- Reuters
- Goldman Sachs

Book Review: From Lehman to Demonetization

By - Radhika Boruah
3rd Year, B.A. (Hons) Economics
Daulat Ram College

On 15 September 2008 the giant US nvestment bank, Lehman Brothers, ruptured. This was the instant when global financial crisis turned into a full-blown international emergency. It has been a decade since Lehman Brothers shut down, felled by avarice and obduracy but the banking system's overhang of bad loans is still a full-blown crisis in India that obstructs growth and shows no signs of an early resolution. The issues of micro financing, banking reforms, the deathblow of public-sector banks, the disputes between the finance ministry and the Reserve Bank of India (RBI), increase in bad loans, and, finally, demonetisation in 2016: all the themes have been punctiliously covered in this book.



Views have been given on India's first Microfinance Institution (MFI), SKS Microfinance, entering the capital market to the near death of the industry. The decade has also seen the opening up of the sector known for repression; the resurgence of non-banking finance companies (NBFCs) and the RBI accepting the ritual of flexible inflation targeting. The central bank has been claimed to have become more adventurous after giving approval for twenty-three banks. Also, the government took the step of demonetisation in independent India, which has been quite controversial since its inception. The author doesn't claim the know-it-all propositions and not everyone will agree to his side of the arguments; but the way he has placed them open to interpretation, he definitely gets a thumbs up for it.

He has included the work done during the regime of RBI Governors D. Subbarao, Raghuram G. Rajan, and Urjit Patel with the Finance Ministers Pranab Mukherjee, P. Chidambaram, and Arun Jaitley. Added are the interviews and contributive essays of various people from the banking sector, like Arundhati Bhattacharya, Shikha Sharma, Viral Acharya, and many more.

If you had to read one book on banking in India, let this one be it!

About the author:

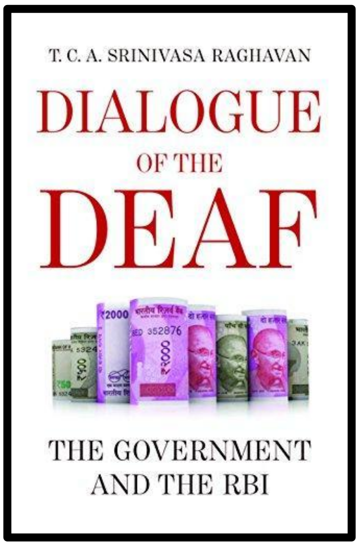
Tamal Bandyopadhyay is an Indian business journalist. Currently he is a consulting editor of Business Standard. Bandyopadhyay is popular for his weekly column on banking and finance called Banker's Trust, published every Monday. His frequent blog Banker's Trust Real Time on LiveMint.com analyses major developments in the financial sector.

Book Review: Dialogue of the Deaf

Radhika Boruah
3rd Year, B.A. (Hons) Economics
Daulat Ram College

'Dialogue of the Deaf: The Government and the RBI' is authored by T.C.A. Srinivasa Raghavan. In his book, the history of the politics of monetary policy in India has been highlighted. Central banks act as the saviour in this world of high finance, both domestic and global. They offer succour to the sinners as well as the sinned.

Central banks were designed as interveners and this role has expanded as they have had to control the price of money, the exchange rate, and inflation. They have had to do all this while ensuring that elected governments do not run away with the ball, given the inherent financial powers to them. Here, record is patchy, and the central banks cannot claim any great virtuosity in this matter. Governments, generally, regard central banks as a nuisance who come in the way of their delivering political promises; central banks on the other hand, regard governments as a collection of irresponsible and self-seeking politicians whose idea of national interest is indistinguishable from their private and party interests. Grandly, this has been called the fiscal policy-monetary policy face-off and as long as countries allow their people to vote in their rulers, there seems to be no easy solution to this problem.



Monetary policy is an acutely political aspect of economic governance. After all, it pertains to the amount of money in the country and its price, the two most critical elements in citizens' lives. In democracies, politics casts a large influence on monetary policy. Politics also enter the arena via the interest rates offered on government-sponsored savings schemes.

The book reveals factors that lead to India's bankruptcy and near default in 1991. It records the changes throughout the decade and the next, by which RBI became a regulator of the money market in the real sense, managing the government debt, fully internalising the work.

The author has given explanations to the complex relationship with anecdotes, facts, and analysis. It is indeed important to take a read to understand the relations of the state and the RBI after the sudden resignation of RBI Governor Urjit Patel.

About the author: *T.C.A. Srinivasa Raghavan has been an economic and political analyst since 1980 for several newspapers and has experience in academic research and history of central banks.*

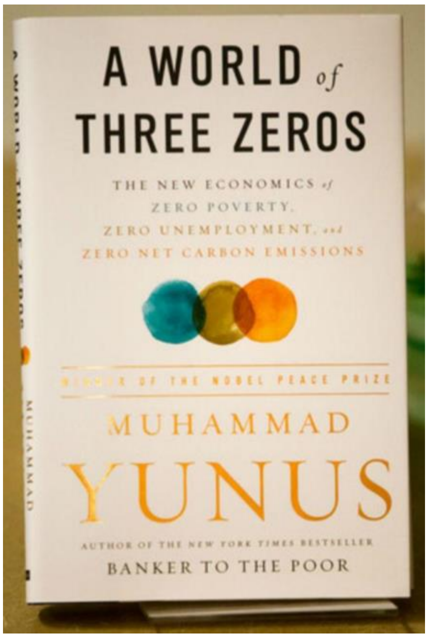
Image source: *www.bookdepository.com*

Book Review: A World of Three Zeroes

Radhika Boruah
3rd Year, B.A. (Hons) Economics
Daulat Ram College

In his book '*A World of Three Zeros: The New Economics of Zero Poverty, Unemployment and Net Carbon Emissions*' Muhammad Yunus explains how social businesses can help reduce poverty, unemployment, and environmental degradation.

