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# EPHEMERIS

VOL 8, Issue II

India's Experience with Growth  
&  
Development

Historical Perspectives & Recent Trends

## EDITOR'S NOTE

The theme for this edition of Ephemericis, 'India's experience with growth and development – historical perspectives and recent trends' cannot be better put into perspective than by the words of Prof. Amartya Sen

*'While we cannot live without history, we need not live within it either.'*

— Amartya Sen, *The Argumentative Indian*

Indian economy has come a long way in her path towards growth and development over the years. The theme for this issue should help students better understand the dynamics of India's economic growth and what has lead India to be one of the fastest growing economies in the world. There were many obstacles, debates and opposition in the way and that will continue in the future as well, but being economists we should be able to introspect the path taken by India in a more intelligible manner. We hope that this edition will facilitate a good degree of learning, reasoning and awareness regarding the Indian economy and the issues covered in this edition of Ephemericis.

We are grateful to the writers who have contributed articles to make this publication possible. We extend our heartfelt gratitude to Mr. Santosh Bezalel Jose from II MA Applied Economics for his help on the design. We are also extremely thankful to Prof. Sheetal Bharat and Prof. Divya Pradeep for their support and to Prof. Joshy K. J. for his guidance. We are thankful to all the faculty members of our Department for their support and encouragement as well. We hope to keep up the spirit of writing as always and aim to reach new heights in the process of learning with every release.

Bodhodipta Dasgupta

II MA ECO

## FROM THE HOD's DESK

This edition of *EPHEMERIS*- the newsletter of the Department of Economics- the second one in the current academic year, seeks to uphold the motivation and enthusiasm of student participation at a high level in terms of sharing their knowledge and opinions. It is a special occasion as the Department of Economics at Christ University organizes '*ALTIUS*'- the national level economics fest for masters' students on 31<sup>st</sup> August and 1st September, 2017. It is a rare opportunity for the post graduate students across the country to showcase their capabilities and share the ideas with the economics fraternity around. The theme of *ALTIUS*-2017, "India's experience with growth and development- Historical perspectives and recent trends", offers a unique platform for the budding economists to bring together debates on diverse issues and realities connected to economic development front.



The above mentioned theme not only aims at strengthening the understanding of various dynamics associated with India's economic growth in the past but in sprouting the ideas on how to sustain the high growth momentum already attained for a longer run in future as well. Needless to say, there are many hurdles on the way and they will continue to exist in the days to come. The most important aspect is to identify and deal with them at the right time in the right manner. Therefore, being the learners of economics we should be able to introspect and support the policy making process and implementation in whichever way it is possible. We need to learn lessons out of the positives and negatives of the past and polish the roadmap to convert it into the stepping stones for future growth and prosperity.

I wholeheartedly appreciate the faculty members of Economics Department at Christ University in generating and nurturing interest in the subject and encouraging debates on current socio-economic issues. It is the

time that requires special training for the students to go beyond understanding mere concepts; they should be able to see the practical aspects through the lens of right and wrong.

On this occasion and on behalf of the Department, I express my sincere gratitude to the academic coordinators Prof. Mahesh and Prof. Divya Pradeep. Also I extend my sincere regards to faculty coordinators of *ALTIUS* Prof. Adaina K.C and Prof. Divya Pradeep for their hard work and effective leadership in organizing the events successfully. I also acknowledge the efforts of the office bearers of *AMARTYA* and the student leader of *ALTIUS*, Mr. Santosh Bezalel Jose for their dedication and sincerity. It is indeed a great pleasure to see a strong editorial team, comprising Mr. Bodhodipta Dasgupta, Ms. Sonali Beeraka, Ms. Vidhi Shah, Ms. Aditi Sebastian, Ms. Swetha L, Ms Shreya Miriam John and Ms. Lisa Varghese, working behind this newsletter as well. On behalf of the Department of Economics and '*AMARTYA*'- the Economics Association, I wish all the participants a very fruitful and rewarding experience at '*ALTIUS*- 2017'. We hope that we would be able to uphold the light of change and illuminate it further through this fest and its various programmes.

We welcome you all on board at Christ University.

Wishing you a wonderful stay and learning experience through *ALTIUS*-2017!

