



DEPARTMENT OF ECONOMICS

2019 | VOLUME V

# ILLUMINATUS

*Radiance of Knowledge*



# ILLUMINATUS'19

Radiance of Knowledge

VOLUME 5

Department of Economics  
St. Xavier's College, Jaipur

# Preface Message

It is a matter of immense pleasure and pride that the Department of Economics, St. Xavier's College, Jaipur is coming up with its 5th edition of ILLUMINATUS - Radiance of Knowledge. The department feels extremely over-whelmed to present this journal which is a live combination of student's initiative to discover and explore the new avenues and challenges in the field of research and ethics. It is not wrong to say that the phrase "Learn, Action and Transform" is quite apt for the economics department of St. Xavier's College, Jaipur. It is such small integrated efforts that provide students with a plethora of opportunities to inculcate the gist of the economics as an autonomous discipline besides what the curriculum offers.

I would also take the opportunity to thank the entire management and my colleagues Mr. Yashwardhan Singh, Head, Department of Economics and Dr. Sapna Newar for their exemplary support and inspiration towards promotion of such exertions. My heartfelt gratitude to the editorial team who have set an example of coordination and cooperation in front of all. Kudos to their sincere efforts and strong dedication. I would like to further appreciate all the students who have contributed papers, book reviews and interview for the journal.

The editorial team has tried to invite research papers from all the sub-disciplines of economics so that the students can have a proper analysis of the subject in its minute detail. So, we wish all the readers an enjoyable reading and learning. As another year comes to an end, I would like to wish the students best of luck for their future endeavors and encourage researchers to actively contribute papers in the future.

Many congratulations to the editorial team for the successful compilation of ILLUMINATUS.

Happy Reading!

**Ms. Poorvi Medatwal**

Faculty Coordinator

# From the Editor's Desk

*"Research is formalized curiosity. It is poking and prying with a purpose."*

- Zora Neale Hurston

Being curious is the most precious gift of a young mind and to put that gift to good use, is research. Research is perceiving the core of a discipline and analyzing those aspects which no one else has ever gone through. It is an integral element without undertaking which it is impossible for the economy to witness economic growth and development. ILLUMINATUS is one important step in this direction. Illuminatus aims to indulge the readers in a diverse environment of knowledge and derived opinions.

This year's edition of Illuminatus provides readers with a variety of research papers based on wide ranging aspects of the Indian and World Economy. International topics like – BREXIT - From here to where? have allowed students to openly analyze the core of the issue. Further, steaming topics like- Ola vs. Uber have gone a long way in comparing the captured markets by both the companies and analyzing their future strategies and prospects in India. Moreover, topics like-eNAM, Fat tax etc. have helped to a large extent in understanding economics from the periphery to its core. This year's edition provides something new to explore such as India vs. China and Rajasthan Assembly Elections hailing from the wide variety of disciplines.

Illuminatus 2019 is largely a compilation of hard work, determination and dedication shown by our teachers, the Editorial team and the paper contributors. The success of this edition largely goes to each and everyone associated with it and those who have added extra-ordinary values to the journal.

Working for the 2019 edition of journal has been a great experience of learning. It has provided us lessons in integrity, leadership, coordination and most importantly cooperation and acceptance. We hope you find great value and knowledge in the 2019 edition of Illuminatus.

Happy Reading!

**Lukansha Gopalan**

**Ishaan Arora**

**Richa Mishra**

# Messages

Illuminatus has successfully completed 5 years, and this wouldn't have been possible without the dedication and diligence of students and the guidance of the teachers. The months of hard work has finally bore fruits and it makes me happy to declare that the fruit is really sweet. The wide vision through which each and every topic has been researched makes me proud. I hope that wherever the students go they will keep the head of their family and this institution held high.

**Fr. Varkey Perekatt S.J**

Books are not the only way to learn and the students of our college has proved it yet again. Learning by doing is one of the best way to explore new horizons and Illuminatus is the best example of it. The Department of Economics, with its creativity and resourcefulness has promoted students in the field of research. I wish students all the luck for their future endeavors.

**Dr. Sheila Rai**

I am happy to know that the students of Department of Economics have come up with the fifth edition of Illuminatus. Projects like this help students to get better at the practicality of their core subjects and learn about certain topics in depth. I would like to extend my sincere regards and wishes to all the paper contributors and the editorial team for their duteous efforts and hard work and wish them good for their future.

**Fr. Joshy Kuruvilla, S.J**

The best way to create future is to research it. This is exactly what Illuminatus stands for. The research of students and the dedication of the team has made the fifth edition of Illuminatus possible, and like every year it has a wide range of topics ranging from politics to economics and much more. I congratulate all the students for their hard work and wish them the very best for their future.

**Fr. Sherry George**

# Messages

I couldn't be more proud to announce the fifth edition of Illuminatus. The students have worked hard for this to happen. I congratulate all the paper contributors for their research on such wide area of subjects and the team of Illuminatus for their months of hardwork that has finally paid off. I wish everyone all the best for their future.

**Mr. Yashwardhan Singh**

Illuminatus is the best way to test the theoretical knowledge taught inside the four walls of class room in this practical and rational world. I congratulate all the team members who have worked hard to make this possible and all the paper contributors for their efforts and wish all the luck in the world for their life ahead.

**Dr. Sapna Newar**

What makes Illuminatus special is that it is a hub of knowledge created by the knowledge seekers. The work put in something so wonderful is truly commendable. I appreciate all the paper contributors for their efforts and the team deserves an applaud for their dedication and diligence all through the year. I would like to wish all of them best of luck for their future.

**Ms. Gatha Kumar**

## Editor's Speak

Illuminatus is a thoroughly revised and reviewed economics journal for enhancement of research in different areas of the subject. Our editorial team aims to bring before the readers some of the exceptionally weaved informative pieces which will definitely serve as an excellent reference for the coming years. Hereby, we're pleased to announce the 5th edition of Illuminatus. And as an Associate Editor, I take this opportunity to express my sincere gratitude to all the authors for taking out time to extend their helping hands in the making the Journal. Further, I would like to thank all the editors, fellow editors and faculty members for the success of the Journal.

**Lopamudra Mishra**  
(Associate Editor)

It was great working with Illuminatus this year. My overall experience has been wonderful. Our endless discussions, editings and meetings has finally emerged into this unique piece of Journal which makes me extremely proud of the diligence and sincerity of the team. Lastly, a big thanks to all the faculty members as it wouldn't have been possible without them.

**Anshika Bajaj**  
(Associate Editor)

Being a part of team Illuminatus has been an exhilarating experience. Our team have put in immense amount of work in discussions, meetings, structuring of research papers and meeting the deadlines, yet with the team all this work was fun. It was a feast of knowledge and a realistic way of learning economics. My special gratitude for all, who guided me. I cannot miss this chance to thank all those who helped and contributed in this endeavour.

**Shailee Satviki Saboo**  
(Assistant Editor)

"Tell me and I forget. Teach me and I remember. Involve me and I learn." This is what being in the team of Illuminatus stands for, from the beginning we have been learning through proper guidance and involvement. Working together taught me a lot of lessons be it life or economic. This has been one of the best learning curve of my life till now. I am grateful to the team members and teachers who with their proper guidance not just made it an educational experience but a memorable one too.

**Tanishq Israni**  
(Assistant Editor)

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## BOOK REVIEW

# **INDIAN ECONOMY AT A GLANCE**

## **SECTION 1**

## **OLA VS. UBER: WHICH TAXI SERVICE GIANT HAS A BETTER HOLD OVER THE MARKET?**

Lukansha Gopalan, Richa Mishra

### **Abstract**

*Over the last several years, India's taxi war has been limited to two mega-players -Uber and Ola, which together hold nearly 95% of the market. In this paper, an attempt has been made to do a comparative study of two giant taxi aggregators that have significantly changed the way "the Indian middle class" commutes daily and how they are contributing from the supply side to the Indian economy. Currently, both of these companies are working on expanding their operations and building a customer base in cities across India. Their main motives are to increase their market share and achieve economies of scale while providing customer satisfaction. This paper seeks to understand the dynamics of India's taxi market by studying the oligopolistic market form it operates in and various factors like the pricing, market share, etc.*

### **Keywords**

Uber, Ola, Cab service, Taxi Aggregation.

### **Objectives of Study**

- To study the functioning of the oligopoly market structure in which both companies are currently operating.
- To find out the benefits derived by the consumers and the drivers employed under these companies.
- To find out how they are leading to job creation and better employment.
- To explore the qualitative aspect of their employment structure leading to better living standards.
- To find out how the government should regulate them.

