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Review Article

Behavioral Economics may be the Option for Growth Strategy: Myths and Reality Check on Indian Economy

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Abstract

Developing countries have taken an enormous hit in terms of capital outflows, growing bond spreads, currency depreciations and lost export earnings, including from falling commodity prices and declining tourist revenues. Lacking the monetary, fiscal and administrative capacity to respond to this crisis, the consequences of a combined health pandemic and a global recession will be catastrophic for many developing countries and halt their progress towards the Sustainable Development Goals. In line with the government's stated policy of Aatmanirvar Bharat or self reliance, Indian will integrate its rich economic and spiritual heritage with modern economic ideas for ethical wealth creation through a marriage of the invisible hand of the market with the hand of trust. We must recognise that wealth creation is a collective process and that market outcomes are the product of how these various "wealth creators" interact. We must drop the false dichotomy of governments versus markets and begin to think more clearly about the market outcomes we want. Public investments should be the mission oriented, instead of focused on "facilitating" or "incentivizing" business. Policy should actively shape and create markets, not just fix them when they go wrong. Fiscal and monetary policy will be important, but only if coupled with the creation of opportunities in the economy. Money creation, through quantitative easing, will not fuel the economy if the new money ends up in banks that do not lend. And when businesses do not see opportunities, interest rates stop affecting investment. Until the 1980s, productivity increases were accompanied by wage increases and rising living standards. This link was broken by a drop in labour's negotiating power and companies' increased financial orientation. The farm sector is likely to register positive growth even as the rest of the economy (barring the government sector) contracts. Federal structure will be the key for effective corporate governance and hence should be more involved in innovation policy, pressing for investments in education and training the long run drivers of wages. By generating a virtuous cycle where private investment, wage and employment growth as well as consumption feed into each other. The rise in agricultural activity, coupled with higher allocations to the MGNREGA also appears to have led to a sharp drop in rural unemployment as observed in the CMIE data. However, healthy growth of the farm sector, even if it continues, is unlikely to offset the economic losses suffered by other parts of the economy. It is possible that heightened risk aversion, self imposed restrictions, and localised lockdowns continue to be a drag on activities in urban areas, impinging upon rural economic activity as well. The behavioural economics is playing the crucial role in major economic domain may be drive towards Aatmanirvar Bharat in the near future.

Keywords: Employment; Fiscal Policy; Government Policy; GST; MGNREGA; Infrastructure; PM-KISAN; TBI.

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INTRODUCTION

In an ideal world, people would always make optimal decisions that provide them with the greatest benefit and satisfaction. In economics, rational choice theory states that when humans are presented with various options under the conditions of scarcity, they would choose the option that maximizes their individual satisfaction. This theory assumes that people, given their preferences and constraints, are capable of making rational decisions by effectively weighing the costs and benefits of each option available to them. Successful marketers must have a profound understanding of the consumer's thought process in order to create a successful marketing campaign. By understanding the consumer's decision-making process, marketers are able to develop value of money less 'costly'.

Indian economy has been witnessing a slow down since 2012-13. The Covid pandemic and war economy is and around the neighbour states have caused considerable uncertainty in the economy. In this context it would be a relevant exercise to explore the possibilities to revive and protect the economy from further slow down and create an environment for an Inclusive and Sustainable development. Our attempt is to expose the myths and realities related to recent slowdown of the economy and to suggest some necessary behavioral changes to uplift the economy from further slow down and ensure an inclusive sustainable development.

Slowdown in retrospect

The slowdowns of Indian economy till in the eighties were mostly a result of drought induced agricultural contractions, wars or balance of payments (BOP) pressures. Though the farm sector had a roughly one-third share in India's GDP, three consecutive drought years of 1985, 1986 and 1987 impacted the economy significantly. The early Nineties slowdowns were mainly due to fiscal and external current account deficits. The growth slump of the early-2000s had mainly to do with the after effects of the 1997 Asian financial crisis and the end of a mid-1990s corporate driven mini investment boom. But the recent slowdown of Indian economy is a unique in its own characterization. Even there's no shortage today of food, forex or even savings. For example, public cereal stocks at 94.42 million tonnes as on July 2020, aggregate deposits with commercial banks as of July 31 were Rs 14.17 lakh crore or 11.1 percent higher than a year ago, foreign exchange reserves were, in fact, at a record high ($538.19 billion on August 7, rising by $60.38 billion since end-March 2020, *The Indian Express 17th August, 2020*), but still there is a severe contraction in the economy which is totally different from the previous ones which were "supply side" induced. Households have cut spending as they have suffered income. Even those with jobs are saving more than spending because they aren't sure when the pandemic will be over. Similar pattern has been observed for the businesses. Many have shut or are operating at a fraction of their capacity and pre-lockdown staff strength. The ones still making profits are conserving cash. If at all they are investing, it is to buy out struggling competitors and not to create new capacities. Households are uncertain about jobs and incomes, firms don't know when demand for their products will really return. This demand side uncertainty and the resulting economic contraction is something new to India. The resultant outcome would be that the GDP will decline of 5-10 percent as projected by various agencies for 2020-21. India has never experienced negative economic growth since 1979-80. The fiscal deficit is on an average of 3.7 percent of GDP during 2014-15 to 2018-19 which is much better than the 5.4 percent during the previous five years. In addition, annual consumer food price inflation is too low (on an averaged a mere 1.59 percent between October 2016 and October 2019) as compared to the previous five years, even though it stands out in a situation where food stocks and forex reserves are at record highs. Meanwhile, banks are also facing a problem of plenty.