Dr. Joshy KJ

Head

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## **The Plague of Patriarchy: India's Struggle with Inclusive Growth and Development**

The laudable growth of the Indian economy post liberalization in 1991 is indeed an admirable success story. Economists, however, have long differentiated between the concepts of growth and development. An analysis of the Indian economy finds us asking one pertinent question: how far have we gone in translating the growth of the economy into creating a truly developed nation? Can a country be called developed when nearly half the population feel constant deprivation and discrimination across various dimensions, every day? Patriarchy is still an unavoidable hindrance in the life of every Indian woman. India's sex ratio is an abysmal 940 females per 1000 males, and the female literacy rate lags terribly behind the male literacy rate of 82.14%. These are but a few examples that highlight the rampant discrimination that the women folk of the country face.

Amartya Sen, in his groundbreaking work *Development as Freedom*, speaks of development as the expansion of human freedom and focuses on freedom as the primary end and principal means of true development (Sen, 2000). The women in the country have historically received very little benefit from the various growth spikes, and have largely remained impoverished and repressed. In this short analysis, the deprivation of female capability shall be focused on from the dimensions of security and well-being, health and education. Sen's capability approach is thus a suitable framework for analysis, as it does not limit its scope to economic freedom alone. This is an important asset to the approach, as patriarchy is not confined to the lower income strata of society alone, although economic unfreedom can create social and political unfreedom too (Sen, 2000).

Gender inequality in the realm of healthcare can be fully realized by examining the terrifying phenomenon of "missing women", which Sen himself has expounded on in many of his works. Across India, neglect of the health and nutrition of the girl child has resulted in an unusually

high age-specific mortality rate of women. Stephen Klasen estimates the number of missing women in India to be around 35 million every year (Dreze & Sen, 2010). This is indeed a troubling number and signifies the deep-rooted sexism that hinders inclusive development in the nation. In the field of education too, girls receive far fewer opportunities than their male counterparts, depriving them of financial independence which in turn breeds social and political unfreedom. The financial dependency of Indian females on a husband or father reinforces the cycle of patriarchy in society due to which India has shockingly high numbers of domestic violence and rape cases.

Deprivation in the fields of healthcare and education definitely has an adverse impact on the well-being of women and severely limits their set of capabilities. Their sense of security is also impinged upon in an unacceptable way. Women are very often unable to work late at night due to lack of institutional security that is the right of every citizen. Due to this, they are frequently rejected for promotions or jobs that require such hours, thus limiting the opportunities and avenues available to them. Commonly known as the glass ceiling effect, many capable women are systematically denied higher positions or better jobs due to their sex alone. Such discrimination and deprivation of capability cannot in any way be looked upon as a mark of a developed nation.

The Human Development Report 2016, ranked India 131 out of 188 countries in the extent of gender inequality prevalent in the nation. This is hardly surprising, as the state of women in India is indeed a lamentable one. The large incidences of dowry, female infanticide, domestic abuse and rape are the more well-known indicators of this discrimination. However, other subtle factors such as neglect of female health, lack of education and limited job opportunities are as discriminatory and their expulsion must be viewed as crucial to the true development of India. Moreover, the agency and freedom of women, although undeniably important in itself, is also necessary for the realization of better economic growth and eradication of poverty. High female literacy rates directly result in lower fertility, which would be helpful in solving the problem of population.

The state of Kerala for instance, has taken impressive strides in the direction of ensuring a more equal and fair development trajectory for all its citizens. It has a female literacy rate of 92.07 and sex ratio as high as 1.06. Research in the arena of development has shown that educating and empowering women also leads to lower mortality rates in children, especially female children. Involvement of women in political and social life is has also proved advantageous. Thus, although gender equality is desirable as a state in itself, the enhancement of female freedom and capability is also vital for the growth and development of the nation.