## Review of Literature

Keller had stated that Brand awareness consists of brand recognition and brand recall performance. Aaker had defined Brand Awareness as the ability of a buyer to recognize or recall that brand as a member of a certain product/service category. Measures of Brand Awareness such as recall and familiarity developed by MacKay and Agarwal and Rao are widely used in marketing research. Prior to Aaker, Rossiter and Percy had defined Brand Awareness as the consumer's ability to identify or recognize the brand. Brand awareness is the extent to which a brand is recognized by the customers, and is correctly associated with a particular service. Expressed usually as a percentage of the target market, brand awareness is the primary goal of advertising in the early months or a year the service started. Brand awareness is related to the functions of brand identities in consumers' memory and can be reflected by how well consumers can identify the brand under various conditions. While there are many TNC start-ups, Uber the dominant service in the United States (Hawkins 2015, Harris and Krueger 2015). Most of the quantitative insights into TNC labour markets have also been focused on Uber, particularly UberX, which we will assume is similar in dynamics to competitors such as Ola cabs. A paper was co-written by Jonathan Hall, Uber's head of policy research, and economist Alan Krueger is the most direct information available on Uber's drivers (2015). It also compares the characteristics of Uber drivers to the American Community Survey (ACS) data on cab drivers from a similar time period. It shows that the number of Uber drivers began growing at an increasing rate after the launch of UberX, resulting in over 160,000 active Uber drivers in the U.S. by the end of 2014 (Hall and Krueger 2015). Since 2014, Uber has also repeatedly cut base rates on its UberX service to encourage more ridership, which it says has resulted in more take-home pay for drivers, and launched the lower-cost car-pooling service UberPOOL (2016). By the end of 2015, the number of active drivers for Uber and Lyft combined totalled almost 500,000—roughly the same as the number of taxi drivers and chauffeurs nationally, according to CPS estimates (Cramer and Krueger 2015). As in India both the cabs are shown at its peak but the difference in the market capturing and service quality of both Uber and Ola In 2013, when Uber entered India and Ola turned more aggressive in the face of competition, the two companies went all out to lure drivers: promises of high earnings and minimal commission—as less as 10%—to be paid to the

aggregators. Thousands were drawn to the industry, with over 1.5 million Indians driving for Ola and Uber alone by now. A good number of them had even quit their salaried jobs. But as the sector matured and the two rivals turned their focus to profitability, the drivers suffered. "They are rationalizing them (drivers) so that their unit economics improves," said Dhananjay Sharma, online mobility analyst at RedSeer Management Consulting. "It is very essential for them to decrease the incentives. It is in line with their business model. In November 2016, for instance, taxi drivers in Guwahati went off the road over reduced incentives. The next month saw cabbies in Hyderabad going on a five-day strike. A month later, it was in Bengaluru. The February 2017 strike in New Delhi lasted 13 days. Protests have rocked cities like Chennai, Kochi, and Mumbai, too.

### **Research Methodology**

A descriptive research design is followed in this research work. Descriptive research is used to describe the characteristics of a population or phenomenon being studied; the characteristics describe the situation or the population. For data collection purposes two separate questionnaires were used, one each for drivers and consumers.

### **The Sampling Method**

Convenience sampling method.

### **Sample size**

100 respondents were drivers and 100 respondents were consumers.

### **Sample area**

Respondents were from various parts of Jaipur.

### **Data collection**

Primary data collection was collected by questionnaire method. Two Questionnaires were made; one for the drivers and other for the consumers. Secondary data collection was done in various books and research papers.

### **Tools Used**

Google forms, MS WORD, MS EXCEL.

## **Analysis and Findings**

India seems to be going through a “Taxi” revolution. The key market structure we will indulge in this paper is the oligopoly market structure. This market form is prevalent where the market is dominated by a small number of large firms. The taxi market falls into this category of market structure. As a result of the small number of large companies providing taxi services, they can greatly influence price and other market factors. In the purview of the paper, the product provided by the firms i.e. taxi services are considered to be homogenous, but what makes a firm different from the others, i.e. heterogeneous, depends on the level of comfort and safety provided to the consumers as well as the producers (who here are the drivers providing the cab service), the quality of taxi experience, etc.

The country has witnessed the entry of app-based taxi service through aggregators such as Uber and OLA in 2013, offering efficient and economical cab services to the citizens operating in urban and rural lifestyles. Both Ola and Uber offered passengers air-conditioned taxi services at comparatively cheaper fares.

### **Uber**

Uber Technologies Inc., an American worldwide online transportation network company, entered Indian Taxi Services Market in 2013 and initiating its base operations in Delhi in December 2013. It develops, markets and operates the Uber application, which allows consumers with smartphones to request a cab, which the software program automatically syncs to the nearest possible available Uber driver, alerting the driver to the location of the customer for pick up.

As of 2017, Uber provided its cab services in over 65 countries and 600+ cities worldwide. In India, as of April 2018, It operates in 33 cities and has around 4,50,000 cars employed. Uber had started a food delivery service – UberEats in 2017. Uber's net promoter score (the percentage of five-star reviews minus one-star reviews on Google Play) is 56%, which is higher than its rival.

### **Ola**

ANI Technologies Pvt Ltd. an Indian Aggregator with OLA as its trade name introduced the app-based Taxi and auto services initially in Mumbai in 2010. It is now

based in Bangalore. It provides different types of cab services to its customers ranging from economic to luxury cabs. The cabs can be reserved through a mobile application. It supports both cash and cashless payment options. The cab reservation is similar to that of Uber, as the consumer has to submit a request either through its app or website and then the nearest available driver is alerted of the consumer's location for pick up. A feature different from Uber, is that an OTP (One-Time-Password) is generated to match the driver assigned and the consumer, which is an added security feature. Since 2016, Ola has allowed booking cabs through text messages and it also supports nine regional languages.

Ola, as of 2018, had expanded to a network of more than 10,00,000 cars across 110 cities. Ola acquired doorstep-delivery start-up FoodPanda, in 2017. Ola's Net Promoter score is 45%.

### **Swot Analysis**

#### **Uber**

##### **Strengths**

- Uber has a well-recognized brand.
- The unlimited fleet of vehicles available. Regular Taxi service regulations are not applicable to Uber.
- Dual rating system boosts safety and trust.
- A convenient system for the drivers. Ease of flexible work hours and choice of being a part-time employee.
- Drivers also have the liberty to reject unwanted clients.
- Lower prices as compared to traditional taxi operators.

##### **Weaknesses**

- Easily imitable ideas. Prevention not possible of competition presenting the same product/service.
- Questionable ethics between Uber and the drivers. Loyalty between Uber and its drivers is quite low due to lack of real connection.

- Uber has yet to create a bond with its consumers in terms of regionality.
- Cost of operating vehicles is very high and the drivers do not earn much.
- Privacy concerns arise as Uber records the pickup and drop off locations of the consumer.

## **Ola**

### **Strengths**

- Had a head start as a taxi aggregator in India.
- Acquisition of Taxi For Sure made it No. 1 in India.
- Higher awareness in public due to aggressive marketing techniques.
- Huge customer base & increasing due to network effect and coverage of more cities.
- Regional diversity accommodation measures such as an increase in regional languages to operate the app.
- Multiple rounds of venture capital investments which have made the brand financially strong.

### **Weaknesses**

- Drivers are the face of the company and brand image gets affected by their misbehaviours.
- As the demand is huge, the amount of cash in usage is huge.

### **Market Distortions**

Both Uber and Ola have come a long way. Both taxi giants have adopted vigorous marketing strategies to capture the markets and to establish a stronghold in the industry. The oligopolistic market form is known for strategies used to ward off competition by setting prices below the average cost of a competitor. This strategy is majorly used to kill competition in the market. Uber and Ola both have actively adopted these strategies, and so have driven out many competitors to occupy a 95% majority in the market. Uber had the knowledge about its major competitor Ola and Ola had to deal with a Competitor at the brink of its initiating increases in its price and reducing the promotion codes to finally



seek some profits. Thus, a race started between the 2 companies for the majority market share and customer base with the maximum number of available cab drivers.

For capturing the consumer market, Uber used the heavy discount codes and low prices. For attracting the drivers, Uber followed an easy and quick structure to recruit drivers with a good salary method which even lured drivers from other companies to switch towards Uber. Due to this, despite of being present in lesser cities than that of Ola, Uber was able to capture a good share of the market which was an alarming situation for Ola. Currently, none of the 2 companies is making any kind of profits from their application based services; they are completely working from their funding and are bearing huge losses due to discounts and low prices.

In the field of innovation, both the companies are capable enough to provide any kind of innovative approach that the rivals can use as happened in the case when Uber introduced 2 wheelers transportation system which was then adopted by Ola within 24 hours. The fight right now is not for the profits as both the companies are in their infant period; the only fight is for the market share for which both the companies are ready to bear any amount of losses. It is too soon to declare a winner or to expect one in near future.

One of the major conflicts that are happening between the companies and their drivers, who aren't employed by the companies and there is no contract or agreement between the two parties, is that the cab drivers want increasing income and the companies want to increase their margins. a conflict that will become worse as Ola and Uber will have to further cut losses as they attempt to go public. Strikes by drivers of Ola and Uber have times band again turned out to be a damp squib as they bore no fruits, but they surely highlighted the harshbusiness model of cab-hailing platforms which requires them to squeeze drivers, leaving them with thin earnings, to generate higher margins, drivers said.

Until early 2017, Both companies used to hand out multiple incentives to attract drivers incentivizing them to switch, often from other professions or companies. After luring hundreds of thousands of drivers, both Ola (ANI Technologies Pvt. Ltd) and Uber (Uber India Systems Pvt. Ltd) had to reduce the incentives as investor pressure increased, inducing them to cut losses.

Despite protests by cab drivers, Ola and Uber continued to reduce incentives ever since. “When Uber and Ola came to India first, they assured drivers salaries like Rs. 80,000-

100,000 per month. But now, drivers are earning approximately just Rs. 15,000 to Rs. 25,000 every month, out of which Rs. 5,000-10,000 goes for the vehicle's EMI,” as told by the drivers. For Ola and Uber, the drop in incentives, which had accounted for a large chunk of the income earnings of cab drivers, has resulted in lower cab supply. Tens of thousands of drivers have left these platforms altogether due to lower incomes and it is expected more may leave in the coming future, according to drivers and as analysed by industry observers. Increasing company margins from initial 5% to current 25% has caused a decrease in the incomes which aren't adequate to cover their EMIs and manage to save some money for the future as they end up covering just about their expenses.