In a domain where money begets money, Adam Smith's invisible hand hasn't really served the penury- which led economist Thomas Piketty to argue that progressive taxation alone can redress growing income imbalance in the economy, Yunus' contention is that neither of the aforementioned two will change the picture. He believes the solution rests on letting loose the entrepreneurial skills of the erstwhile impoverished billions in creating a mass base for building models of social businesses. The bottom line is to give people the resources and knowledge such that they can grow and become part of the economic mainstream.



Solutions to issues of perpetual state of poverty, unemployment, and environmental degradation could be accelerated through the creation of a new economic order and the idea of social business, which aims not to empower investors but improve people's lives and make the world better. Every young person must grow up knowing that he or she can enter the working world as a creative entrepreneur; get ready every day, thinking about what they will do as adults that will let them take care of their families and make a big difference in the world at the same time. As much as good governance, technology, and human rights are important, so is fair and free global trade across the globe so that distribution of resources is not congested just in a few nations.

The author gives examples from own experience of setting up the Grameen Bank. The idea of social business is but an extended version of the micro credit model of entrepreneurship, since both are borne out of the capitalist economy, its performance has a direct corollary on the future of social business. It is a good read for the coming of the age development proposals which serves interest of development specialists.

About the author: *Muhammad Yunus is a Nobel Laureate from Bangladesh who is the founder of Grameen Bank and has pioneered the concepts of microcredit and microfinance. In 2008, he was rated number 2 in Foreign Policy magazine's list of the 'Top 100 Global Thinkers'.*

Image Source: socialsciences.ucsc.edu

Interviewing Dr. Madhura Swaminathan

By – Deeksha
2nd Year, B.A. (Hons) Economics
Daulat Ram College

Madhura Swaminathan is Professor at the Economic Analysis Unit, Indian Statistical Institute, Bangalore. She has a doctorate in Economics from the University of Oxford and works on issues pertaining to food security, agriculture and rural development. She was a member of the Government of India's High Level Panel on Long Term Food Security. She has been elected to serve on the Committee of Development Policy of the Economic and Social Council of the United Nations for the period 2013-2015.

1. **You have conducted numerous studies in the field of agricultural economics and food security. What motivated you to undertake research in these fields?**

   I grew up in a family where my father was an agricultural scientist and I think, maybe that was what got me interested in visiting rural areas. When I was doing my master's thesis, I took up a project (when I was at the Delhi School of Economics) on women in Garhwal and how much time they spent on collecting fuel and water, so I think it's partly that and partly just chance that I got a job which was working in a project in two villages in South India. I had been exposed to and was interested in going to villages.

2. **Your work on Public Distribution System is well received and it is known that you are against Aadhaar linked PDS. What other measures could government have undertaken to address leakages and avoid exclusion errors in PDS?**

   What we need to understand is the size of leakages and the size of exclusion error. When we talk about leakages, usually that's a polite word for corruption. That's different from people who should have entitlement of getting it and one not getting it. For example, in the Food of Corporation of India, there are about to 2-3% of waste or losses. Of course, we have to reduce that 2-3% of loss or corruption, but it can't be at the expense of throwing the poor out of the PDS. There's a phrase - you don't throw the baby out with the bathwater. When it comes to exclusion and inclusion errors, what I tried to argue is that you cannot put the same weights on the two errors. Inclusion error means giving people who should not deserve the PDS or giving them ration at relatively cheap prices. You can correct that in many ways including most easily by higher taxes on that group of people. On the other hand, exclusion error means those who are food insecure are not getting it and the consequences of that are not only the extreme of starvation death and so on which we hear about but long term malnutrition effect on children, on babies, on cognitive development and so on. So, essentially what I have argued is that we need to give different weights to these two errors. If we're really concerned about malnutrition, we have to give more weight to exclusion error and the best way is to keep your PDS as universal as possible because when you go to a village and say we can only give 20 BPL cards then all kinds of people will say I want the card and more powerful may take the card and deserving 20 will not get it but if you say in this village we can have 80 cards, then that will solve the problem since you're not having the competition amongst people to get the card . This is what we find in Kerala, Tamil Nadu, and Chhattisgarh. Aadhaar is just one method of identification but the whole question is that why do you want narrow targeting? If 60 people are getting PDS in a village, let 10 people more get it. Then you will ensure that those 60 will get it. And that funding can be done by taxing luxury items or having higher income tax.

3. **Do farm loan waivers really address the problems faced by farmers as is widely claimed by politicians? Is there a way around farm loan waivers?**

No. Loan waiver is a kind of short term relief and, remember, this is referring only to crop loans and not other types of loan like loans for irrigation equipment or land improvement or machinery. Crop loans are given annually and if in a particular year, you have a very bad harvest or pest disease or you have drought and your crop fails, you are unable to repay, so that loan is waived off. Now the bigger question is how much credit is really going to the agricultural sector and to the rural area. And this is not enough, it's not adequate. Suppose this year I gave a loan waiver, the next year can farmers access credit? How can they buy better quality seeds? How can they invest in their land if they don't get the credit? So, increasing and improving the credit infrastructure in rural areas and the flow of credit is much more important.