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## Path Dependence Contextualised

Path dependence refers to the impact of historical events on current affairs and stems from the idea of history playing a vital role in channelling the events that occur today. The notion of path dependence, therefore, can be attributed to an accumulation of a series of historic events. Evolutionary economists today have been making use of the concept of path dependence as a theoretical framework to explain technology adoption and absorption by industries and nations. Looking at the idea from a statistical point of view, if one were to pick a coloured ball of either blue or red from an urn containing one of each, the probability of picking either would be  $\frac{1}{2}$ . If one picked the blue ball and replaced that and added another blue ball in the urn then the probability of picking a blue ball from the urn (now containing 2 blue balls and 1 red ball) is  $\frac{2}{3}$ . If yet again, one picks a blue ball and replaces it and adds another, the probability of picking a blue ball becomes  $\frac{3}{4}$ . If this exercise were to be repeated, the probability of picking a blue ball increases simply by virtue of it being picked at the first turn. These models are called Polya urn models and have been widely attributed to path dependency as they shed light on how an event that occurred in the past has an impact even as time progresses.

One of the earliest works that explored this phenomenon was David A Paul's *Clio and the Economics of QWERTY* published in 1985 where the author examined why the QWERTY thrived despite its lack of efficiency in comparison to the Dvorak Simplified Keyboard. It was proved that the DSK was faster and more comfortable to use than QWERTY with all the fastest typewriting records being won in the DSK and yet Christopher Sholes' Remington 2 (The QWERTY Keyboard) thrived. This can be attributed to 1) quasi irreversibility where it may have been very expensive to switch to DSK, 2) technological inter-relatedness between hardware and software where there would be a

need for schools and training centres to train the public on using the DSK and 3) economies of scale where network effects of one person using QWERTY can inspire others to use QWERTY. Another example of path dependence is the Industrial Revolution where it is speculated that the Industrial Revolution of the 18<sup>th</sup> century in Britain came about as a result of the invention of the steam engine. This invention would have triggered the demand for coal extraction which would have become efficient as a result of its derived demand from the steam engine. Likewise, the demand for iron and steel and hence their simplified extraction procedure could have caused the development of machinery and equipment to motorise factories. (Goldstone J.A, 1998). The Manufacturing Belt of USA is a prominent example of a specialised cluster where similar firms flock together and create backward and forward linkages leading to specialised hubs. For this to happen, one firm must settle in a geographical region and be profitable enough to inspire other firms to follow suit. This attracts more firms to enter the locality causing clusters as firms try to take advantage of these agglomeration economies. This becomes another case of path dependence. (Krugman Paul, 1991)

Similarly, the notion of path dependence can be explored in the way our cultures have evolved. Some of our religious sentiments prevail despite an increase in our education levels and awareness which makes us fall prey to certain social stigmas and even superstition simply because of its connect with history. Other examples include our demand for Khadi and indigenous handlooms in India. These are usually very expensive and are of high maintenance and yet there is a market for it. Can this demand be a matter of patriotism? Perhaps. However, the bottom line is that the driving factor behind these is that historically, they were representations of India's 'glory' and therefore continue to be so. Likewise, a glance at the oil section in a supermarket shows the availability of olive oil which was not there a couple of decades ago. Yet, most of us flock

towards groundnut/sunflower/mustard oil for cooking as opposed to olive oil simply by virtue of us having used it in the past and our parents having used it in the past and so on. Interestingly, history enables us to have reference points that are still accepted and used today like how in courts past records are studied for judges to issue an order. The recent Jallikattu protests in Tamil Nadu are a prime example of how courts have been using historical records to argue for and against the practice. Thus, the notion of path dependence though seemingly absurd at first, is more pronounced than we think.

One of the prime examples of path dependency comes from Prime Minister Narendra Modi's ideology of the Make in India campaign which sought to reproduce similar effects of the manufacturing success in East Asian countries. The argument for this campaign was that factories and industries were to be set up as they have the ability to provide employment opportunities to the rural folk. This will result in spill-over effects to other sectors leading to their development. By providing a conducive environment for industrialists in terms of incentives and a weaker rupee, India would be able to export more leading to growth. This export-led growth has been met with criticism by former RBI governor Raghuram Rajan as a mere focus on the manufacturing sector could cast a long shadow in the future as seen in the cases of Japan and South Korea. Both nations having to depend heavily on industries meant having to compromise building on their service sector. In an alternate form, the mistake of depending on one sector could lead to similar problems that oil-exporting countries like Iran, Iraq etc faced due to vagaries in market dynamics. Their accidental focus on export led growth in past have costed them when world oil prices have fallen and this could be the case for India as well.