### **Government Laws and Regulations in the Taxi Market**

In India, vehicles that are intended to be used for business purposes have to be registered as a commercial vehicle, which means there are a lot of permits which have to be applied for, e.g. taxi permit, radio taxi permit, yellow taxi permits, etc. There are certain guidelines which are provided to the taxi drivers but as such, there are no legislative laws governing the taxi aggregation trade. There are no clear rules or laws which may operate if there's a violation of any of the guidelines.

According to these guidelines, the taxi aggregators must not own or lease any vehicle, employ any drivers or represent themselves as a taxi service, unless also registered as a taxi operator. Taxi operators have to maintain a minimum fleet size, office space and parking space for all taxis, among other requirements.

On October 08, 2015, the Central Government had issued an advisory to the state governments to enact and enforce necessary rules to regulate the affairs of *On Demand Transportation Technology Aggregators i.e. Taxi Aggregators*, induce their compliance to laws and to ensure the safety of the passengers who avail these services.

Adhering to the Central Government's advisory, several states have issued draft rules for the purposes mentioned above, which inter alia include the following provisions:

- **License Provisions :** These provisions make it mandatory for aggregators to procure licenses from the respective authorities, state the period of validity of the licenses, application and renewal procedure and conditions to be satisfied to become eligible to procure such a license.

- **Vehicle Profile Provisions :** These provisions provide the minimum requirements and permits that each vehicle needs to be equipped with such as an integrated GPS tracking unit in order to qualify to be enlisted as a taxi on a digital marketplatform of an On Demand Transportation Technology Aggregator.
- **Driver Profile Provisions :** These provisions mention the qualifications of the drivers and the licenses/permits that they have to procure in order to be eligible to drive taxis enlisted on a digital market platform of an On Demand Transportation Technology Aggregator.
- **General Provisions :** These provisions govern the miscellaneous aspects of the On Demand Transportation Technology Aggregator business such as areas of operation, maintenance of records, zero tolerance policies, etc.
- **Penalties :** These provisions lay down the procedural and substantive aspect of penalizing the On Demand Transportation Technology Aggregator and the individual drivers for defaults and offenses committed by them under these rules.

The Committee to propose Taxi Policy Guidelines to promote urban mobility was constituted by the Ministry of Road Transport and Highways to review issues related to taxi permits and guide, submitted its report in late 2016.

The Committee reviewed issues related to taxi permits in cities and suggested taxi policy guidelines which will provide states with a common detailed framework to formulate regulations for taxi operations. Key observations and recommendations of the Committee include:

- **The growth of cars :** The Committee had noted that Indian cities suffer from severe traffic congestion which amounts to losses of approximately Rs 60,000 crore per annum, and adds to pollution levels. One of the major reasons due this is the uncontrollable growth of cars in Indian cities. Lack of reliable and convenient transport alternatives has resulted in the growth of car ownership in the country. Currently, only about 5% of Indians own a car. With increasing car ownership, the problem will only worsen in the future. The Committee recommended the need for a national level policy intervention to promote shared mobility over private vehicle ownership, in order to reduce congestion and pollution in cities.

- **Taxi permits :** The Committee noted that in most cities taxi permits have not been issued after 1998. Further, several conditions attached to these permits have become out-dated at par with the advancing technology. These act as barriers to entry into the market. It recommended that states should facilitate unhindered grant of permits for all taxis without restrictions. In addition, states should allow online grants of permits. Further, the conversion of personal vehicles to commercial vehicles should be allowed online on the payment of certain charges.
- **Aggregators :** An aggregator is defined as a digital intermediary or market place for a passenger to connect with a driver for the purpose of transportation. The aggregators can aggregate all types of vehicles only after it is ensured that the vehicle complies with all the taxi regulations and has all the permits. Their services can be provided for intracity as well as inter-city operations.

The Committee recommended that such aggregators must get their apps validated from the Standardisation Testing and Quality Certification or any other agency authorized by the Ministry of Electronics and Information Technology.

They should also have a physical presence in the states where they are operating.

They must also include a firewall for the security of personal data of the passengers.

A grievance redressal system and an emergency response centre to handle alert calls by passengers should also be provided.

- **Taxi permissions :** The Committee recommended that city taxis may be allowed to continue as street hailing taxis. However, they must also be allowed to ply on aggregator platforms. Taxis with All India Tourist Permits may be allowed to operate for all purposes except as street hailing taxis. The taxis must carry a valid permit, insurance, fitness certificate, and pollution under control certificate at all times. The taxis must also be fitted with a global positioning system (GPS).
- **Types of taxis :** The Committee recommended that taxis may be segregated into two categories: economy (less than four meters in length), and deluxe (more than four meters in length). The tariff of deluxe taxis should not be regulated and must be determined by market dynamics.
- **Taxi operations :** The Committee recommended avoiding unreasonable restrictions that would make taxi operations economically unviable. All taxi operators (including

aggregators) must not have restrictions on the composition of their fleet (economy or deluxe cars).

In India, the Competition Act, 2003 governs the competition issues. Any anti-competitive practices of manipulating the competition or adoption of predatory pricing to kill the competition are being looked after by Competition Commission of India (CCI). Both Ola and Uber have been dragged before the Competition Commission of India (CCI) by the affected competitors for the following reasons:

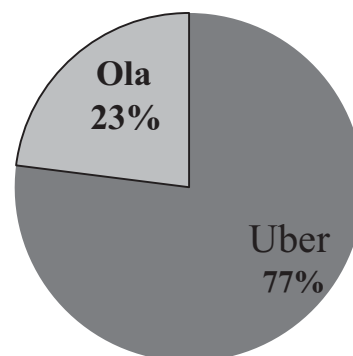
- That both Ola and Uber, backed by huge funding from abroad has indulged in a series of abusive practices which included predatory pricing policy to establish their monopoly and eliminate other competitors from the radio taxi services market.
- That Ola and Uber are holding a dominant market position and abusing their dominance through unrealistic incentivization of drivers leading to exclusion of other competitors and creating entry barriers.
- That Ola/Uber's direct cost for providing taxi services was way above their revenue from customers.
- That Ola/Uber have been offering discounts and loyalty rebates to their customers which led to discriminatory pricing.

The cases against them both have been dismissed, for Uber, there wasn't an investigation but Ola had to go under investigation. In both cases, they were allowed to freely operate as there wasn't a concrete proof of Uber's domination in the stated area and as for Ola, the company was directed to change their pricing system.

#### **Market Distortion: Market Capturing (Consumers)**

The consumers, mostly between ages 15 years to 40 years, who were questioned under this study were subject to a set of questions which were curated to find which company was preferred over the other and for what reasons.

#### **Consumer's Preference**



**1. Which company's service do the riders prefer more – Uber or Ola?**

77% of the consumers preferred Uber over Ola. Uber was leading over Ola was due to ease of the booking process and safety concerns. 87% of the riders felt safe while riding a cab. Most of the riders were referred to the apps through their friends. 57% of the users found the applications convenient to use.

**2. Did the journey represent value for money?**

51% of the riders felt that it was only sometimes that they felt the journey's fare was value for money, especially in the case of Uber as it is able to provide better fare.

**3. Did the riders feel safe while hailing a cab at night?**

39% of the riders did not feel safe hiring a cab service at night, almost all of these were female consumers. Their main suggestion was the inclusion of female drivers.

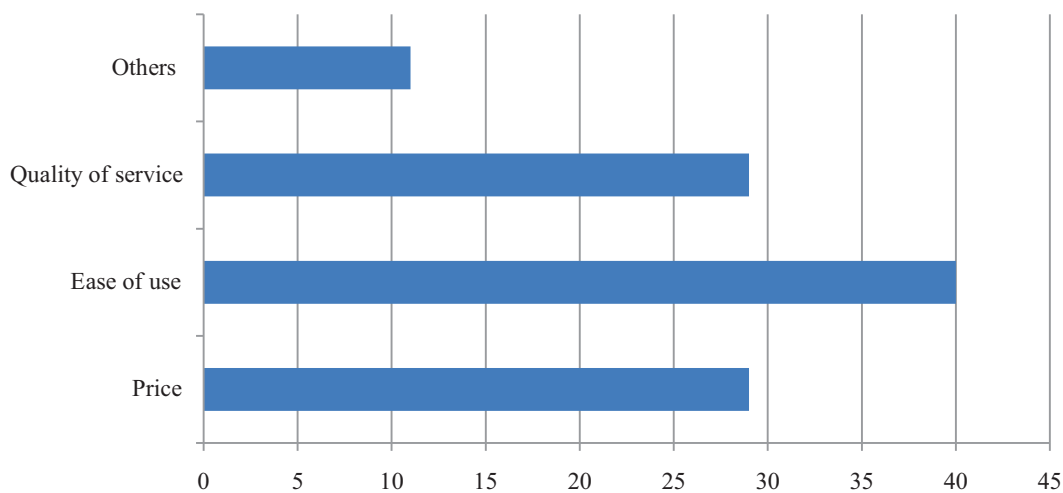
**4. Are the riders satisfied with the payment system of the companies?**

74% of the riders felt satisfied with the payment system. Majority of this percentage was Uber riders. The dissatisfaction was majorly due to the surge pricing algorithm of these companies, where during certain peak times the fares for the cabs are higher than usual. Ola and Uber both have a cap at surge price of 1.2 times or 2 times over the base fare. Apart from the payment system, 75% of the users were satisfied with the distance & transit billing through GPS (Global Positioning System)

**5. Which factor leads the riders to choose the respective cabs?**

For the consumers, it was majorly the factor of ease of use that influenced their selection of cab services, under this category it was Uber that was preferred more by the consumers. Price and Quality of service also weighed in. Other factors included – driver professionalism, prompt service, etc.