4. **What is driving force behind Tripura's remarkable development?**

I led the team which prepared Tripura's Human Development Report. What we found quite impressive in terms of actual outcome is very high levels of literacy and educational attainment and relatively good performance on health indicators. What is bringing down the Human Development Index is the relatively low level of income which is a problem not just of Tripura but the states of North-East because of their lack of infrastructure and access to markets (by the time something is transported from Kolkata to Tripura it becomes very expensive). What we found is that it was definitely the involvement of the government or the leadership of the then-government. From about 1987 to 2016, we had the left front government led by the CPI in ruling the state of Tripura and they took the literacy campaign very seriously, one of their major achievements I would say. Also, the achievement which is only being recognised today is that for many years there was a separatist movement from tribal groups asking for an independent state within Tripura. There was a lot of violence and separatist movement and the government was able to bring peace. And they didn't bring peace only by policing them, that's not the way you bring peace. You can't bring peace in a state by putting check posts in every corner which probably happened in Kashmir. It's not peace if people are not convinced that they can give up that path and come and join society and take part in normal activities and do so without violence. I think that is a very significant achievement and that led to higher economic growth. Even though Tripura is still affected by being relatively isolated, lack of investment, lack of industry but Tripura got a kind of peace dividend (recently I have written about it). Thanks to peace the economy could flourish more. I think these are the main achievements and it's definitely the political commitment of the government. And I think it's also the former Chief Minister of Tripura, Manik Sarkar, who is someone who is really committed to improving the life of people of Tripura.

5. **You have worked extensively in villages of Andhra Pradesh, Rajasthan, Karnataka and Tripura. What challenges you had to face during your studies in rural areas?**

I think it is actually very rewarding, not challenging. The main challenge is (it is not just me but a group of colleagues, we worked in an organisation called the Foundation for Agrarian Studies and worked with students and young researchers from different parts of the country) that we usually go to rural areas in the summer months of May and June which are the very hot months and we live in basic conditions and work during these months. From early morning to late at night we are there. I would say that out of all of the villages we have been through it is only 1% of households who might have not been welcoming or said that they did not want to answer a question. When you go to a village the kind of welcome and response you get from the people when answering a question is amazing. Even the poorest of poor will share a mango with you or try to buy you a tea and answer your question. I should say it has been a learning experience. It is really an eye opener.

6. **What message would you like to convey to our young readers and the future economists of India?**

First, I would like to say to all the economics students of DR College it's not a difficult profession although when you go out to universities, when you go to banks, when you go to other professions where there are economists, it still looks very male-oriented. But women can and have succeeded. The second is that as an economist I feel that the biggest problem that India is facing is employment or unemployment. Of course there are social issues and cultural issues but it is a very big economic problem that is faced by our country. So whether it's finance, whether it's agriculture or whether it's employment, we need more economists to address problems of India.

In Conversation with Banikanta Mishra

By - Samridhi Agarwal
2nd year, B.A. (Hons) Economics
Daulat Ram College

Banikanta Mishra has taught in New York University, University of Florida and Emory University in USA before joining Xavier Institute of Management, Bhubaneswar in his hometown in India where he currently teaches. After that, he has been a Visiting Professor at IIM - Calcutta, National University of Singapore, WHU in Germany, University of Michigan at Ann Arbor, University of Texas at Dallas, and University of Houston. He had been a consultant to the Government of Odisha. He teaches and researches in Corporate Finance, International Finance, and Derivatives. He sat down for a conversation with us - answering our questions on Indian economy.

1) **You are specialised in Economics and Finance. Kindly throw some light on the current row of waiving of farm loans in context to Indian economy.**

Waiving of farm loans is always a short term solution as the farmer will be again caught in the vicious circle of debt for his further production. Our goal should be to make himself sufficient, maximise production and ensure him a decent life. We should always focus on reducing the number of farmer suicides which has been increasing at a rapid rate. We need to ensure who's bearing the brunt of the amount of the loans waived off because it depends on how you finance it. I will agree to waive of farm loans if it's financed by covering the money from big defaulters.

2) **Some of your research papers were based on Odisha especially on mining in Odisha. What motivated you to undertake research work in Odisha and its mining sector?**

When I was pushed to give Ashok babu memorial lecture in with focus on mining sector in Odisha, I did a lot of research and developed a paper. The talk went well and I wanted to forget it. My intimate friend Dr. Sakti Padhi, however, pushed me to develop it into a paper(fully fledged research paper) and send it to EPW(Economic and Political Weekly). Based on the feedback by Dr. Ram Reddy, the then editor of EPW and my the-then research associate(later my PHD Student and now at Xavier University Bhubaneswar) Sagarika Mishra who's outstanding in Econometrics, I developed the paper over the next 4 years. It was such an intellectual fascinating and satisfying experience working for my state that I decided to continue working in that area and I hope to indirectly influence the policy decision. Mining is where Odisha's biggest political and economic challenges are.