QUEST FOR REASONING OF SLOW DOWN

India's slowing economy took a toll on much needed savings too, with the savings rate touching a 15 years low, and household savings also is already hobbled by low investment falling. This has weakened India's macro-economic position which and rising external borrowing to fund capital needs. Household savings also declined as consumers spent more in purchasing durables and travelling. India's households contribute to about 60 percent of the country's savings. But India's gross savings fell to 30.1 percent of the gross domestic product in fiscal 2019 from 34.6 percent in fiscal 2012, and 36 percent in 2007-08, data from the Central Statistical Organisation shows. The previous low was 29 percent in 2003-2004. As a percent of GDP, household savings fell from 23 percent in 2012, to 18 percent last year. A falling savings rate could lead to Indian companies ending up borrowing more from overseas markets, weakening India's external position as it would raise the nation's external debt.

In order to raise investments at a time when savings are falling, the current account balance will have to fall or the current account deficit will have to widen, needing more foreign inflows for funding. But the paradox is that in reality check shows that the Bank deposits are up 11.1 percent, the corresponding credit growth has been just Rs 5.37 lakh crore or 5.5 percent. With very little credit demand, the bulk of their incremental deposits are being invested in government securities, which have increased year-on-year. In a deposit centric financial structure, the stability of the system depends on the accretion of deposits. We have already seen fixed deposit rates come down significantly. In economy, the overall investment ratio (share of gross fixed capital formation in GDP) rose to 31.4 percent in fiscal 2018 from 31.1 percent in fiscal 2017 and 30.3 percent in fiscal 2016. That remains below the 34 percent plus achieved in fiscals 2012 and 2013. Public investments when geared up towards infrastructure creation it is expected to incentivise or "crowd in" private investments. The role of Centre in capital spending is low and declining from 45.5 percent in fiscal 2010; it came down to 28.2 percent in fiscal 2018, suggestive of the restricted fiscal space.

But it is equally a fact that between 2007-08 and 2019-20, the Centre's outstanding debt-GDP ratio has come down from 56.9 to 49.25 percent. So has general government debt, which includes the liabilities of states, from 74.6 to 69.8 percent. Economists such as Olivier Blanchard have shown that public debts are sustainable provided governments can borrow at rates below nominal GDP growth (that is unadjusted for inflation). But only with nominal GDP growth falling to 7.2 percent in 2019-20, and most likely zero this fiscal, has the Blanchard debt sustainability formula come under threat.

In contrast, it is the states and internal and extra budgetary resources (IEBR) of PSUs that are largely funding public investments. The share of the government's investment in GDP raised from 3.5 percent in fiscal 2012 to 4.2 percent in 2017. Since 2015, share of the states' capital expenditure (capex) has got a major upward push when the 14th Finance Commission recommendations were implemented, and states not only started getting a bigger share of the divisible pool of taxes, but also more untied funds. The share of states has raised from 32.6 percent in fiscal 2010 to 43.4 percent in fiscal 2018.

The kind of policy support that can revive any economy quickly in times of an unprecedented shock like we have seen is no doubt the fiscal policy support. It is well known that discretionary fiscal policy support which is defined as targeted support to households and businesses may help in the growth process where the credit rating agencies appear to be less worried about the worsening of fiscal and debt positions in the short-term in fact it is the reverse. It may be possible that even in the normal times, if Government allowed to run about 10 percent deficits, implies that the government's ability to apply countercyclical policy but due to pandemic it is severely curtailed. In the short term, the economy has to pay a price. Other way to look that it appear to be more concerned about the fact that India may not have the administrative and fiscal capacity to implement large fiscal support, and that would be a headwind to growth. What would reassure markets and avoid further credit rating downgrades is not lower fiscal spending in the short-run as many perceive, but most importantly a strategy to revive growth, combined with a credible fiscal plan for the medium term.

A series of probable questions come to the fore. What are the effect of demonetisation and Goods and Services Tax (GST) on incomes and expenditures, especially in the informal sector? Is the growth data based on national accounts statistics properly capturing the decline in the informal economy, which, at least in the pre-demonetisation and GST period, employed the majority of the country's workforce and even supplied goods and services for the formal sector? Most of the analyst was unable to show any facts and Fig.s on the impact of demonetisation but making some sweeping statements without any facts.

As income from GST accounts plays a significant share of state revenue, this needs support to. But the pandemic has widened the gap, with GST revenues declining 41% in the April-June quarter. While the 14% growth rate in tax revenue has been compounded over the base year 2015-16, collections have remained around the same level for two years. Collections through the compensation cess will not be enough to offset the shortfall in states' revenues as measured against their protected revenue growth.