To say that history is not important is an invalid argument as events today take shape and form of what happened in the past. In some cases, the general tendency is that we believe that 'the known devil is better

than an unknown one' and hence we hold onto practices that follow the linear path of what history took. In other cases, we seem to be blind followers of path dependence. Perhaps, path dependence arises simply because history repeats itself.

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## **Anti-Globalization: Impact on trade in India**

The Indian economy experienced a paradigm shift in the year 1991. The reforms of 1991, acted as a beacon that illuminated the path ahead to our stumbling and lost economy, allowing us to gain enormously from globalization.

However, looking at the current political scenario, particularly of the developed economies of the West, it is clear to see that the existing status quo of globalization is being threatened. Anti-globalist sentiments have grown in popularity as observed from the events leading up to Brexit, Trump's overwhelming victory and the growing trend of anti-trade and anti-immigration policies in countries like France, Germany and the Netherlands have led to low employment levels, low growth levels and growing inequality in the developed countries.

Delving into the economics of globalization, we see from past data that international trade has led to greater specialization and the combination of resources across nations has increased productivity and overall economic growth. International trade has increased the overall standard of people on an average. But that average tends to ignore the inequality of gains from globalization. The common man doesn't care about the rise and fall of GDP, but rather about their personal well being, the kind of benefits they are getting at a personal and a local community level, and the prospects of their children at having a better future. Even way back in the 1940s, Wolfgang Stolper and Paul Samuelson said that international trade will make some people worse off. In the long run, low skilled workers in advanced economies appear to lose out.

Globalization might be receding in the developed economies, but the major question that arises, what is the impact of anti-globalization on trade in India?

According to the Economic Survey, August 11, 2017, the growing trade deficit and the protectionist trends of the world are cause for concern in

the short term. From 2011 to 2016, India's share in global exports has stagnated to 1.7% with intermittent dips to 1.6%, the survey emphasized on the fact that there is a need for India to at reach "respectable share of at least 5 per cent".

Trade deficit data wasn't favorable either with an increase of 108.2% in the April-June period of 2017-2018, with high growth in imports and considerably moderate growth in exports. "To achieve a respectable share of 5 per cent in World exports, India's export growth rate (CAGR) has to be around 26.5 per cent for at least 5 years (2017-2021)" – (Economic Survey, August 11, 2017).

But now In-dia fac-es the head-winds of pro-tec-tion-ism, visa restrictions, high interest rates in the US which are go-ing to further affect ex-ports of goods and ser-vices, and even re-mit-tances in an ad-verse way. Even with the low share of world ex-ports, India has the scope to boost ex-ports in the existing global scenario.

A renewed trade policy with a focus on reviving export momentum, achieving high sus-tained growth and job cre-ation, is required to break the existing export stagnation.

Today, non-tariff barriers (NBTs) have become more significant in relation to trade than the primary tariff barriers. Non-tar-iff barriers, both at the bor-der and be-hind the bor-der, re-lates to issues of trade facilitation, i.e., the cost and efficiency of logistics due to both poor regulation and poor infrastructure. Unfortunately, India still hasn't given much importance to these barriers. If we do not improve on the non-tariff barriers, In-dia risks be-ing left be-hind, and thus the time for lo-gis-tics, trade and busi-ness facilitation is now.

Primary measures such as low rate tariffs; refining export promotion schemes as many duties have been subsumed under GST; export basket diversification based on demand rather than a mere supply based strategy and developing high quality export infrastructure and logistics.

A bigger focus on sector-specific issues, for instance making power

available at competitive rates, including relatively lower rates for non-peak hours can be a game changer for textiles exports sector. Similarly, increasing electronics hardware exports can be done with a hardware-software combination. A shift from assembling to building a robust manufacturing base with a well-established value chain is required.