3) **Your research papers in the area to finance are are very well received. Kindly throw some light on you writing the research paper "Impact of increased derivatives trading in India on the price discovery process"**

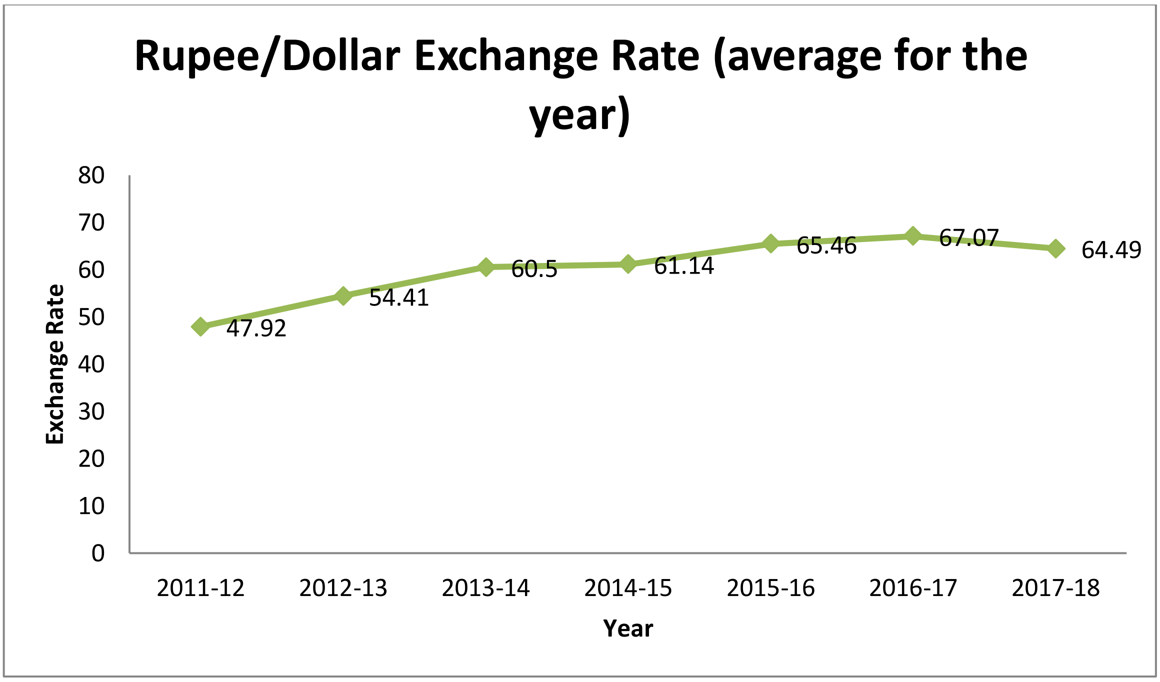
SEBI has a scheme under which they provide financial assistance to researchers for doing research on relevant issue. After giving a talk in SEBI's head office in Mumbai on Derivatives, I applied for its Development Research Grant and I received it. Teaming up with two SEBI researchers Dr. Sarat Malik and Mr. Laltu Pore, I analysed price discovery process in India's Stock Market. We found that during our focus period sport market had been dominating the futures and options market, while the dominance of futures over options had diminished. Hence, we developed a fully fledged research paper coalescing all the analysis that we had conducted.

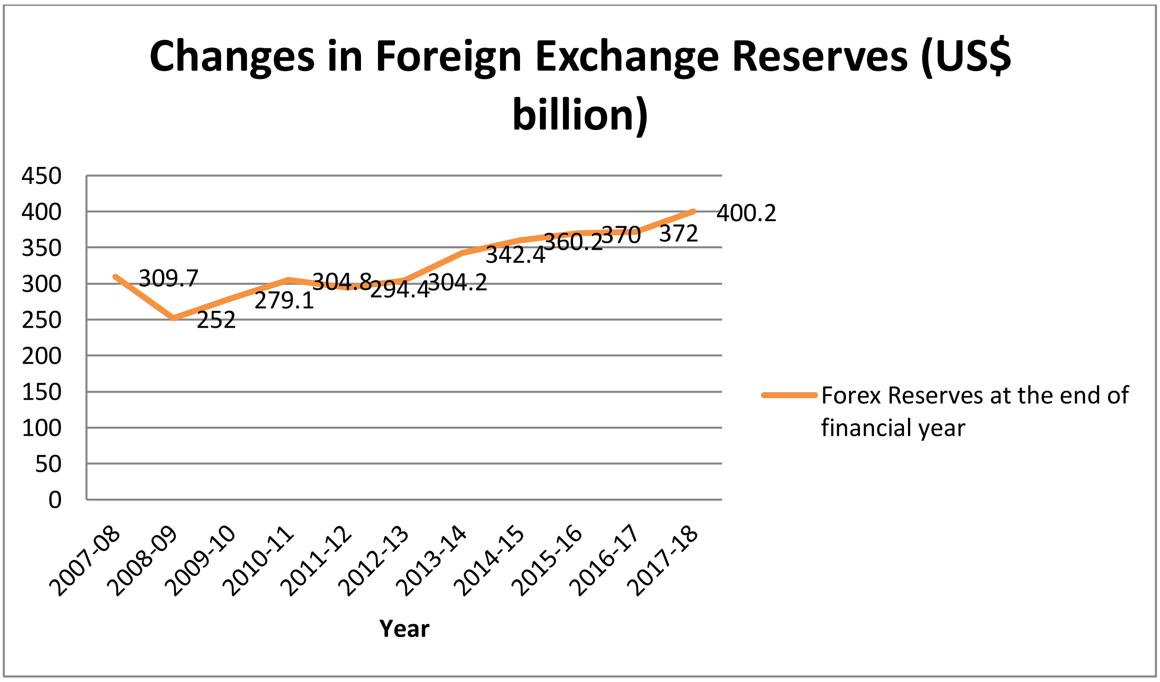
4) **What vision for Indian economy would you want to share with our young readers-the-to-be economist of future India?**