But as per the GST (Compensation to States) Act, 2017, states are guaranteed compensation for revenue loss on account of implementation of GST for a transition period of five years (2017-2022). The compensation is calculated based on the difference between the current states' GST revenue and the protected revenue after estimating an annualised 14 percent growth rate from the base year of 2015-16. While the rationale for assuring states a fixed

growth rate of 14 percent for their GST collections can be debated linking it to nominal GDP growth. The challenge is therefore how to compensate states for the greater than expected shortfall.

It is true that the economy is facing the most unprecedented shock in post-war history but present crisis is truly different than the 1930's depression economy. There was no fear and scare factor among people but the present crisis rising uncertainty and risk towards sharp deterioration in economic activity.

Another reason is due to the unprecedented slowdown were as exacerbated with the already inefficient *Discoms*, making matters worse for power developers. Distribution Companies (DISCOMs) have been a significant strain on the Indian power system. It is necessary to mentioned here that *Capex* at the state level which is defined as the sum of capital outlay, and loans and advances. Since 75 percent of *Discom* debt was taken up by the state governments in fiscals 2016 and 2017 under the *Ujwal Discom Assurance Yojana*, it is prudent to remove this part from the state *Capex* to get more meaningful states spending position for their investment capacity. Most of the state's *Capex* accounted more than half for Discoms are the companies that are responsible for the distribution the electricity to the consumers. Almost 80 percent of the company's output goes to power plants, and the biggest dues were from state owned power firms in West Bengal, Tamil Nadu and Uttar Pradesh. Their poor financial performance has been weighing down the entire sector with their inability to pay power generators on time, manage their losses, and iron out other inefficiencies.

Causes of slowdown may be due to the loan which was provided by the financial institutions on steel, power and infrastructure sector should not commensurate the expected returns to pay out the debs amounts to the sector but also piled up the non performing assets (NPA) in the financial system. On the other hand non banking financial companies (NBFCs) who mainly lend to the real estate sector are also suffering cash crunch. At the end of June 2019, the unsold house/flats in 8 major cities were almost 10 lakh, valued at 8 lakh crore. It is reported that most of the banks were under stress, some of whose credit to NBFCs amounted to 10-14 percent in their ledger books. Fund starvation of NBFCs that had emerged as a key source of lending for small business and consumer durable purchased virtually collapsed. Banks as well as mutual fund virtually stopped lending to NBFCs.

POLICY SUPPORT TO REVIVE OF INDIAN ECONOMY

The debate surrounding the slowdown is whether it is a cyclical down turn or a structural correction. Diagnosing the problem is the key for devising policy responses. Cyclical slowdowns can be dealt with using temporary fiscal and monetary stimulations. Structural problems, on the other hand, require long run policy responses. The Economic Survey rightly mentioned that from the insights of behavioural economics, States can make the right choices without depriving people their choices, as people tend to stick with the default options among a set of choices. The technique can help in scenarios such as persuading the well-off to give up subsidies; making people sign up for savings or health insurance schemes and making farmers buy fertilizers on time.

The impact of flagship government initiatives such as Swachh Bharat Mission, Jan Dhan Yojana and the Beti Bachao Beti Padhao provides testimony to the potential of behavioural change in India, an ambitious agenda for behavioural change on issues such as gender equality, a "healthy and beautiful" India, savings, tax compliance and credit quality. People do tend to make choices based on motives and incentives. If there are right kinds of incentives, people will behave accordingly. One of the factors that drive tax evasion is individuals' perception of the benefits and services they get from the government and how taxpayer funds are utilized in the economy. The Economic Survey encouraged tax compliance, top 10 taxpayers within a district could be accorded due recognition. This may take the form of expedited boarding privileges at airports, fast-lane privileges on roads and toll booths, special "diplomatic" type lanes at immigration counters, etc. Also, the highest taxpayers over a decade could be recognized by naming important buildings, monuments, roads, trains and universities in their name. The idea is to set up "clubs" that exude not only social status, but also honour.

After a deep contraction in the April-June quarter, we expect the economy to rebound mechanically. Going forward, we expect a step down to a more normal, and lower sequential growth pace. Different parts of the economy are likely to recover from the hit at different speeds. Industrial activity could possibly normalise, especially in manufacturing where controlling the virus might be easier. In contrast, industries in which it is harder travel or entertainment for example will still be in a gradual normalisation

process, and probably won't rebound completely until a vaccine is available. Our quarterly estimates imply that real GDP would contract by 4.4 percent in FY21; this would be the deepest recession India has witnessed since 1980. It is important to note, however, that what we are witnessing is just the normalisation of activity from extremely low levels; this may not be evidence of marked improvements in domestic macro-economic fundamentals.