## Preference factors



### 6. What level of driver professionalism was experienced in Uber and Ola?

43% of the users rated their experience with the drivers to be moderately professional while 33% of the users were not satisfied with their drivers' professionalism. Causes such as refusal of short distance rides, taking the longer routes in order to increase the fare, drunkenness, etc., seemed to add up in this dissatisfaction. In the comparison of the companies, either of the companies didn't stand out in terms of driver professionalism.

### 7. Which benefits of hailing the cab appeal to the riders?

The utility of tracking where the cab is and which route it is taking, in-app payments, transaction history, no need to call, etc. were the major reasons why people preferred getting a cab.

### 8. Did the riders feel there should be female drivers as well?

75% of the riders felt that there should be female drivers as well.

### 9. Overall, how satisfied are the riders with the services provided by Uber & Ola?

44% of the riders were very satisfied with the services provided by the companies. 12% of the riders were dissatisfied due to payment issues and drivers' behaviour.

### **Market Distortion: Market Capturing (Drivers)**

Both Uber and Ola followed aggressive strategies to attract drivers to their companies, even lure them in from other rival companies. When both the companies started their base operations, it was difficult to invest money in a fleet of taxis and train drivers, so they instead chose a method which was relatively easier for the companies; they gave hefty salaries to people who were willing to drive with their own cars. These hefty salaries initially ranged from Rs. 60,000 to Rs. 80,000. This strategy lured drivers from other companies as well as new drivers towards the company. The ones who didn't have their own cars leased or purchased them on loans, and since they were getting good salaries it was easier for the drivers to pay those instalments. As soon as the companies acquired a decent fleet of such drivers, which was evidently quick, they started withdrawing this strategy of giving hefty salaries. Their main motive here was to do personal advertisement by the enrolled drivers to the prospective drivers. This was successful to a great extent for the companies but its trickle-down effect after the withdrawal of this policy was devastating for the drivers. As the salaries were withdrawn the drivers now were mainly dependent on the ride fares and this led them to have little to no savings left with them after instalment payments and expenses.

The companies also gave good bonuses and target based incentives which added to the driver's incomes, but gradually they were all reduced and stopped.

Upon the survey, the following general information was found out from the drivers:

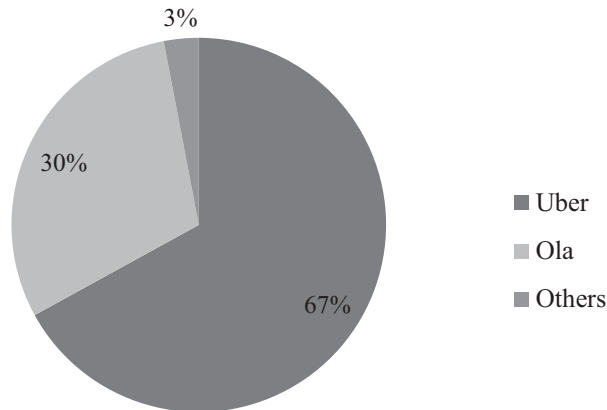
- Most of the drivers were a 10th pass (SSC) or school drop-outs.
- Most of the drivers got to know about Uber/Ola through referrals from their friends.
- Most of the drivers managed to eke out at least 70-120 rides per week.
- The drivers were usually online for 10-15 hours of the day.
- The drivers did tend to pick up passengers apart from those dispatched through the app.
- There is no minimum number of rides required to maintain their account.
- No tools/equipment was provided by the companies.
- There was no contract between the drivers and the company. The drivers are, in essence, independent contractors and not the employees of the company.



- Both companies required a copy of their Vehicles' documents such as vehicle inspection certificate, insurance papers, etc., and a copy of personal documents such as driver's license, PAN card, etc.
- Both the companies required police verification. Uber required it periodically, every 6 months.
- 11. The drivers can leave the company at their will.
- 12. The company can terminate their service anytime.

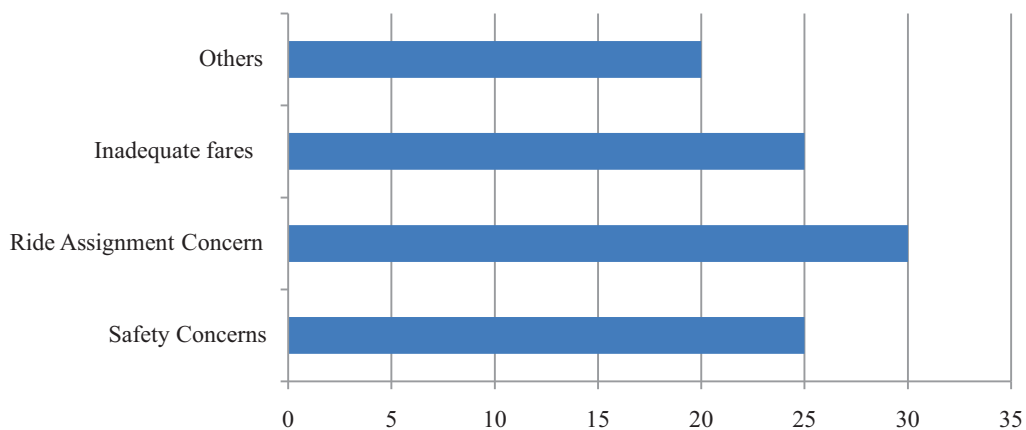
Apart from these, the drivers were asked certain questions regarding their satisfaction of working with Uber or Ola.

1. Which company do you prefer working for?

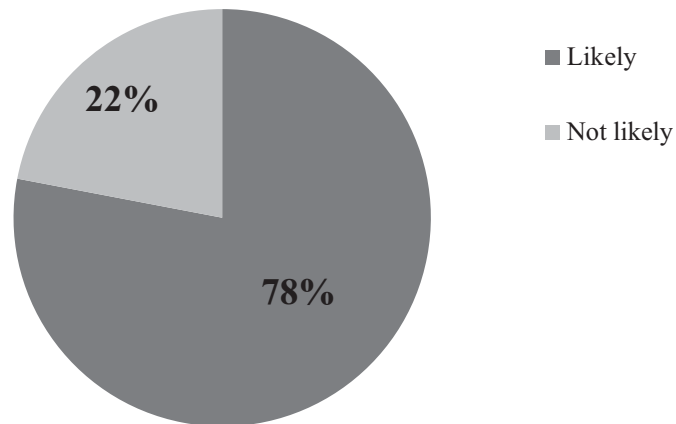


2. Are there any specific concerns that they had while driving for the company(s)?  
 Apart from these, the drivers also had job security concerns.

### Concerns



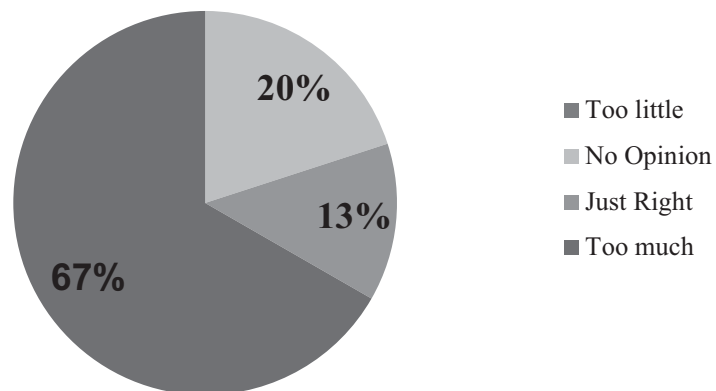
3. How likely would the drivers refer to working for these companies to their friend?



4. How much does the company charge as their commission per ride?

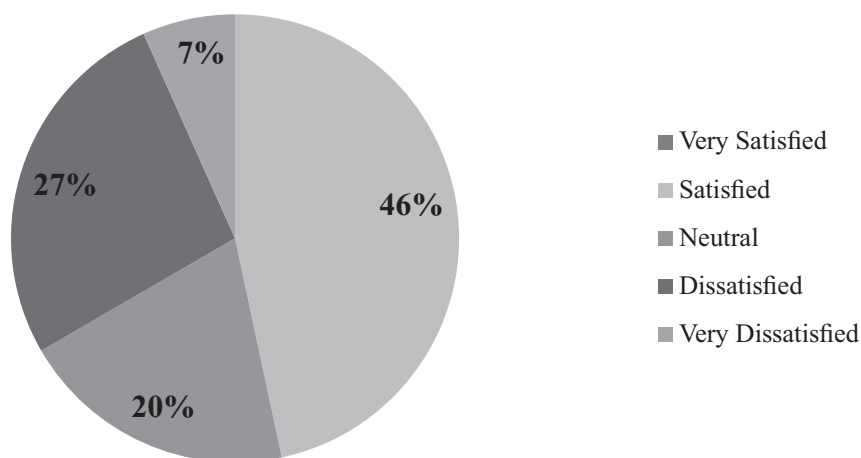
Both the companies currently charge 25% as their commission. As per the drivers, initially, the company would charge 5% and gradually this charge increased. Some drivers complained about the fluctuations in these charges.

5. Do you think the company's commission percentage is fair?



## 6. How satisfied are you with compensation and driving experience?

Majorly the dissatisfaction among the drivers was due to the high commission charges, fewer incentives, and bonuses.



This strategy that the companies followed to lure drivers can be compared to giving food to a hungry person and snatching it right before they are about to take a bite. The drivers were fooled by the lucrative offers and once the companies got their desired hold, they withdrew them back vigorously which left the drivers high and dry. Now, their only source of earning is ride fares. While talking to some drivers, it was found that they do get weekly target incentives but not all of the respondents replied in the same manner.