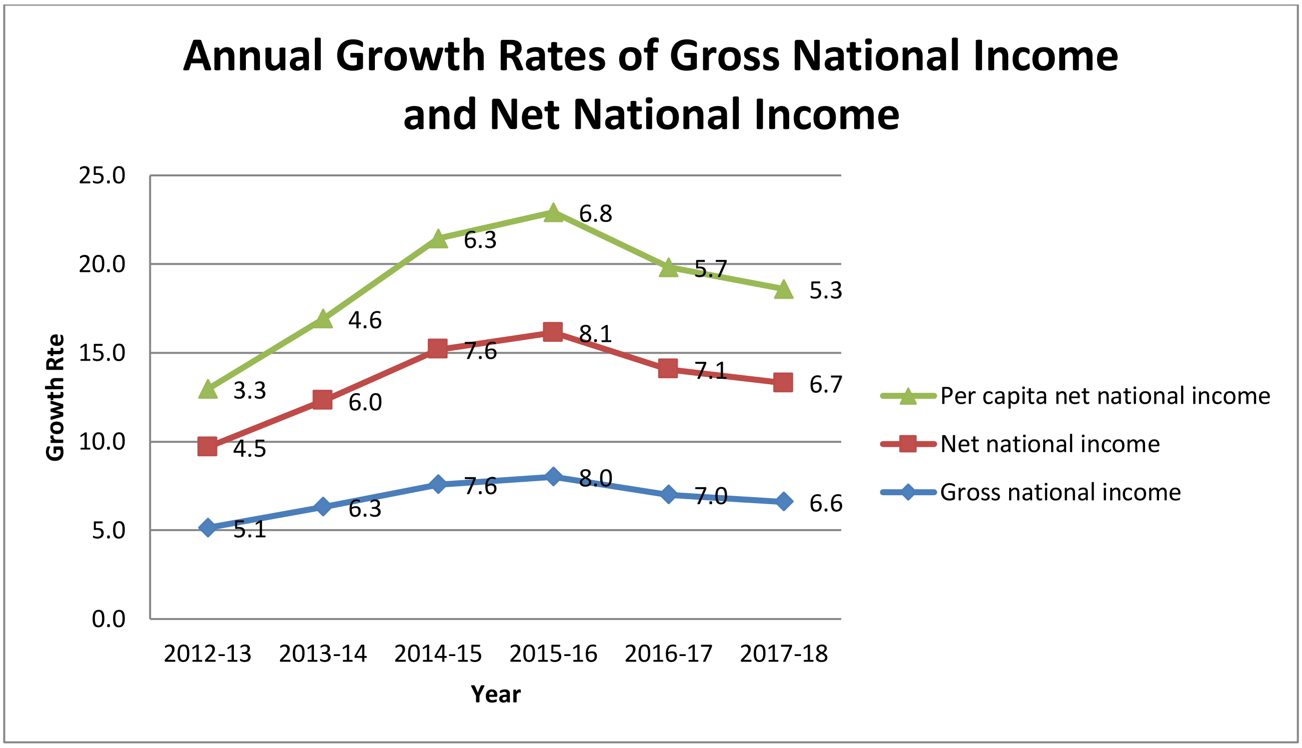
To the extent that India is a welfare state, its partly socialistic mixed economy model could have done well if appropriate reforms and checks and balances could have been brought in. The young economists have to be sensitive to this issue and focus on models that not only create wealth but also make a good part of it trickle down to the bottom of the pyramid. India can never be a very happy country without this redistribution of wealth. On an unrelated point if India aspires to be a great economy it has to focus on manufacturing while simultaneously safeguarding the environment as well people's right to their land and livelihood.