We have to accept that our credit policy doesn't work in raising the financial inclusion of neither the rural workers nor to migrants, self employed, and MSMEs and that may be key point before proceeding to reset the economy growth process through lending. We have also to mention that no foresee the migrant crisis as there was no database about migrant workers. That how we can move that a modern state is a welfare state where data based are so week. Not to create temptations to disguise spending as lending and to avoid unreasonable requests like interest waivers, endless moratorium extensions, blanket one-time restructurings, fudging accounting, reducing capital adequacy, 24-month IBC suspension, etc. It's also breeding an academic blame game that insists the problem pertains to personalities, not structure.

The lessons we have learn from our earlier lending policy, that to give loans is easier than getting them back and that the reason that the banks would have run out of capital and government banks need more than capital. Raising credit availability and lowering its price needs competition driven innovation. Capital should be chasing Indian banking given its high net interest margins, high market cap to book value ratios, and massive addressable market.

Relying on anecdotal evidence or looking at how prices and wages have moved in the recent period, but these cannot substitute for NSO surveys on monthly per capital expenditures that are also the basis for measurement of poverty ratios. Nor we are able to make a difference on low food inflation on spending by households and possibly ignoring them in a low income, jobs and investment growth scenario.

How consumption expenditure is going down in absolute terms according to the NSS estimates and is growing at more than 5 percent according to the NAS? It is well known that that these two types of estimates of consumption expenditure do not match and that is the case in other countries as well. In the 1970s, consumer expenditure according to NSS estimates was around 90 percent but in 2017-18 it was only 32.3 percent according to NAS, where consumption expenditure growth is positive and helping in the GDP growth rate and while on the other where it is actually falling.

It is well known that growth in economy mainly depends on the growth in demand, both for investment as well as consumer goods. Overall if the demand is falling, then the installed capacity will not be fully utilized and it will stop for the scope of new investment, no scope will take place for employment and the economy will get caught in a vicious cycle. In order to boost the aggregate demand it is necessary to harness the opportunities of the informal sector. Expansionary fiscal policy will be impacted more effectively than what would appear from the informal sector. Indeed, the expansionary effect will be larger than what can be guessed from the formal sector expansion. The reason is that a big segment of the population is located in the informal sector; they are poorer and tend to spend a much higher fraction of their income on consumption.

According to National Account Statistics (NAS), around 60 percent of the GDP spent on consumer expenditure whereas 30 percent goes for gross fixed capital formation (or investment). If average consumer expenditure is down and government expenditure has grown around 10 percent, then where is the GDP growth coming from? Accordingly, growth in investment and government spending contribute 1.3 percent to the overall GDP growth rate, and so to get an overall 5 percent growth rate, consumer expenditure should be growing at higher than 5 percent.

It is time to give more emphasis on domestic demand for continuing India's growth process. It is necessary to rethink that instead of boosting households' savings (for retirement income, children's education, healthcare, and housing) through a web of financial repression, regulatory distortions, and public spending choices. It needs redesigning India's infrastructure to look more inward and less outward, increasing public provisioning of healthcare and education, reforming insurance regulations to reduce out of pocket expenses, and eliminating financial repression to raise returns on retirement savings. Merely tinkering with macroeconomic policies will not be enough. India needs to face that it can no longer depend on global trade to be the only growth driver. Instead, it needs to search and find new sources of growth and that starts with recognising and accepting reality.

Will Increased spending on schemes like MGNREGA, education and rural infrastructure is

the need of the hour. As per the estimates provided by the Centre for Monitoring the Indian Economy that the micro enterprises (MSME) were losing 1.5 million jobs due to cash crunch which were mainly generated from the unorganized sources. Small and medium scale micro units face another kind adjustment of uncertainty due to newly introduced GST framework for goods and service tax regime. Fundamentally, we need reform to our labour markets, attract people to cities where we ensure healthy living conditions, and create economic opportunities in rural India.

WAY FORWARD TO ARREST THE SLOWDOWN

In short run, to address the economy slow down one needs to push social and urban affordable housing and basic infrastructure. House building activity provides employment in numbers and its transmission effect to small towns and villages is both quick and effective in shoring consumption demand. If this will go up, there will be an increase in the demand for steel and cement and this will kike off a virtuous cycle of increased demand.

A significant share of India's workforce is trapped in low paid informal work. Data from the Periodic Labour Force Survey (2018-19) tells us that less than 10 percent of the workforce is engaged in regular formal jobs, earning an amount (approximately Rs 26,000 per month) that is above a decent minimum wage. Another 14 percent are engaged in regular informal jobs and report average monthly earnings (Rs 9,500), which is roughly equivalent to or slightly below a minimum wage. The self employed (own-account workers and unpaid family workers) and casual workers account for 50 percent and 24 percent of the workforce respectively and report average earnings that are considerably below a decent minimum amount (Rs 8,400 per month for self-employed and Rs 209 per day for casual labour). Casual workers, who are unlikely to receive work on every day of the month, are at the bottom of the employment structure. How do we increase earnings of those at the bottom of the pyramid? One way is by devising strategies that enhance productivity growth in the informal economy. In fact, structural change that allows for productivity increase in the informal sector increases the incomes of low-wage workers. Another way of achieving this is by raising the minimum wages of the worst off workers.