### Conclusion

According, to the driver's point of view the taxi aggregation business still remains unexplored, after realizing the actual view of drivers, that they are not satisfied with the companies. Uber and Ola, as individual companies, have been facing huge losses still because of the aggressive market strategies of the individual auto/taxi industry. As mentioned above about the company's commission of 25% (per ride) this margin seems to be too much for the drivers as they are left with little to no savings and are not able to make normal profits. Drivers switch their accounts to other services as the schemes provided to them are basically targets for a week, which they end up finishing soon, so they switch off the app and take rides without the booking through the app.

In the aspect of training and safety of the drivers, a major lacuna is that there is no driver support mechanism, and as mentioned above, a majority of the drivers are either 10th pass or school drop-outs, so it isn't easy for them to write up an e-mail for whichever issue they face, they are not able to review the customers. There have been a lot of cases in India of passengers' misbehaviours which they are notable to report immediately. Their cases, sometimes, are solved or get neglected.

They are not trained for emergencies like medical aid (first aid), accidents etc. Company does not take any responsibilities or provides any compensation to the drivers if they are injured in the accidents or any reimbursement for the vehicle damage, there are no such safety and security measures taken by the company for the drivers.

There is a lack of inclusion of drivers in the company's business which leads to them feeling disconnected with the companies. But still, the drivers are willing to work for Ola and Uber because of the flexibility of hours and don't want to be unemployed, earning at least some income is better than nothing.

As for the war between the two giants, from the driver's point of view, Uber seemed to be more preferred by the drivers as it was less hassle as compared to Ola.

As we look at the customer's point of view the major issue is the surge price which is extremely high and the customers are very dissatisfied. Another reason for the dissatisfaction among riders is the ride cancellation from the drivers sides for which the cancellation charges have to be paid by the passengers. Navigation apps are not periodically updated due to which drivers and passengers are not able to track their exact location which leads to miscommunication between the drivers and the passengers. But at the same time customers feel that it is the easiest/most convenient way to reach their destination as it is time saving and they are very attracted toward the cashless/paperless transaction payment methods. The carpooling system (Uber pool and Ola share) seems to be a hit among the consumers, as their individual fare gets shared with the others, it is also a great initiative to reduce pollution.

As can be derived from the above research, customers are more satisfied in riding with Uber rather than Ola because it is easy to use and convenient and they feel more safe and secure with Uber than Ola.

## Suggestions

After this research, we asked for suggestions from the driver's side and the customer's side. Drivers need the companies to reduce the commission margin. There should be a ceiling to cap the commission margin. Safety and security measures should be taken for the drivers also and in case of any accidents drivers should get at least some compensation and reimbursement for the damages that have happened.

Better training should be provided to drivers for emergency situations, and monthly performance report should be given to the drivers by which they can improve their quality of service. Also, it has been seen in Uber and Ola there is discrimination among the drivers as some quoted that they didn't get targets or incentives whereas some did.

After asking from the regular and weekly users of Uber and Ola most of the female passengers but also male passengers think that inclusion of female drivers is must. Most of the female passengers do not feel safe even in the night time to travel using cabs. Customers also suggested to the reduction of the surge price and updating of the navigation app (GPS system) which would make booking the cabs more convenient.

There are no stringent laws governing the functioning of such taxi aggregators so the government intervention is a must.

Aggregators should preserve and provide on demand the data regarding taxi trips. There should be strict laws regarding usage of such data and respect the privacy of the consumers.

Violation of the stipulated rules by the taxi operators/ drivers should be strictly dealt in accordance with the laws. Aggregator Platforms must establish a policy of zero tolerance for discrimination or discriminatory conduct while a driver is working on such platforms. Discriminatory conduct may include:

- Refusal of service
- using derogatory or harassing language directed at passenger;
- rating a passenger on the basis of sex, race, caste, creed, religion, or nationality.

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## POSITIVE EFFECTS OF PRADHAN MANTRI UJJWAL YOJANA

Neel Madhav Joshi

### Abstract

*The Pradhan Mantri Ujjwal Yojana is a flagship scheme of the Indian government, which aims to provide cooking gas(LPG) connection to approximately 5 crore households free of cost, who have been living below the poverty line(BPL families) according to the Socio-Economic Caste Census of 2011. The scheme also provides a subsidy of 1600 which is directly transferred to the Jan Dhan bank account of the woman head of a particular household to curb corruption and ensure women empowerment. The Pradhan Mantri Ujjwal Yojana was launched on 1st May, 2016 by the Prime Minister of India, Shri Narendra Modi in the Ballia district of Uttar Pradesh. The district was specifically chosen because of it having a very small number of households who had an LPG gas connection.*

### Objectives of the Study

This particular study includes data and conclusion from both first hand research and other secondary research, and its main purpose is to analyse the impact of the Pradhan Mantri Ujjwal Yojana in the rural areas of Rajasthan.

### Introduction

A paper published in International Journal of Trend in Research and Development, Volume 5(1) talked about the social inclusion aspect of the Pradhan Mantri Ujjwal Yojana, meaning that how this flagship scheme of the government has helped in the social inclusion of the poor and marginalized Below Poverty Line (BPL) families.

The research methodology of this specific paper is descriptive and exploratory in nature where empirical study has been made about the poor, the backward and the marginalized society, their economic and social inclusion by government plan and schemes, specifically covering the Pradhan Mantri Ujjwal Yojana. In the research, attempts have also been made to clarify on the understanding and workability of this welfare scheme. The benefits which are being reaped by the use of cleaner fuel by the social inclusion of BPL families through this scheme have also been analysed. The researchers have relied on the reports, news and survey for the descriptive analysis of Pradhan Mantri Ujjwal Yojana.

This paper used the survey done by a financial consulting firm 'Micro Save Asia' in 12 districts of Uttar Pradesh as the basis of their findings. The findings of this research showed some positive effects arising out of this scheme. The cooking which is being done on the gas stove is helping in saving 1-2 daily hours of women, mainly because of faster cooking on the gas stove and no more time being invested in the collection of unclean fuels such as firewood. The women are utilizing this saved time for leisurely activities or in some other work of pursuit. Also, the lack of smoke because of the use of LPG made their utensils cleaner and houses smoke free, whilst also reducing health problems in women such as burning sensation in eyes, coughing and redness. The beneficiaries also found the enrolment time of 10-15 days for the scheme to be short and were quite satisfied with the scheme.

A research paper published in the International Journal of Engineering Technology Science and Development, Volume 5, Issue 2 talked about the issues and challenges which were to be faced by the Pradhan Mantri Ujjwal Yojana, while also highlighting the benefits of this scheme. This was also the main objective of this paper.

This paper's findings on the benefits of the Ujjwal Yojana were based on the careful study and analysis of the main highlighting points of the scheme. The Ujjwal Yojana, by providing LPG connections to the BPL families will ensure universal coverage of cooking gas across the nation to reduce health hazards, and will also serve as the fastest route towards a switch from traditional, unclean fuels to the more modern and cleaner fuels. It will also reduce the time spent on foraging for firewood, dung and crop residue whilst reducing the cooking time with the help of stove. The gas connection and the funding money will be provided in the name of the woman of the household, which will ensure an increase in women's status and decision making power in the society. The scheme will also ensure an increase in employment in the supply chain of cooking gas in rural areas and will also help in curbing migration from rural to urban areas. It will also help in reducing deforestation which was previously done for the collection of firewood.

## **Research Methodology**

### **Design**

The design of this study involved both qualitative and quantitative aspects in it. In terms of its qualitative nature, this study was an exploratory Participant Observation which was done by keeping in mind the purpose of the research. The research was a cross-sectional study.



### **Data Collection**

To meet the problem of collection of data, many volunteers were picked from the ongoing Yuva Vikas Prerak Yojana where the YuvaPreraks(the surveyors) went to the beneficiaries of the scheme and filled the schedules which were given to them according to the information provided by the beneficiaries.

### **Units and Variables for Analysis**

To have an understanding and an overview of the area where the beneficiaries live:

- Topography
- Demography
- Gender
- Age
- Income Size

To have an understanding of the condition of the beneficiaries before and after the implementation of the scheme:

- Health Parameters before and after the scheme
- Reduction in Expenditure on Health after the scheme
- Impact on Empowerment of Women because of the scheme

### **Scope**

The study was undertaken in various districts of the state of Rajasthan which is divided into seven divisions. The following are the divisions of Rajasthan:

- Udaipur Division
- Kota Division
- Jaipur Division
- Bharatpur Division
- Jodhpur Division
- Ajmer Division
- Bikaner Division

### **Sampling**

Non probability purposive sampling was undertaken for the completion of this research. The study did not involve any particular district or area in particular, rather it was done in 22 districts involving subjects from all the seven divisions of the state of Rajasthan.

### **Sample**

As this research is about knowing the impact of the Pradhan Mantri Ujjwal Yojana, the subjects of the study involved the beneficiaries of the same scheme, which were selected at random. The study involved around 1765 participants.

Instruments/Tools of Research-The information concerned was collected by the YuvaPreraks after a direct interaction with the folks of the village. The data of an individual beneficiary was filled in an individual schedule specifically designed for this research. The schedule involved questions based on the variables which are mentioned in the content of the paper.

### **Data**

The concerned data was gathered with the use of both primary sources and secondary sources. While the primary source of data involved directly asking the woman of the house, the main beneficiary of the Ujjwal Yojana the concerned questions, the secondary sources involved asking a particular member of the family the same questions to know how the scheme has impacted the woman beneficiary of their house.

### **Time Period**

While the scheme was launched in the year 2016, its impact was being measured in the year 2018. The process of collection of data from a particular village and locality involved a whole team visiting the houses of the beneficiaries and collecting the concerned data from that whole area in not more than one or two days.