A few decades back India had to reform itself to adjust to a world moving towards globalization, and we successfully managed the transition. Now, in a world moving towards anti-globalization, India stands a chance to gain big once again. As discussed before, equipped with improved export trade policies, India can cash on the protectionist trends in the developed economies of the West. By associating with BRICS and ASEAN where India already enjoys competitive advantage in terms of free trade pacts and comprehensive economic cooperation. India can emerge as a big player in the export market. In conclusion, India might have a winning hand. It just has to play its cards right.

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## **Triple Talaq – The Landmark Judgement**

The recent landmark ruling of the apex court - banning triple talaq - reminds me of Marx's dialectical materialism. To elaborate faintly, it is the 'existence of opposites in unity'. Triple 'talaq' refers to the practice of a man (belonging to the faith of Islam) divorcing his wife by merely uttering the term 'talaq' (the Arabic word for divorce) thrice.

Now, where do I discover the existence of dialectics in this case? The fact that women have largely remained oppressed in the Muslim community for years and that this is the time when the construct of women empowerment is gaining momentum provides for a ripe situation for the women to break free from any form of deprivation or oppression. Instead, there have been instances right after the judgment of the Supreme Court where Muslim women in India in several pockets of the country have protested against it. They want the judgment to be rolled back.

This phenomenon of dialectics is also exhibited in the judicial system of our country where the apex court failed to pass a unanimous judgment concerning triple talaq. Although the bench comprised of five judges, only three of them had taken a stand on this issue and ruled in favour of banning this malpractice of instant divorce. An institution designed to serve justice has in a way failed to do the needful. Lack of cohesion in dealing with such a sensitive social evil erodes the belief of the masses from the judicial system.

Another way of looking at it is from the viewpoint of the social fabric that encompasses the family power distribution in Muslim households. The very fact that a ruling is needed to curb such an ignoble exercise shows the psychological regressive patterns that the women are subjected to. Something that has lasted for years and has found opponents in a very few like Shayara Banu depicting a horrifying situation of helplessness of women or may be the lack of realisation of the strength amongst the womankind.

Taking the analysis to a slightly macro level, let us shift our focus on India as an institution in itself. She too has shown a sharp dialectical feature with regard to Muslims in the country. India has never been shy from boasting

its secular structure. And she has been even more expressive of it when a comparison of Muslim welfare in our country is made with the welfare of the Muslims in other countries, especially Pakistan. Probably we conveniently ignored that even Pakistan has banned instant divorce years ago. When we talk about the welfare of the people in general, why can we not get the uniform civil code in place, instead of combating one evil at a time?

Yet, one cannot take away the credit of the August 22nd ruling. It may not be an end in itself, but it is a move of progress and that counts. We can only hope for the system to unite as it has nothing but its parasitic demons to lose. The small movements as history shows begins with the conflict of opposites living in a system, resulting in the over throwing of the undesirable faction or the system itself.

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## **How Liberalization of Trade Changed India**

Post-Independence, India's leaders saw fit to develop India within and thought that there was no necessity to open India up to world trade. This stemmed from the mistrust due to the British rule and from the prior invasions over the decades. However, with the advent of the 1991 Balance of Payments crisis, India soon realized that the only option to save its hard-hit economy, was to engage in world trade.

The first thirty years post-Independence saw India with a slow growth rate of only about 3.5% which was referred to as the Hindu rate of growth by the communists. Although the new Government had implemented several programmes, the poverty levels were very high along with the unemployment levels but despite all these blatant problems, the policy makers refused to change the current economic scenario.

The 1991 Balance of Payments crisis started originating in the 1970's and shook the Indian economy in a number of ways. The trade deficit increased to Rs.16,900 crore from Rs.12,400 crore in 1990 and the current account deficit increased to Rs.17,350 crore from Rs.11,350 crore in 1990. These deficits led to a number of adverse implications in the economy and soon the average inflation rate shot up from 7.5% in 1990 to over 13% in 1992.

It was also characterized by a sharp decline in the GDP growth from 6.5% to 5.5% in the span of one year and the industrial growth rate also reduced to 8.2% from 8.6% which affected the growth of the industrial sector.