It is important that minimum wages are paid in public workfare programmes too, in particular MGNREGA works, which involve the employment of unskilled labour. At present, MGNREGA wages are not covered under the Minimum Wages Act. However, it is important to note that less than 4 percent of casual workers are employed in public works programmes. If wages of such a small proportion are to serve as a credible wage floor for others, the contours of public workfare programmes need to be modified. In particular, such works will need to be made widely available all year round. The level at which the decent minimum wage should be set assumes importance in a framework where it is being leveraged to boost consumption and demand of those at the bottom.

In India, the minimum wage is supposed to be shaped by the objective of prevention of exploitation and to ensure bare sustenance of life. However, to enhance the incomes and, therefore, consumption of low wage earners, we need to go beyond the objective of simply overcoming poverty and instead aspire to provide them a decent wage which enables them to maintain a reasonable level of consumption expenditure. For this purpose, the minimum wage can be linked to the consumption expenditure of the relatively better-off group of workers, that is, the regular formal workers in some manner, say the median consumption of the bottom 25 percent. This would create not just a dynamic linkage with the consumption of the better-off workers, but will also allow for the updating of the minimum wage every year as and when the Periodic Labour Force Survey data is released.

The Indian employment challenge today cannot be seen independently of the problem of inadequate income. One half of the economy works on wage labour and policy interventions in the domain of wages can be used to construct a minimum income floor. This approach of increasing wages of casual workers in public programmes and linking them to the consumption of regular formal workers to provide a minimum income guarantee is different from the exercise of providing unconditional cash transfers to those at the bottom of the distribution. Such an intervention will not only enable income enhancement of those in low-paid work but also add fuel to demand and growth, this time from those at the bottom of the distribution.

Vocal for Local gaining momentum, there's a huge increase in local apps, local kirana stores, local artisans and brands. The government has done well to take care of the poor and rural markets. The MGNREGA has created 153.16 crore person days of employment during April-July2020. Not only is this way higher than the 107.24 person days for the

corresponding four months of last fiscal, but also significant compared to the 267.96 crore and 265.35 crore person days generated in the whole of 2018-19 and 2019-20, respectively.

In short, MGNREGA has provide work in rural areas during the peak summer months when the rabi crop would already have been harvested and kharif plantings almost is going to be over. MGNREGA is intended primarily as an employment scheme for unskilled rural manual workers. This time round, though, it was supposed to also cater to migrant labourers returning to their villages. While there are reports of even engineers and graduates enrolling for work., Also MGNREGA guarantees only 100 days of work to all adult members of a rural household at wage rates ranging from as low as Rs 190 in Chhattisgarh to Rs 309 in Haryana. Clearly, it cannot substitute for what the returning migrant labourers were earning as drivers, electricians, plumbers, masons and carpenters or even as less-skilled security guards and loaders in factories. It translates into temporary relief at best. The way forward is to generate demand for products, and create jobs by improving infrastructure.

The Centre has already initiated some action on affordable housing. The challenge is scaling it up; co-opting states and municipalities and having them use state resources for social housing. Infrastructural development in the PPP framework gives positive impacts too. The banking sector, which is not lending for a variety of reasons, can be pushed to give loans to this sector, if necessary with higher collateral insistence.

Focus should be on ethics and building trust when developing solutions to ensure that benefits of technology are available for everyone. National Statistical office (NSO) reported that in December 2019, about 12.67 lakh new jobs were created against 14.59 lakh in the previous month as per the pay roll data of the Employees' State Insurance Corporation (ESIC).

Infrastructure investment should be stepped up, particularly in those sub-sectors which can create jobs. Roads, water shed development, logistics chains such as warehouses, cold storage, grading and sorting facilities will not only give successors to agriculture and rural sector but also mitigate rural stress. Earlier attempts through PPP faced lot of conditions like for better terms for them, at the same time, the government was slow with approvals and projects had stalled. Revitalization of PPPs with appropriate and enforceable risk allocation will be helpful. It will help to increase the government sector to manage these partnerships, and give these new regulators independence, funding, expertise and power.

India has a comparative advantage in abundant supply of labour. The country will have to switch to large scale labour intensive industries and should specialise in their production and exports. Textiles, apparels, leather, handlooms and handicrafts should be focused to jumpstart the exports. This will bring down the trade deficit too. These sectors should be given cluster support, technology support and tax breaks for five years. A regulatory apartheid traditionally existed between banks and non-banks. But progress in payments, MSME lending, and consumer credit suggest that non-banks are important for financial inclusion. They need more regulatory space and supervision.

In reality check, huge amount of investment on infrastructure were spent for better facilities but in reality the facilities are still very poor as compared to some other Asian countries. Though the electricity costs are about the same in India and China, power outrages are much higher in India. Moreover, the transportation takes much more time in India. According to Google Maps, it takes about 12.5 hours to travel 1213km distance between Beijing to Shanghai. A Delhi to Mumbai trips of 1414 km, via national high way takes about 22 hours. An average speed in the China is about 100 km per hour, while in India; they are about 60 km per hour. Railways in India have saturated while Indian ports have constantly been out performed by many Asian countries. The 2016 World Bank's Global Performance Index ranked India 35th among 160 countries. Singapore was ranked fifth, China 25th and Malaysia 32nd. The average ship turned around time in Singapore was less than a day; where as in India it was 2.04 days (Google Map, 2019).