At a Glance

By – Deeksha
2nd Year, B.A. (Hons) Economics
Daulat Ram College






Annual Growth Rates of Gross National Income and Net National Income
Growth Rte
Year
2012-13
2013-14
2014-15
2015-16
2016-17
2017-18
25.0
20.0
15.0
10.0
5.0
0.0
3.3
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5.7
5.3
4.5
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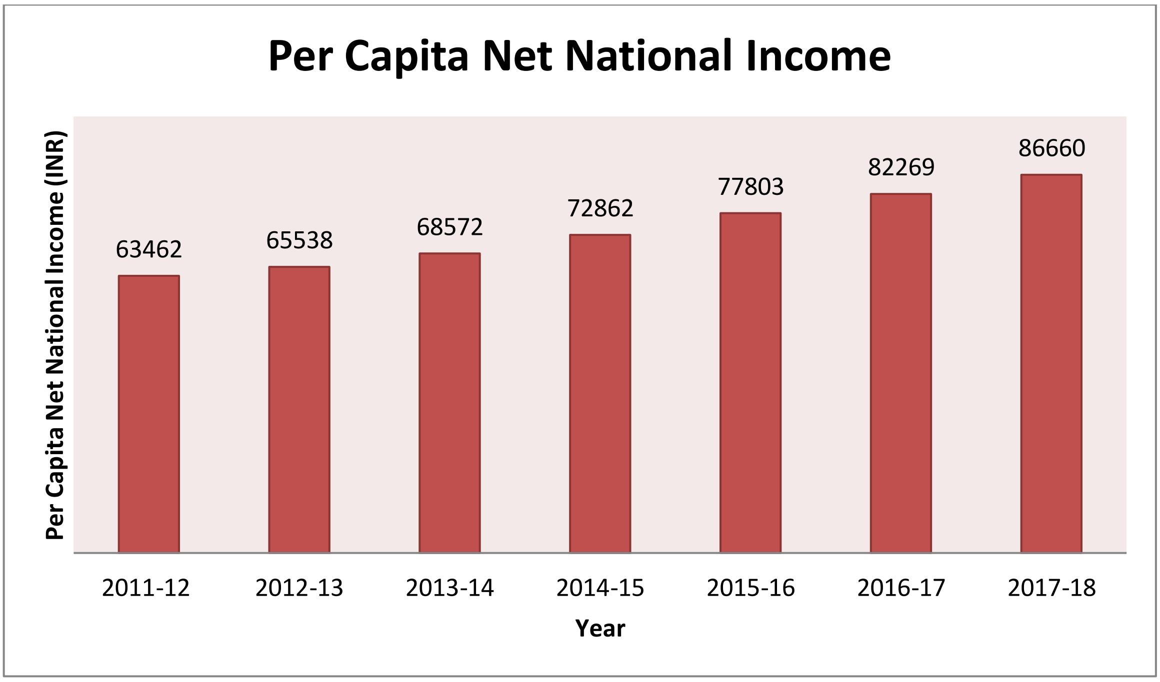
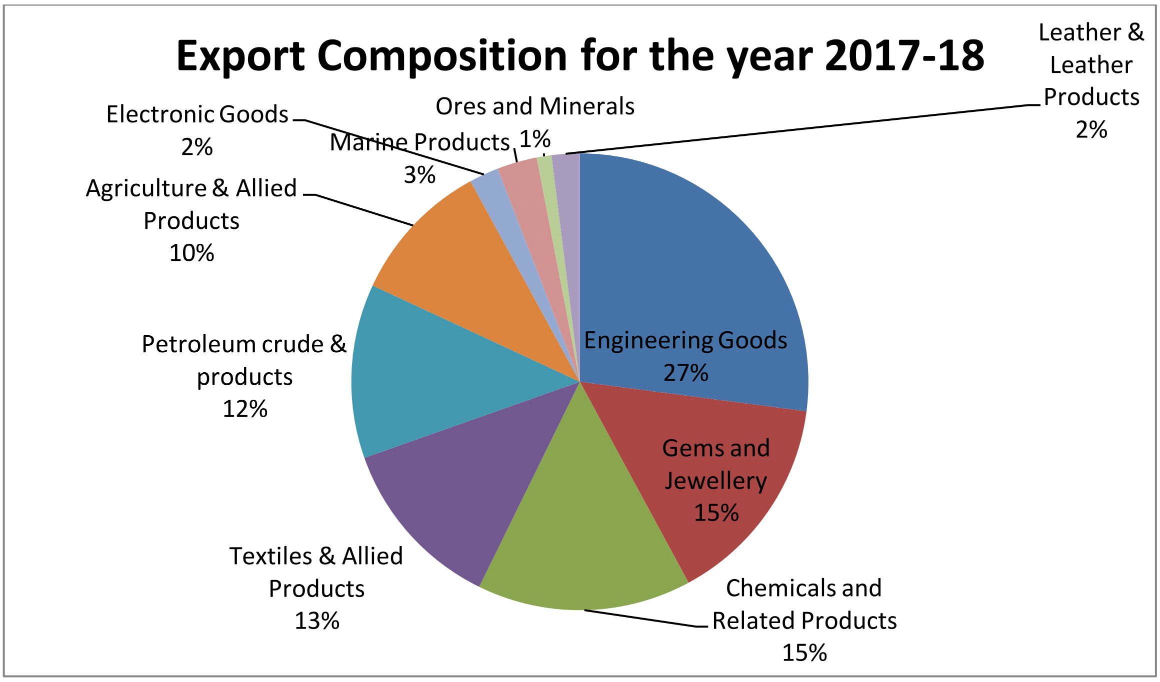
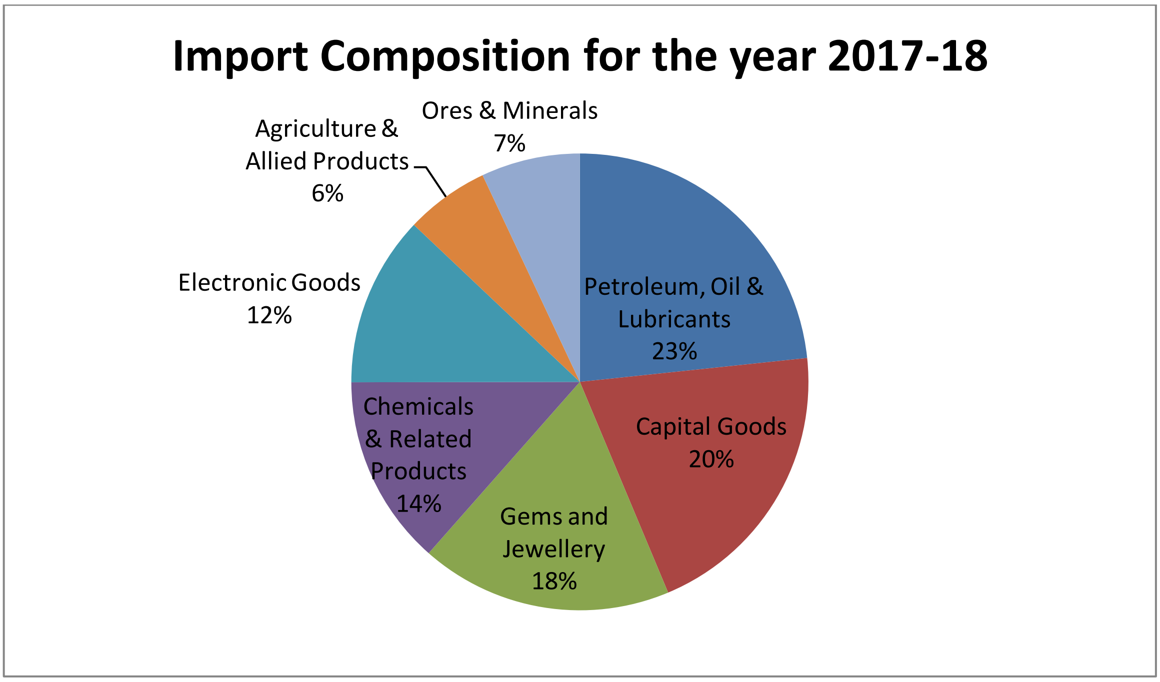
6.3
7.6
8.0
7.0
6.6
Per capita net national income
Net national income
Gross national income