The crisis reached its peak point when it was realized that India's foreign exchange reserves were barely enough to meet the requirements of three weeks of imports. It had decreased to Rs.2152 crore at the beginning of 1991 from Rs.5277 crore in 1989. India was in a state of emergency and required immediate aid. The then Prime Minister Narsimha Rao along with Finance Minister Manmohan Singh took certain measures to combat the crisis and bring India back to a situation of economic stability. The rupee was devalued, industries were de-licensed, import tariffs were reduced

and the World Bank and IMF offered India a much-needed loan to tide them over, but on the condition that they would have to adopt a scheme of liberalization, privatization and globalization.

This new economic stance affected India in numerous ways, namely:

1) Increase in GDP growth – The GDP growth of India increased by 6.95% in the next decade and this showed that the opening up of India to world trade helped India in a positive manner.

2) Boost in Income and Savings – The savings and investment rates went up soon after the crisis and was steadily increasing over the years to come. The manufacturing and IT sectors also boomed with the new international integration. The corporate sector too emerged as a giant and all these sectors together helped create jobs and push up income and investment levels.

3) Decline in the trade deficit- the trade deficit which had been funded by the loan reduced and had been as high as 9% in 1990. As of today the trade deficit stands at around 3.5% which is a major improvement.

4) Convertibility and Global Relations – Opening up trade with other countries has put India on the world map. The sub-continent is popular among most countries and the establishment of trade relations was essential so that tariff rates were decreased and trade barriers were removed. Enhancement of world markets and development of countries were also effects of trade liberalization and globalization. The convertibility of the rupee also made for a comfortable foreign exchange position.

A few negative consequences also took place as poverty and inequality levels rose as the gap between the poor and the rich widened considerably. The benefits of globalization and liberalization of trade were largely limited and poverty reduction is a separate entity which the Government of today still needs to tackle.

Overall, liberalization of trade and globalization had a tremendous impact on the economy of our country and we can still see its effects today. Without this major change, we would be unable to eat at a McDonald's or a KFC; we wouldn't be able to buy Nike or Adidas shoes and we would not

have had access to as wide a range of materials and comforts that we are so used to today. Currently, the trade deficit of India as of 2017 is \$124 billion which has reduced from \$130.1 billion in 2016.

The number of jobs created and the visible positive changes in the economy such as the growth in GDP, decrease in inflation and gradual but present reduction of poverty are just a few of the ways in which trade liberalization has changed India. Through the 1991 Balance of Payments crisis, we see that every cloud, does indeed have a silver lining.

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III EMS

## **Dynamics of Capital Formation in Indian Agricultural Sector**

Growth in any sector of the economy depends upon various factors, the most important of which is the capital formation in that sector. In India, the capital formation in the agricultural sector grew at an accelerated pace over the first three decades since independence. However, its growth rate was drastically reduced during the 1980's due to an absolute decline in public capital formation. Fall in the real public investment in agriculture was due to falling allocation to the agricultural sector in the national plans, increase in recurring expenditure and partly also due to the under-use of the irrigation potential created mainly through medium and major irrigation projects. Many studies have revealed that falling public investment is affecting private capital formation in agriculture. As a result, we can infer that to a large extent public and private investments are complementary rather than being substitutes for each other. We have therefore considered the public and private investment in agriculture separately and to our understanding, we found for a period of time this relation to be complementary and for the other part of the time series, the same relation to be of substitution type.

We again divided entire period into two sub periods, viz., 1967-68 to 1980-81 and 1981-82 to 2013-14. The reason for dividing the entire period into two sub periods was the turnaround in the public-sector investments after 1980-81; the first sub-period represents the rising phase and second sub-period represents the declining phase of public sector investments. All the variables we had considered for our analysis exhibited a behavioral instability when examined with a Unit Root Test. As a result of this instability, we examined the changes in these variables (which were stable) by taking the second difference of the variables. We also performed the co-integration test i.e., Johansen Test and from this we concluded that all the variables are co-integrated. One major feature of our analysis is that we believe year-to-year variations in some of the variables like production distort our understanding of its relation with investment behavior.

We have therefore opted for averaging out the annual variations by taking three year moving averages and have uniformly adopted this procedure for all variables. We hypothesize that, past one-year levels of independent variables influence the current investment decisions. We have therefore used one-year lagged values of variables

Our analysis of the model for the period from 1967 to 2014 showed that the terms of trade for agriculture, flow of institutional credit and real agricultural production are strong determinants of private investment in agriculture. Public investment in agriculture is also found to be a strong determinant of private investment in agriculture though its importance declined after the 1980s. The least significant variable is technology indicating that development in the field of technology was inadequate during the initial phase of Green Revolution in India.