There is a clear contradiction in the attempt to attract foreign investors to Make in India before completing the reforms of labour and land acquisition laws. For example, India has not leveraged its position as the second largest horticulture producer. Smaller countries such as Thailand and Egypt fare better than India in horticulture exports. India is the world's second largest farm producer, but still doesn't rank among top 10 exporters and Indian exports amount to a meager 2.2% share of the global agricultural trade, which is pegged around $1.6 trillion.

Economic Survey, which makes a strong case for free trade and shows that India has clearly benefited from FTAs. After progressively opening up from 1991 to 2016, we appear to have decisively

reversed course. In order to protect products made by MSMEs, which are of "good quality", import tariffs have been increased. This may seem logical, but it is not. Who will decide if the quality is good? How will such products be selected? Who will judge adherence to rules of origin?

India should relax its restrictive goods trade policy, which makes it harder for firms to import to export. For example, India imposes high tariffs on imports of yarn and fiber which, in turn, increases the cost of producing clothing.

WAYS TOWARDS SUSTAINABLE GOAL

Sustainable development in agricultural economy could be revitalized with the scheme like Sufal Bangla Scheme which was initiated in West Bengal 2014. The best and proven illustration of such market linkage is the famous AMUL model in dairy development. This has been replicated across length and breadth of the country with varied success, which has demonstrated that access to market through credible rural institutions, owned and managed by the producers, add value to the produces which are eventually passed on to the primary producers. In the North Eastern Hilly region of India, a similar initiative has been initiated through Integrated Technology Enabled Agri Management System (iTEAMS) 1917 to enable and facilitate access to remunerative and sustainable markets for farmers' produce. It is a marketing portal that links the farmers to markets through the implementation and operation of logistics and extension facilitation services.

What is needed at this juncture is capturing social inclusion by means of investment of effort and resources to the promotion, capacity building and improvement of governance. Empirical evidences suggest that to convert agriculture into business mode needs to be switched from traditional to modern technologies for high value crops.

Change in partnership of business is a must and needed of the hour, even though there were various difficulties that were crept in i.e., human assets, fund, show casing, administration and organization. It is not a charity, but a business in every sense. For this we need to recognize that agriculture as an enterprise by converging agri business to agro business in the form of monetization of farmers' produce and to provide demand led, evidence based policy advices for the promotion of a sustainable economic growth. Social business would be conducted and operated with pleasure as it holds a purpose, self satisfaction, and self-sacrifice.

Farmers need to be kept abreast of the global trends and demands such as varieties to grow or quality and the safety standards to be maintained. India also needs to take care of the concerns of various stakeholders. The most crucial information for our farmers, who cultivate under fractured landholdings and are often not updated on the global demand on the global trends in demand supply positions. This creates information asymmetry for our farmers. Small farmers must also be helped with investing in post-harvest processing; cold chain or branding requires capital as they themselves cannot take care of the same. So, investment in value chain will have to be made in such a manner that there is value creation at every levels of hierarchy.

The government's agenda of setting up 10,000 FPOs a 'Public Private Farmer Group Partnership' model could be the way ahead for pushing agriculture exports from India. Further, the government can establish crop-specific councils and extensively fund them for carrying out market research, building strong brands and setting up common infrastructure. Since NABARD is also responsible for the creation of 10,000 more FPOs, it can create a package that will help these outfits realise better prices.

While about 80 percent of Indian farmers are small and marginal farmers with small landholdings, it is not possible to double their income through agriculture production alone. For them recently announced Agriculture Infrastructure Fund (AIF) will be helpful to build post-harvest storage and processing facilities, largely anchored at the Farmer Producer Organisations (FPOs). There is no doubt that more and better storage facilities can help farmers avoid distress selling immediately after the harvest, when prices are generally at their lowest. But small farmers cannot hold stocks for long as they have urgent cash needs to meet family expenditures. Therefore, the value of the storage facilities at the FPO level could give an advance to farmers; say 75-80 percent of the value of their produce at the current market price. For that FPOs will need large working capital to give advances to farmers against their produce as collateral. Unless NABARD ensures that FPOs get their working capital at interest rates of 4 to 7 percent like farmers get for crop loans the mere creation of storage facilities will not be enough to benefit farmers. Currently, most FPOs get a large chunk of their loans for working capital from microfinance institutions at rates ranging from 18-22 percent per

annum. At such rates, stocking is not economically viable unless the off-season prices are substantially higher than the prices at harvest time.

To help agriculture marketing and better price discovery, the E-NAM online platform was also created. However, due to operational hitches such ambitious programmes have not delivered the desired result. Small farmers continue to get unremunerative prices for their products with intermediaries taking a large share of the final price of the product. The direct cash benefit transfer provided to farmers is also too low to make any substantial difference to their income.