### **Method**

For the completion of the research, the first and foremost activity that was done was the careful analysis of the various parameters with which the impact of the scheme would be measured. After that, the formation of the schedule in which the information was to be gathered was done keeping in mind the parameters which are needed for the analysis of

this scheme. After the collection of data, this research paper was written in which the careful and intricate analysis of the whole scheme has been done with the data collected showing the impact of the Pradhan Mantri Ujjwal Yojana in the state of Rajasthan.

### **Analysis and findings**

India is an economically backward country with a colonial background of almost 200 years, where 22% of its population lives below the basic poverty line. What also highlights its backwardness is the fact that most of the population, 69% to be exact lives in rural areas and almost half of its population still depends on agriculture and related activities for their livelihood. In such economic conditions, where incomes of quite a number of households is ₹5000 per month at max, it is virtually impossible for families to get an LPG cooking gas connection for their homes.

Out of 24 crore households in India, almost 10 crore households were deprived of an LPG gas connection. The situation is such that many households cannot even imagine having a gas connection in the coming decade or two. With these problems, these households depend on other sources for their cooking needs. As most of these families live in rural India, where agriculture and related activities are the main sources of employment, people use cow dung as the main source for their cooking needs. It is easily available as most people in rural India have cattle such as cows and buffaloes, whose waste material is converted into dung and then used for cooking purposes.

Also prevalent as a means of cooking is firewood. Most rural areas in India is surrounded by forests or a semi-dense vegetation, where different kinds of trees grow. Many people, mostly women who have the responsibility of doing all the household work of their homes wander around in these areas to forage for firewood, without which they won't be able to cook the food for their families.

As mentioned before, most poor families in India are marginal farmers whose livelihoods depend solely on agricultural activities. For their cooking needs, these families use the crop residue to cook their food. Crop residue can be defined as the leftover material left in the fields from the harvested crops, i.e., the stalk, stems, stubble, leaves and seeds. These stalks work as good as firewood and do work quite well as a source for their cooking needs. For the most, it is the stalk and stem that is used by people for cooking.

The use of coal, a fossil fuel is also prevalent amongst these families for the purpose of cooking. Coal is a fossil fuel which is easily available in most areas of India. It is also used by power plants for electricity generation. Unlike the other sources, which are either leftovers, biological waste or residue and can be obtained for free, coal is to be bought by these families for its use in cooking.

There is one thing common between all the above mentioned four sources of cooking, either they are available for free, or they are available very cheaply. That has not been the case in LPG cylinders and gas connections. Before Pradhan Mantri Ujjwal Yojana, most houses which had the privilege of using LPG gas connections mostly belonged to urban and semi-urban areas, and their family earnings were such that none of them belonged to the underprivileged class, i.e., the below poverty line class. Even though the LPG cylinders were available at a subsidised rate, they were still significantly high for the BPL families, not to mention the cost of getting a gas connection. This always kept the underprivileged class away from the benefits of using cooking gas.

The PMUY is the first such scheme by the Ministry of Petroleum and Natural Gas which plans to benefit the poorest of the poor of our nation, mostly women by subjecting them to the benefits of using an LPG gas cylinder for cooking.

The scheme had multiple reasons to be launched. The first and foremost reason of the scheme to be launched was because of the health benefits it would be providing to its beneficiaries. When people use the more conventional and traditional sources for cooking, such as the above mentioned ones (firewood, dung etc.), these unclean fuels (fuels which show incomplete combustion and leave residue, mostly smoke behind) create an excessive amount of smoke, which is very harmful for the ones who breathe it.

A report by the World Health Organization (WHO) which talked about the health hazards of this smoke said that the smoke that is inhaled by women by the burning of unclean fuels is equivalent to inhaling the smoke of 400 cigarettes a day. Also, HAP arising from combustion of solid fuels for cooking is a major contributor to four of the top five causes of mortality and morbidity in India, and HAP is also a significant contributor to outdoor air pollution. Sources of unclean fuels such as cow dung contains harmful green house gases such as methane, and some researches have even connected it to arsenic poisoning.

This is a very dangerous figure, which shows just how dangerous the inhalation of this smoke is for the respiratory organs of the one who inhales it, the woman being the most common inhaler. Incidentally, respiratory infections is the most common cause of death among 5 year old children in developing countries.

Also common amongst the inhalers is the problem of coughing. As these harmful fumes are inhaled, they irritate the breathing and respiratory organs, who then try to cough the unwanted gases out of the body. In some cases, the smoke from unclean fuels is also known to cause blood in the sputum.

The health problems related to the burning of unclean fuels is not only limited to respiratory troubles, but it has also been observed that they cause a lot of issues relating to the eyes. Almost everyone who uses cow dung, coal, firewood or crop residue to cook their food experiences eye problems such as redness and soreness in the eyes and watery eyes. This is because the gases that these fuels release after being burnt directly hit the eyes, which irritates them. A research recently concluded that the people who use cow dung to cook their food rather than the cleaner LPG gas have much more chances to develop the problem of cataract compared to the users of LPG. The health hazards of using these traditional, unclean fuels certainly was a very major factor for the inception of such a scheme.

Another major reason for the implementation of the scheme was time. In households where the families use these unclean sources of fuel for their cooking needs, they need extra time for various things. First and foremost, a lot of time is required for the collection of these fuels. For the collection of firewood, people, mostly women have to go and wander into the nearby forests to forage firewood. This is a very complex and time consuming process, as if they choose the wrong wood, they will not be able to light a fire and cook their food.

The households which use dung cakes for their cooking needs also need time. Dung cakes are made from the stool of the cattle, mostly cows and buffaloes, and to make a dung cake out of their stool, the stool first needs to be shaped and then it needs to be dried under the heat of the sun. This whole process takes time.

Most families who use crop residue as a means of cooking their food and need to allot time in its collection. Mostly, the residual stalks and stems of the harvest are used for the purpose of cooking, which again needs to be picked and collected from the farm.

The families who use coal probably require the least amount of time, as they cannot forage for it. They can only buy it. But that makes it the most expensive way of cooking out of all the other conventional ways of cooking.

The factor of time is not only prevalent in the collection of these traditional fuels for cooking, but also in the process of cooking itself. When these traditional fuels are used for the purpose of cooking, they require the use of the traditional 'chulha', as they are not made for the modern gas stoves. The 'chulha' requires a good amount of effort and time to be lit up, not to mention the techniques one must be aware of to light the firewood or any other unclean fuel. Time is also wasted in controlling the intensity of the fire of the 'chulha'. As there is no knob which can be set on high or low to control the intensity of the flame, one has to take care of it so as to not burn the food because of high flames or to not undercook it because of low flames.

The time that most women spend in the collection of fuel and cooking with it can be utilized somewhere else. Many women, especially in the rural areas have small children, for whom they aren't able to care the way they should. If time is saved in cooking activities, these small children will be better cared for.

There is a very famous quote in English which says- "Time is money." The logic behind this quote is applicable in this situation also, which also highlights the importance of the monetary benefits of the PMUY. If women were able to save the time that is used by them in cooking activities, they can use the time in other activities where they can earn some extra money. In rural areas, agriculture is quite prevalent. Women in rural areas can easily find agricultural work if they can save time in cooking activities. Women can also find employment by availing MGNREGA, wherein 100 days of employment is guaranteed, otherwise its compensation can be availed. There are also many schemes where the government encourages self employment from the side of women.

Some may also choose to use this extra time for recreational activities, which are also an integral part of human life, and which these women had been deprived of because of so much time of theirs being occupied in cooking activities.

In many households, the women of the house also ask their daughters(if any) to help in the kitchen work so that they can save some of their time. It has been observed that these girls often have to drop out of schools owing to household work, especially that of the kitchen.

If time is saved in the kitchen, these girls can be enrolled in schools, and thus will be able to receive education.

One of the most important benefits which was kept in mind while devising and launching the Pradhan Mantri Ujjwal Yojana is the benefit of Women Empowerment. The PMUY plans to empower the women in a vast spectrum of ways. In India, high incidence of poverty is visible in its economic structure. In such an economy there are a very small number of citizens who are connected to the financial system of the nation, i.e., to the banks. It means that a very small number of people have bank accounts, and the percentage of bank accounts of women is even lower. If bank accounts of women could be opened (under schemes such as the Jan Dhan Yojana) and used for a welfare scheme, it would certainly empower them, that too in monetary terms. That would also boost the small savings in the nation, as with bank accounts at their helm, women can deposit small amounts of money at regular intervals and save it for future use.

If with the help of LPG cooking gas, the comfort of the women can be increased by reducing their work time, reducing eye-related disorders and curbing illnesses relating to respiration, it certainly increases their comfort and amounts to women empowerment. Another way which measures women empowerment is if the women are able to make monetary gains out of the saved time which they once allotted to cooking.

With these things in mind, the Pradhan Mantri Ujjwal Yojana was to be drafted and later implemented amongst the poor, especially the women, so as to provide them with the above mentioned benefits which they had been deprived of before. But schemes like these also encounter various problems at different stages of its drafting and implementation.

The most complex problem that the policy makers faced was related to identifying the beneficiaries of the scheme. The government did not have proper and authenticated data with which they can identify the poor households and Below Poverty Line families. If the data somehow has some mistakes, the benefits of the scheme might go to some of the well-off families.

Another major problem that they were bound to encounter was that of maintaining the supply and demand of the LPG cylinders. As the government planned to add a lot of new users to the user base of LPG cylinders in a short time, it would've added a lot of pressure on the supply line, and if the scheme was not implemented properly, the demand of

cylinders will not be met in time. The infrastructure of India, especially in rural areas is not so developed, which will affect the demand and supply chain even if the production is able to cope up with the demand of LPG cooking gas.