Per Capita Net National Income
Per Capita Net National Income (INR)
Year
2011-12
2012-13
2013-14
2014-15
2015-16
2016-17
2017-18
63462
65538
68572
72862
77803
82269
86660





(*Reference – Economic Survey 2017-18*)

Demonetization Timeline

By – Devanshi Malhotra
1st Year, B.A. (Hons) Economics
Daulat Ram College

8 November 2016	• The government announced the demonetization of Rs. 500 amd Rs. 1000 notes.
24 November 2016	• Former PM Manmohan Singh said that demonetization was organized loot and legalized plunder.
10 December 2016	• Supreme court asked the centre why even after a month it had failed to provide Rs. 24000 to people for bank withdrawals.
14 December 2016	• Bimal Jalan, RBI Governor during the first NDA from 1997-2003 questioned the timing of demonetization.
31 December 2016	• Income tax department sends notices to around 18 Lakh taxpayers for the huge amount of money deposited in their banks during demonetization.
21 February 2017	• DEA secretary Shaktikanta Das says that demonetization was discussed first with the RBI as back as February 2016.
28 February 2017	• GDP growth rate found to have slowed to 7 percent during October-December 2016 quarter.
13 March 2017	• All the limits imposed on the cash withdrawal are lifted and banks free to put limits that existed before demonetization.
1 April 2017	• It was the last day when exchange of demonetization currency was allowed.

19 April 2017	• The Central Board of Direct Taxes sets a deadline of may 31 for completing verification of data of cash deposits under the Operation Clean Money.
17 May 2017	• Government launches Clean Money Portal. The centre's estimates said around 91 Lakh new people were brought under the tax net with an undisclosed income worth Rs. 23,144 crore.
21 June 2017	• A second window was provided to banks, post offices and cooperative banks to deposit junked notes Rs.500 and Rs.1000 denomination latest by July 21.
16 July 2017	• A report came that the digital transactions in November 2016 were 22.4 million but rose to 27.5 million by May 2017.
23 July 2017	• The centre submitted before the apex courts that Rs. 71,941 crore of undisclosed income had been unearthed in the previous three years.
11 August 2017	• A paper by RBI states that there was an unusual deposit of around Rs.1.7 Lakh crore after demonetization.
23 August 2017	• Finance Minister Arun Jaitley refutes all notions that the government may be planning to ban Rs. 2000 notes.
25 August 2017	• RBI issues new currency notes of Rs. 50 and Rs. 200 denominations.
November 2017	• Supreme Court of India dismissed 14 petitions related to demonetization and asked petitioners to file plea with a constitutional bench which would deal with cases related to demonetization.
April 2018	• A parliamentary panel report stated that rural, households and honest taxpayers were worst hit.

Goods and Services Tax (GST) Timeline

By – Muskaan Bhagat
1st Year, B.A. (Hons) Economics
Daulat Ram College

1985 - Reform of India's indirect tax regime initiated by Vishwanath Pratap Singh.

1999 - GST was proposed and given a go ahead during a meeting between Prime Minister Atal Bihari Vajpayee and his economic advisory panel (including 3 former RBI Governors- IG Patel, Bimal Jalan and C. Rangarajan)

2005 - Kelkar Committee recommended rolling out GST as suggested by the 12th Finance Commission.

2009 - 1st discussion paper on GST unveiled by Finance Ministry.

2010 - Finance Minister P. Chidambaram proposed a GST roll out by 1st April 2010.

2015 - In February, Finance Minister Arun Jaitley proposed the GST Bill in Lok Sabha (where the BJP had a majority), setting a deadline of 1st April 2017 to implement it.

2016 - In May, Lok Sabha passed the Constitutional Amendment Bill paving way for GST (However, it was sent back to Rajya Sabha by the opposition).

In August, The Amendment Bill was passed.

1st July - GST launched all over India with effect from the same by President Pranab Mukherjee

7th July - The Jammu and Kashmir state legislature passed its GST Act.

2018 - World Bank in its version of India Development Update 2018 described India's version of GST as too complex.