Farmers in India today face immense risk due to climatic aberrations as well as volatile prices. Even when production levels are satisfactory, farmers' income remains a cause of concern. The Pradhan Mantri Fasal Bima Yojana was introduced to give relief to the farmers for crop loss due to climatic aberrations. While the scheme has the stated objective of incorporating 50% of the cultivated area under it, the actual Fig. continues to hover around 20 percent. There is also a substantial delay in disbursement of claims which makes it unattractive to farmers. Notably, though the crop insurance scheme provides relief to farmers, it usually covers only the cost of cultivation and not the potential value of the output. In other words, it is mandatory to the farmers who took loan are insured by the bank and it is only the bank loan that is protected by the crop insurance scheme. However, the farmers also need support to maintain them during the interim period, in the face of crop loss. Hence it is time to consider an insurance cover for the value of crops to provide better support for farmers during crop loss.

Recognising the liabilities through extra borrowing, and paying them in full for social sector schemes like MGNREGA beneficiaries and state governments would have pumped liquidity into the economy. A report by McKinsey Global Institute suggests that if women participated in the Indian economy at the level men do, annual GDP could be increased by 60 percent above its projected GDP by 2025. The same analysis also suggested that India's potential GDP gains through achieving gender parity were larger than gains in any of the other regions they studied (Rohini Pande and Charity Troyer Moore, IE Feb14th, 2020).

The other immediate challenge in the economy pertains to Non Bank Financial Companies (NBFCs) and is directly connected with the real estate sector. Rampant unfinished and unsold inventory is choking the wider economy, and NBFC woes are affecting consumption more generally. Some action has been taken, but it is too little and too tentative to keep the wider economy from dragging down.

To pump the money in the economy needs to rests on doubling the budgeted revenue from disinvestment. Half of this is to come from "strategic sales". Listing LIC could also raise a big part of it. Another source to close the fiscal deficit is through the payout from telecom and non-telecom companies which is likely to lead to windfall gains for the government. Despite the global contraction in Foreign Direct investment (FDI) inflows, FDI in India have improved which accounted 2.37 percent of GDP in 2018-19.

The strong absorbent capacity of the Indian economy shows the strength of basic fundamentals of the economy and its capacity to bounce back. One, Domestic labour market reform can lead to substantial economies of scale and increased. Global value chains (GVC) participation, especially in the labour intensive sectors. Second, improved infrastructure like roads and ports and liberalised transport services can help reduce logistics costs which are three times higher in India than in China and two times higher than in Bangladesh.

Further, the impact on consumption would vary widely depending on the relative gains across income brackets. On the other hand, spending on rural infrastructure and employment (MGNREGA, PM-KISAN, and PMGSY) can help alleviate some of the pain in rural areas.

PM-KISAN is aimed at boosting rural consumption and helping poor farmers recover from distress through direct transferring of Rs 6000 every year directly to 12 crore farmers holding cultivable land up to 2ha.A direct transfer scheme like PM-KISAN is a game changer and can have significant effects if it can deliver timely.

Taking the primary objective of fostering timely usage of technology (mainly agricultural inputs) in combination with complimentary inputs like extension services, IFRI-ICAR studies highlighted the impact based on Uttar Pradesh which is the home for 24 million farmers. The study reveals that 30 percent farmers received the income benefit within three months of the scheme's implementation where Banking infrastructure created through Pradhan Mantri Jan Dhan Yojana (PMJDY) played a key role in the fund disbursal.

Empirical study reveals that those who received the first installment, 52 percent was spent on agriculture, 26 percent on consumption, 7 percent on education and health, and the remaining

15 percent on other incidental expenses (such as during festivals and on social functions like marriage). On the other hand the recipients of the second installment, 39 percent were spent on consumption, followed by agriculture (23 percent) and education and medical (19 percent) (*Deepak Varshney et.al 2020*).

From the study it can be implied that farmers receiving PM-KISAN benefit in the agricultural peak season are more likely to spend it on agriculture and those getting it in the off-season are more likely to spend it on consumption. This clearly suggests that the timing of benefits has implications on spending patterns. Possibly it will complement MGNREGA but currently percolation of benefits is very slow and varying across the states. Even though its financing is 100 percent from the central pool, but whereas it's effect is more in UP and most of the northern states but in the eastern part of the county it's impact is insignificant may be due to state governments' indifference. The case study of UP revels that by investing more in agricultural advisory services, the government can encourage farmers to invest some or all part of the income support in productive assets for achieving the multiplier effect of PM-KISAN.

The government has taken several initiatives, including cut in corporation tax and announcement of packages for reviving sectors like the real estate, automobiles and exports. Ironically, all these are essentially supply side measures, which would make no impact on a demand constrained economy. Putting purchasing power in the pockets of those having high marginal propensity to consume should have received the topmost priority. This can easily be done through increased spending on schemes like MGNREGA, and by investing in education, health services and rural infrastructure. Such spending can immediately spur demand, which in turn would create inducement for potential investors. Direct expenditure on a scheme like MGNREGA induces 1.8 times increase in indirect income and twice the direct expenditure in pension or basic income type scheme.