The other major problem that the policy makers were bound to encounter was related to the funding of this scheme. The state exchequer was bound to take a huge hit due to the implementation of this welfare scheme. Some way had to be devised so as to fund the scheme, whose total cost was to be around ₹8000 crore.

The policy makers also faced the complexity of deciding how the benefit of the subsidy is to reach the beneficiaries of the scheme. Though this was not as big a problem because of the Pradhan Mantri Jan Dhan Yojana. But the government also had to think about how this scheme can ensure empowerment of women, especially the women of rural areas who aren't as empowered as the women of urban areas.

At the time of the launch of this scheme in the year 2016, the government's Aadhar based schemes were in news for the wrong reasons, mostly because of issues such as privacy, and there was no good way to know as to which family deserves the benefit of this scheme. So the government decided to use the data of the Socio-Economic Caste Census of 2011, which was the best available source of data available to them for determining the beneficiaries of this scheme.

The problem which pertains to the meet the increasing demand of LPG gas cylinders can be solved, provided their production is stepped up. As far as the infrastructure in rural areas is concerned, the government has launched the Pradhan Mantri Gram Sadak Yojana, a scheme whose only focus is on rural road construction. As of April 2018, the PMGSY is able to construct 130 kms of roads everyday. This surely serves as a good solution in improving the infrastructure which can help in bettering the supply lines of LPG cylinders.

The scheme required a lot of money, ₹8000 crore to be exact. Before the start of the scheme, the government ran a nationwide campaign by the name of 'Give It Up Initiative'. Under this, the well off households were requested to give up their LPG gas subsidies whose benefit they had been reaping for a long time. Because of this initiative, almost 1.13 crore households have up their gas subsidies, which in monetary terms amounted to ₹5000 crore. This money was used to partially fund the Pradhan Mantri Ujjwal Yojana.



As far as the problem of giving the benefits of this welfare scheme directly to the beneficiaries was concerned, the government already had in place the required infrastructure, i.e., the bank accounts. The beneficiaries were to get the amount of the subsidy directly in their bank accounts under the Direct Benefit Transfer(DBT) scheme. The innovation that the government did in it was that the money will go in the account of the woman head of the house, thus empowering her.

The procedure for applying as a beneficiary of the scheme is as follows-

- A woman of the BPL household, may apply for a new LPG connection (in the prescribed format) to the nearest LPG distributor.
- While submitting the application form, the woman needs to submit detailed address, Jandhan Bank Account and Aadhar number of all members of the household.
- The connection will be issued by the Oil Marketing Companies (OMCs) to the eligible beneficiaries after processing the application.
- In case the consumer opts for EMI, the EMI amount will be adjusted against the subsidy amount due to the consumer on each refill.
- The impact of the scheme can be seen from the below tables-

Total No. of families- 1765

<b>Income Group</b>	<b>No. of Family</b>
Below 2500	441
2500-3500	453
3500-5000	456
5000-5500	386
>5500	29

- Average monthly expenditure on fuel and health

<b>before Scheme (in Rupees)</b>	<b>after Scheme (in Rupees)</b>
1998.33	1433.23

<b>Expenditure on health per family (in Rupees)</b>	
<b>Before Scheme</b>	<b>After Scheme</b>
1789.92	1250.55

<b>Health Issues</b>	<b>No. of families Affected Health Problem</b>	
	<b>Before Scheme</b>	<b>After Scheme</b>
Eye Problem	1371	550
Respiration Problem	1236	578
Headache Problem	913	304
Other Problem	202	32

### Overall impact of PMUY Scheme

Overall Impact of PMUY Scheme		
	YES	No
Increasing Woman Empowerment	86.29	13.71
Reduction in Health Hazards	89.69	10.31
Reduction in cost of producing food for Family	69.52	30.48
Increase in level of Happiness	84.19	15.81

### Conclusion

Though the impact of the scheme was easily devised on factors such as health and money, there was a difficulty in finding out details such as the number of hours saved, income generated from the time saved and girls enrolled in school. Even though these things took place, quantities data could not be obtained because of the fact that villagers were not educated enough to know about these things.

Secondly, after getting one cylinder, the refilling of the cylinders were not up to the mark. This points to a high level of dropout rate in the number of beneficiaries of the scheme, which is as high as 50% in some areas. This defeats the whole purpose of this scheme. This constraint needs to be taken care of.

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## INDIA VS CHINA – A RACE TOWARDS SUSTAINABILITY

Ishaan Arora, Himani Tilwani

### Abstract

*India and China are although neighbouring countries which are quite different in their prospects of growth and development but currently are suffering from a major problem of air pollution which has not only taken tolls of many lives but has adversely impacted the league among them towards achieving sustainability in environment. But that's not a problem. Each economy in its pursuit of growth and development faces problems but once you are on the right track of witnessing targeted growth what matters is how you compensate all the environmental damage that has been caused by your strive towards achieving development. Delhi, the capital of Indian subcontinent and Beijing, the capital of China have been added in the list of the most polluted cities across the globe by many international level agencies as the level of pollution these cities have been generating is far beyond what is desirable according to the limits set. As we all know that our capital city has been currently facing environmental crisis, the need of the hour calls for us to devise stringent and efficacious measures to bring it out of such crisis. But we the people of India do not take anything seriously until the problem reaches such a stage when it becomes life threatening. But China and its citizens have shown that if all the natives join hands together for bringing any positive change in their economy then positive outcomes follow. There was a time when the air in China became so polluted that it was impossible for the people to breathe let alone do anything. The quantity of smog in China's air was so much at its peak that China became the largest emitter of greenhouse gases. But it's better to be late than too late and the Government and the citizens of China pledged to restore the blue sky which they have not seen for years. The govt. came up with many innovative policies like inducing the natives to give up the use of coal stoves and furnaces at home. Further the govt. came up with Chinese watchdogs i.e. a wider network of monitors tracking the levels of PM2.5 which if inhaled can cause serious ulcers, neurological and breathing problems. So the main aim of the research is to compare and contrast the two most polluted cities, their conditions and how much are the serious in taking the problems associated with this environmental crisis they are trapped in.*

**Keywords**

Polluter-pay principle, sustainable development, eco-friendly goals, Red Alert, Cloud Seeding.

**Objectives Of Study**

- To find out and analyse how the two cities-Beijing and Delhi inspite of facing same severe environmental crisis leads to ecological recovery in Beijing,China but Delhi continues to witness nothing but increase in its severity.
- To compare and contrast the psychology of Indians and Chinese in terms of their attitude and perceptions towards their own surroundings.
- To find out to what extent India's economic growth and development policies are concerned with attainment of environmental sustainability and how China has already achieved it with its conceited efforts.
- To find out how the ecological balance of India got into so much crisis as we see today.

**Review of Literature**

Elizabeth Gogoi, a working Consultant based at Oxford Policy Management (OPM) Delhi clearly points out about the depressing state of the Indian Capital city and states that of all the comparisons made between Beijing and Delhi , the picture is going against Delhi declaring it most deadly than Beijing, China.Even the WHO Report published in 2014 i.e. 5 years from now suggest that the Beijing was much better than Delhi in the context of the noxious particles of PM 2.5 which are considered to have hazardous health effects and can cause many cardio-vascular and respiratory diseases. Moreover, a public health emergency was declared by the Indian Medical Association in Delhi stating that inhaling the polluted air in Delhi is equal to smoking 50 cigarettes in one day.The Air quality Index in Delhi has reached alarming levels(999) as of 7 November 2017 as reported by Dr Arvind Kumar, a Chest surgeon in Sri Gangaram Ram Hospital has made it difficult for the people to breathe in open air. This has made the residents of Delhi prone to the risk of many kinds of Cancers (primarily lung cancers), asthma and many such deadly diseases.

### **Research Methodology**

This study is chiefly established on secondary data accumulated from the research analysis of Daily News and Analysis Newspaper and is also incorporated from certain produced and unproduced reports.

### **Analysis and Findings**

Pollution is not just a problem of India or China, in fact it is an international aspect. It is like a slow poison which is slowly and slowly dissolving itself in the arteries of the Mother Earth causing it to choke. We all want to have a clean, peaceful and clear environment but the fact is we don't want to put our efforts in it. Our lazy and lethargic approach towards the environment is not of recent time period but has existed for years and today's grave situation is the result of this care-free attitude. And now the time has come for us to switch our attitude from care-free one to that of more conscious and aware one. At present many researches have been going on across the globe regarding analysing the causes of air pollution and the mitigation measures that can be undertaken to curb it. Researchers from various backgrounds are largely interested in going at the core of the problem and develop sustainable solutions to manage and curb the problem of air pollution.

However, the main focus of our research is to compare and contrast the situation of Delhi, India and Beijing, China in its context and find out how both these cities are in there strive towards combating air pollution.