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Department of Economics

## One Tax - One Nation

At the stroke of the midnight of 15<sup>th</sup> August 1947, Pandit Nehru had delivered a historic speech, “A moment comes, which comes but rarely in history, when we step out from the old to the new, when an age ends, and when the soul of a nation, long suppressed, finds utterance”. Since then the Parliament of India has convened only four times for a midnight session. The recent one being the introduction of GST bill, which underlines the importance of arguably the world’s biggest ever tax reform. The Goods and Services Tax bill (GST) came into effect from 1<sup>st</sup> of July 2017. The journey towards a unified tax structure started way back in the year 2000 under the initiative of former Prime Minister Shri Atal Bihar Vajpayee, who realised the limitations of the prevailing general sales tax laws and pioneered a drive to push India towards new economic prosperity. It was with this vision that he set up the first GST committee.

The first empowered committee towards a unified tax structure was set up under the stewardship of one of the India’s finest economists Shri Asim Dasgupta (former Finance Minister of West Bengal) who later on became a driving force towards the realization of the ‘one tax- one nation’ dream. The next major step towards GST came in the year 2004 based on the reports of a task force headed by Dr. Vijay Kelkar. He had proposed a comprehensive GST to deal with the myriad problems and complications suffered by India’s taxation system. However, it was only in the year 2006 that a formal proposal was introduced in the Parliament by the then Finance Minister Shri P Chidambaram in his budget speech. After almost a dozen meetings of the empowered committee and eleven years since its first mention in the Parliament, it was finally passed as the 122<sup>nd</sup> Amendment of the Constitution in September 2016.

The introduction of the Goods and Services Tax (GST) has arguably been one of the most significant steps in the field of tax reforms in India. By subsuming a large number of Central and State taxes into one singular tax, GST will reduce the ill-effects of cascading or double taxation which had

plagued the Indian economy. Strictly from the consumer's point of view, a major advantage would be the reduction in the overall tax burden on goods, which is currently estimated to be around 30%.

The Goods and Services Tax Bill will undoubtedly affect the economic landscape of India. It has been widely admitted that GST would increase the current tax base in India. The current tax to GDP ratio of 16.6% shows how abysmally low India's tax base has been, specially compared to other developing nations like that of China which has a tax to GDP ratio of around 30%. GST will also shift the benefits of taxation from producer states to consumer states which will greatly benefit the resources of poor states like that of Uttar Pradesh, Madhya Pradesh and Bihar as they are large consumers.

GST would not merely have far-reaching effects in the manufacturing sector but also in the agricultural sector. The ambitious e-NAM project which looks forward to unifying India's numerous *mandi's* into one electronic platform so that the farmers can get a better price for the products, will become a reality if there is only one singular tax prevailing in India. India's previously fragmented tax structure warranted that each and every vehicle transporting goods needed to pass through inter-state check points. Agricultural goods being perishable, suffered huge losses in the process. *The Economist* had reported that Indian trucks lie idle for about 60-70% of their travelling time due to various check posts. GST will, therefore, reduce the cost of logistics which will greatly benefit the agricultural sector.

GST will further propagate the flagship idea of 'Make In India' of Shri Narendra Modi, by unifying the markets and paving the way for one common unified market and making India truly 'one nation-one tax'. The Government of India has also strongly claimed that tax governance will become much easier and efficient as the self-policing system and the dual monitoring by both the Central and State Governments would make tax evasion extremely difficult.

However, a tax structure which will be affecting millions of people in a diverse country like that of India does not come without its criticisms. The tax structure that has been finalized by the GST Council clearly reflects the appeasement and vote bank politics that were taken into consideration. The impact that GST would have on government budgets through changes in tax collections were curtailed and various exemptions have been given out resulting in a further complication in the tax structure. Even though the government tried to maintain an element of progressivity, the State GST coupled with the Central GST does not completely do away with the cascading effects of our tax structure. The problem thus lies in the fact that in order to maintain dominant political concerns the GST tax structure loses its essence with multiple rates, multiple exemptions is far away from the one tax one nation idea.