- Direct cash transfer (subsidies on fertilizer and irrigation should be transformed as cash transfer).
- All product should be marketed through e-NAM (needs to strengthen APMC act, enforced all states, producers company act).
- Strengthen the price mechanism through market integration and one price.
- Reduce the risk in marketing front through better support Credit should be canalized.

The government is effectively using MGNREGA, but a social security measure is not an alternative to productive activity contributing to the GDP. It can also be argued that too much dependence on social security can be counterproductive, if unemployment is structural and not frictional. Hence, there is a need for creating employment opportunities.

To shore up growth, needs to address from trading in commodities to basic manufacturing. That's the transition Bangladesh, Vietnam, and Cambodia are making. Subsequent transitions for more advanced manufacturing and sophisticated services needs to happen which would lead to smaller growth increments. In India we did not fully exploit the benefits of the first transition. We never spent enough time fully engaged in basic manufacturing which had the greatest potential for growth and job creation, but we jumped into the second stage of advanced goods and services, which brought growth but fewer jobs. In reality though we produces the sophisticated products, but the truth is that we are unable to produce job which has been done by Vietnams and Bangladesh in their growth process as well as in job creation. In fact for India, 90 percent of the remedy lies with the domestic reform agenda. Just 10 percent is an international co-operation agenda though trade negotiations can help spur domestic reform and secure access to foreign markets.

Since scale of economy plays a crucial role for productivity growth which in turn, is essential for India to expand its share in world exports. For that India needs its position to clear itself as a cheaper sourcing of goods and parts. For that it requires macro and industrial policy reform which help by removing existing impediments and India could become a valued partner in global supply chains compared to other Asiatic countries.

Domestic labour market reform is essential for substantial economies of scale and increased GVC participation, especially in the labour intensive sectors. Second, improved infrastructure like roads and ports and liberalised transport services can help reduce logistics costs which are three times higher in India than in China and two times higher than in Bangladesh. A day's delay reduces trade by more than 1 percent.

India should relax its restrictive goods trade policy, which makes it harder for firms to import to export. For example, India imposes high tariffs on imports of yarn and fiber which, in turn, increases

the cost of producing clothing.

Therefore production means focusing on cities and towns in poorer regions, leading to the principle of devolution. Fiscal power must be transferred to the state and local level if we are to get policies form-fit for specific markets and conditions.

Finally, reform of higher education is necessary for the Indian services sector to thrive in a world where technology is both disrupting old models and creating new opportunities for trade.

It is recommended that a targeted basic income (TBI) from the central government to poor (mostly rural) households in order to boost consumption spending which is the main driver of India's economic growth. In other words, the TBI received by eligible households must be significantly larger than the various subsidies it would replace. However, there is hardly any fiscal space left to undertake a consumption boosting TBI on a long-term basis (Banerjee, 2019). Though the fiscal space is quite tight for an expansion, given the size of the existing deficit and the limited scope for raising more tax revenues or borrowings but some of the income generated in the informal sector will boost demand in the formal sector through consumer demand for mass-consumption items. As the crude oil price has dropped from around $60/ bbl to around $30 and is likely to stay at this level given the breakdown in agreement among oil producing countries and the massive collapse in global demand. If the government simply taxed the oil windfall by raising excise duties, as it did during the 2014-15 oil price collapse, it could potentially raise almost 1 percent of GDP or a staggering Rs 2.25 trillion. If 50 million households have to be provided assistance, it comes to about Rs 14,000 per month for three months or about Rs 24,000 a month to half of the 63 million SMEs. In the medium term, once the engine of the economy starts moving, the income expansion and deficit numbers will look better. We need to explore full benefits of this transition for which all state Governments must implement the Central sponsored scheme like PM-KISAAN which would complement MGNREGA by enhancing productivity growth in the economy. Immediately it requires limiting the immediate economic fallout through some forms of targeted income support, especially for those in the more vulnerable segments of the informal economy, and provision of food. For instance U.P government has announced direct cash transfer for daily wage labourers in the construction sector, and self employed cart owners, small shop owners and rickshaw pullers, in addition to one month's stock of food grains for vulnerable sections. Similarly Delhi and Kerala Government also announced packages which include the health package also.

Transition for boosting economy requires from commodity trading to basic manufacturing followed by advance manufacturing and sophisticated services which will eventually need to happen but typically lead to smaller growth increments. India was unable to exploit full potential benefits of the second stage of transition but jumped into third stage of advanced goods and services which brought growth but fewer jobs. Greatest potential of growth and job creation lies on basic manufacturing sector .which needs to be revamping for which needs to reform the labour laws. In fact, 90 percent of the remedy lies with the domestic reform agenda. Just 10 percent is an international co-operation agenda though trade negotiations can help spur domestic reform and secure access to foreign markets. Now it is the time for a structural overhaul to purge the remnants of the command economy, and usher in an incentive driven, innovation structured and market determined competitive economy.

JEL Classification Codes:

H10, H30, J38, J68, O23, A35.

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