Crossword

By – Muskaan Bhagat
1st Year, B.A. (Hons) Economics
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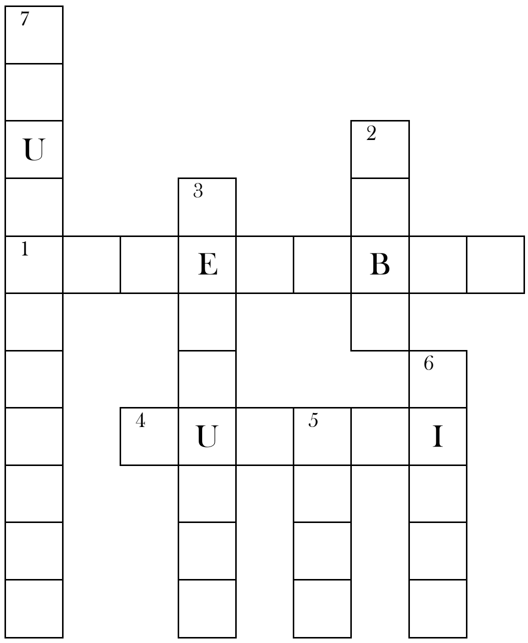
Hints

1. City that homes highest number of SEZs
2. The first bank to introduce ATM in India
3. Union Budget is presented in Parliament on the 1st working day of
4. In which city are the headquarters of NABARD located
5. A surplus in budget in recommended during
6. Which 5-year plan focused on growth with social justice and equity
7. Famous Economist who wrote “The Republic of Belief” in 2017



Quiz

By - Devanshi Malhotra
1st Year, B.A. (Hons) Economics
Daulat Ram College

1. Which company got NBFC license from RBI for digital lending business and app based financing?
2. When was RBI nationalised?
3. According to Insurance Amendment Act, 2015, FDI limit has been extended upto?
4. Who gave the concept of GDP?
5. Which country is estimated to have largest Shale gas reserve?
6. In which year was the new currency Euro introduced?
7. A recession is the economic growth for _____ consecutive quarters.
8. Which is the world's first stock exchange?
9. The great depression of 1930 was started from which country?
10. Name the person, who was once one of the richest man in India, had to surrender his shares worth 1000 crore to Raymond Ltd.?

Economics Sudoku

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	c						C	
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			c		S			
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Word Search

By – Khushi Mehta
2nd Year, B.A. (Hons) Economics
Daulat Ram College

Words to find

- Leakage
- Stagflation
- Price Ceiling
- Oligopoly
- Appreciation
- Rationing
- Recession
- Elasticity
- Cartels
- Externalities
- Adam Smith
- Isocost

T	K	I	O	J	L	M	K	A	N	T	A	H	J	E
A	E	L	S	S	X	E	E	A	F	I	A	T	R	X
W	L	H	E	N	U	F	O	T	Z	Y	P	A	Z	T
I	A	A	D	A	M	S	M	I	T	H	P	Z	G	E
T	S	P	P	S	K	H	T	Q	S	F	R	S	Y	R
S	T	A	G	F	L	A	T	I	O	N	E	X	H	N
R	I	U	S	E	O	L	G	W	L	G	C	D	U	A
A	C	P	R	I	C	E	C	E	I	L	I	N	G	L
U	I	A	D	J	K	R	T	R	G	J	A	C	J	I
A	T	W	R	A	E	S	V	T	O	K	T	F	I	T
A	Y	S	D	T	O	D	S	Y	P	L	I	V	K	I
C	A	R	E	C	E	S	S	I	O	N	O	G	O	E
M	T	L	O	F	N	L	A	U	L	P	N	B	P	S
V	Y	S	E	H	E	H	S	I	Y	O	M	H	L	N
A	I	M	Y	R	A	T	I	O	N	I	N	G	Q	K

Answers to Crossword

1. Hyderabad
2. HSBC
3. February
4. Mumbai
5. Boom
6. Ninth
7. Kaushik Basu

Answers to Quiz

1. Kreditch
2. 1 January 1949
3. From 26 % to 49%
4. Simon Kuznets
5. China
6. 1999
7. Two
8. Antwerp, Belgium
9. USA
10. Vijaypat Singhania

Solution to Sudoku

S	I	c	O	o	M	N	E	C
E	M	C	I	c	N	o	O	S
o	N	O	S	C	E	M	I	c
N	O	I	o	S	C	E	c	M
M	c	o	E	O	I	S	C	N
C	E	S	M	N	c	O	o	I
c	S	M	C	E	O	I	N	o
O	o	N	c	I	S	C	M	E
I	C	E	N	M	o	c	S	O

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24X7 CARE FOUNDATION

Aashirwad™

by senior citizens

In this Digital World, interaction between the families has reduced to a great extent. As a result mof which our elders became lonlier. In order to earn better livelihood adults are migrating on a large scale. But it is difficult to deny the poignancy of saying goodbye to aging parents.

Our organisation **24x7 CARE FOUNDATION** with the hepl of **DELHI POLICE,** initiated a expedition named '**AASHIRWAD'** Our basic idea is to contribute in the upliftment and enrichment of lives of the neglected elders of the society and help them to live life with dignity.

Our main aim and focus is to serve senior parents who are living alone without their children and any other custodian.

AASHIRWAAD is an effort by 24x7 Care Foundation to connect these neglected souls with the society and with the new generation's epoch.

Our organisation wants to improve the plight of senior citizen in our country through information sharing, training, research, bridging the gap between generations and giving our full support.

Senior citizens are not burden. The truth is that even when they are counting their last breath, they are still thinking of us!

Some of our initiatives are:

- Monitoring of registered Senior Citizens by interacting on Telephone on regular basis.

- Organizing events for Senior Citizen in order to entertain them, celebrate festivals and conduct picnics.
- Organizing regular free Health camps for senior citizens.
- Celebrating Birthdays of the elderly. So that they don't feel lonlely on their special day .
- Guiding Senior Citizens under the supervision of experts, in case of their social and legal issues. We also make them aware about their rights and other government schemes launched for the benefit of the senior society.

On the behalf or 24x7 care foundation we request out citizens to join your hands with us and contribute in the well being of this society. **THEY ARE OUR ASSETS! NOT OUR LIABILITY!**

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