Although the government has claimed that GST would be difficult to evade because of its self-policing structure, one should bear in mind that because each and every taxable producer needs to have a Central and State license for the filing of GST, it might lead to an increase in ‘Inspector Raj’, something that India has witnessed before.

It has also been widely claimed that GST is a direct blow to the federal structure of our economy. Article 1 of the Indian Constitution clearly states that **‘India, that is Bharat, shall be a Union of States’**. By proposing a tax structure which supersedes the authority of states, the Central Government has directly tarnished the federal structure of India. It will be a matter of huge concern to see how the state government and central government cooperate in the future and whether or not it will have a negative impact on our democracy, given the intense political rivalry prevailing in India.

Last but by no means the least, there was a huge outcry on social media to make sanitary napkins for women tax-free as it is a necessity. However, the government did not only disregard such suggestions but

levied an exaggerating 12% tax on sanitary napkins. This is an irony since *sindoor* was tax-exempted. Issues like these might seem trivial but does point out to a larger political narrative on how the government treats the priorities of women and the image they want to portray regarding the empowerment of women.

Only time will tell if GST was indeed the biggest and best tax reform introduced by India and whether all the issues currently being faced are just trivial in nature. There will be a great onus on the Central and State governments to react immediately and effectively to any issues faced by the consumer or the producer. Needless to say, a tax reform as big as GST will take time to accurately reflect its effect on the Indian economy. The least we can do till then is hope that GST will in fact propel India towards greater economic prosperity.

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II MA ECO

## The road less travelled~ Being thy honest self

It is often said that in order to truly succeed at what you do, it is a pre-requisite to 'non-conform' to what is ordinary and strive beyond set limits and boundaries. In many ways, this might be an anomaly given that the world is set to function through laws, regulations and codes of conduct that enables it to cater to the most basic principles of law, justice, equality and order. The world of Economics is no different, being bound by rules, theories and assumptions set in place in order to truly understand the implications of common economic thought and perception.

What then brings in the trait of differentiation, coupled with a singularity of human nature? In simple words, what would set oneself apart from the rest to make one a unique asset to society? It is often a very ignored and forgotten truth of what answers those questions and can be stated in simple words as the ability to be honest, true to one's values and a free-thinker in a world otherwise bound by regulation.

Honesty, integrity and free-thinking in simplified words are according to my experience, forces that can set you apart and yet bring in an urge to unite your individual goals with the vision of the world around you. This very force was what drove me at every single point through my years at Christ University. Whether it was chance that brought me to the subject of Economics or an individual aspiration, the truth of what I have said above couldn't be more precisely told by the core of the subject we studied every single day.

Ideas of 'free-information' provision and 'contractual' efficiency being laid on the foundations of perfect information and market symmetry were often stated as conditions that exist only in the most abstract of contexts and never in the real world. Yet, their implications could be seen to extend to the principles that teach us the very value of everyday life- to be not only honest, but also transparent in one's actions and to reap the gain that is due

to you and not a pie in excess. If we applied such understanding to the loopholes that exist in most economic transactions of the world today, we would be able to change our very perception of the dynamics of exchange and root them into the very basics of what we studied in the classroom. However, such change would be a matter of time and conviction of those who frame our policies and those who run them. However, it isn't impossible for us to apply the same in the way we deal with circumstances, events and people that come our way.

What makes a person successful is his endeavour to speak up and live by 'what is' and what exists, being a hundred percent true to oneself and true to one's labour. Whether it is a dream or a goal that enables you to realise its value or a college community that guides you along the same path, that fact is that, once you have understood the irreplaceable worth of honesty, you could consider yourself a traveller along a significant road less travelled by many others. Yet, with the power of inspiration within us all, what 'is' possible is the ability to move the ones around you by the belief in the value of honesty. That being said, the highest truth of all is a faith in one's potential to set a high standard of achievement for one's endeavours and to inspire those around you to do the same. With such an accomplishment, success would be an everyday miracle and one would perceive the true value of its meaning in everyday life.

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