### **China and its strive against Air Pollution**

China which is officially referred to as the People's Republic of China is a country situated in East Asia and is the most populous country in the entire globe, India being the second largest populous country in the world. This analysis holds significance as Both India and China are the neighbouring countries and are quite similar in many aspects like both are developing economies, both are quite close to each other in terms of population statistics and recently there emerged an important issue in which these 2 economies again proved that they are present in the same boat and that is air pollution. Beijing, the capital of China was declared as one of the 20 most polluted cities of the world because of the smog and the presence of noxious particles in its air. But this has been an element of past as China's govt. and its citizens took to stringent steps and measures to curb the situation. There was time ,primarily around 2013 when the air quality index of Beijing reached one of the most

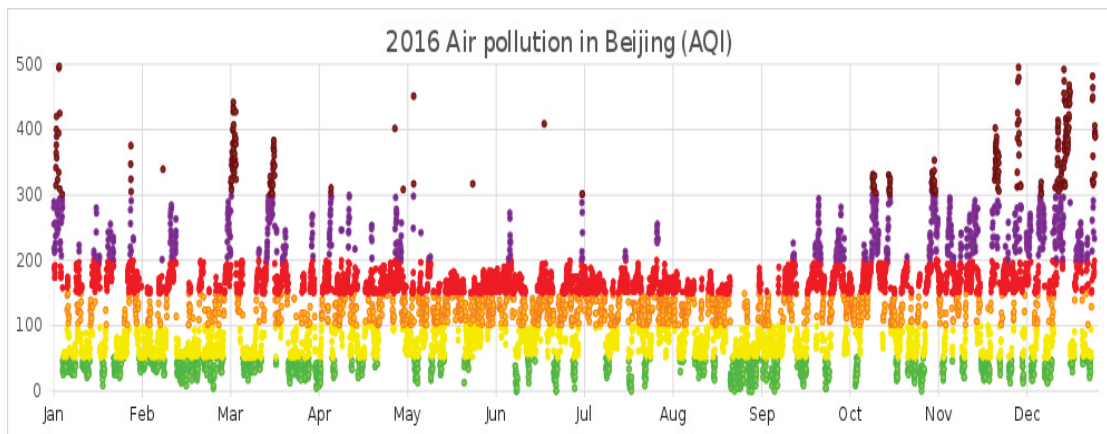
alarming heights, the presence of Particulate Matter 2.5 and 10 had crossed the safe limits set by the World Health Organisation and reached 300 or so and the people were not able to see clear white sky because of the presence of smog and noxious particles in the air. Such a situation was largely on account of the rapid industrialization and technological progress which was taking place without paying heed to the capacity of the Earth to support it and definitely to satisfy greed. Mahatma Gandhi has rightly said that “There is enough for everybody's need but not enough for everybody's greed”. Man has always been in the race towards satisfying his greed by exploiting the Earth and its resources and now when the situation has gone out of control, it is he only who is complaining about it. As far as Beijing city is concerned, there was a time when it was entirely covered with a grey-black sheet of smog for a complete 24 hours of the day. The situation became so adverse that the government declared first pollution red alert on 7th and 18th of December, 2017. Here red alert is an emergency step which is declared by the govt. when the pollution continues to stay at alarming levels for 3 days. It is to be noted here with great emphasis that there is no such provision in India despite of the situation becoming adverse. It was for a considerable period of time that sky depicted no sign of clearance. The government and the public became very worried about the situation which had taken toll of many lives and looking at its seriousness, the govt. came up with many stringent measures to combat this problem and eradicate its very root from the country. Some of its conceited efforts are as follows :

- The government launched a five year plan in 2013 which was targeted towards reducing and cutting the major sources of air pollution and statistics reveal that this target-oriented program was able to bring a cut in the pollution by 3%.
- Under this program , China had replaced the 288 most pollution causing industries with green energy firms.
- Further 3,66,000 petrol and diesel vehicles were effectively displaced from the roads.
- Use of coal in electricity generation was significantly reduced 230 crore tons to 100 crore tons by 2017. It is to be noted that China has kept a target of becoming completely coal-free by 2020.
- Moreover , the Chinese government had emphasized the technique of cloud-seeding . Cloud-seeding is a technique used for artificial raining . So whenever there was excess smog found in the atmosphere , the government used this technique to clear the smog present in the air.



- Further , air purifiers and air filters were installed by the govt. in different localities and societies to suck the noxious particles present in the air , purify it and then release fresh and clean air back into the atmosphere.
- The govt. also offered masks and other such devices to the citizens particularly to the school-going children to ensure their safety and security against air-borne diseases.

**Four colour alert system for rating pollution**

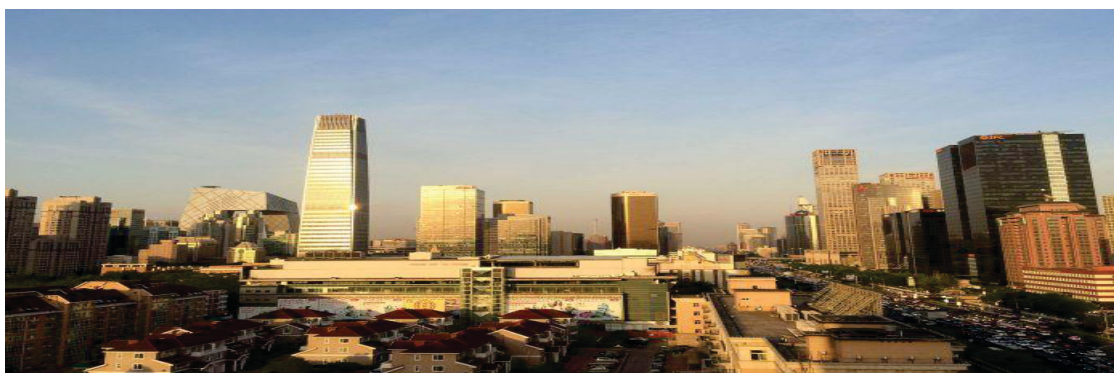


AQI	Description
101-150	Slight pollution
Color	Condition
Blue	"Heavy pollution" in the next 24 hours
Yellow	"Hazardous" in the next 24 hours; or "heavy pollution" for three consecutive days
Orange	Alternate "heavy pollution" and "hazardous" days for three consecutive days
Red	Average of "heavy pollution" for four consecutive days, "hazardous" for two consecutive days or average AQI over 500 for one day

### **Before the mass revolt against pollution**



### **After the mass revolt against pollution**



Pollution combating mechanisms in other countries:

Around the same year that is in 2013, the situation of Singapore was also as adverse as today's Delhi. To correct it, the govt. issued guidelines for the employees and the school-going children. In addition to it, the govt. arranged masks for them and installed air purifiers to ensure safe and cleaner air. The Singapore govt. also resorted to job rotation measures and indoor bricks to safeguard its citizens against air pollution. Further, there is a provision of strict penalties on all those who tried to break or violate the rules framed.

In Jakarta, aerial monitoring of the sites where garbage is burnt is done on a regular basis and if any incidence of fire is reported, then it is immediately extinguished using the technique of cloud seeding.

The Rotterdam city of the Netherlands, which is known for its architecture was at once counted as one of the world's most polluted cities. But over a period of time it

became successful in combating the air pollution to a very large extent. A renowned Dutch designer Don Roseguard came up with the design of a smog-free tower based on ozone free technology. This tower has the capacity of cleaning 30,000 cubic metre of air every hour. It is 7 metre tall and is the world's largest air purifier. It cleans the polluted air like a vacuum cleaner. Reports suggest that it was able to clean 60% of the polluted air. The smog tower can suck 75% of the PM 2.5 and PM 10 particles present in the air. Further it can even suck carbon present in the air and stores it which is later on used for making rings.

### **Analysis of air pollution in choking Delhi and its fight against Air Pollution**

New Delhi is the capital of Indian Sub-continent. It has a very renowned history and it is the very base of the working of all the three organs of the government i.e. the legislature, the executive and the judiciary. It even has well-recognised education institutions as well and is home to many renowned intellectuals. But despite of such favourable situations this vibrant city got trapped in the cobweb of air pollution and presently it is no more less than a **Gas Chamber**. Statistics and many other reliable sources provide data in the context of Delhi's deteriorating state and unfortunately our capital city has reached the dead end. Recently a data was released by a noted agency declaring world's 20 cities as the most polluted cities and sit was really shocking and unfortunate to find that out of these 20 cities , 10 cities are of India only. Some of these cities include-Gwalior, Prayagraj, Patna, and Raipur. Among them,Delhi stands at the most threatened position. Further, a report was released by the World Health Organisation in September 2011 which stated that Delhi had surpassed the maximum PM 10 limit by approximately 10 times the prescribed safe limit. The report further reported that vehicular emissions, growing congestion, industrialization and discharges and garbage burning are the principle sources of air pollution in Delhi. Interestingly we have been talking about this issue since 2011 with statistics but see the irony of the fact that despite it we the people of India took no actions and showed no sense of assuming our fundamental responsibility in tackling the air pollution problems of Delhi. Reports and estimates suggests that Garbage burning is the root cause of air pollution in Delhi.According to a report released by Ministry of environment, Delhi produces around 620 lakh tons of garbage of which 56 lakh tons largely is plastic waste and around 2 lakh tons is bio-medical waste.Moreover according

to a source every individual releases 400 grams of waste everyday. Out of this 620 lakh tons of waste around 430 lakh tons (i.e. 70%) is accumulated by the municipal corporation and the remaining 190 lakh tons (i.e. 30%) continue to remain spread across the entire area. In addition, only 20-30% of the accumulated waste is sent for treatment, for recycling and is used for electricity generation and remaining continues to get accumulated on the dumping grounds. According to a report, the capacity of Bhalsava dumping ground had already expired 11 years ago i.e. in 2006 while that of Gazipur dumping ground had expired 15 years ago i.e. in 2002 and that of Okhla dumping ground in 2007. It is also estimated that the length of garbage piles in Gazipur dumping ground is 50 meters which is only 23 meters less than the height of Qutub Minar (height-73 meters). The garbage piles continue to accumulate and form mountains of garbage which in turn releases methane gas which contributes 14% of the global warming which is really alarming. During monsoons the Gazipur dumping ground releases 10,40,000 million litres of waste which is instrumental in polluting the sources of groundwater. If adequate measures are not adopted to properly manage waste and garbage disposal then by 2047 Delhi will get entirely submerged under the mounting heaps of garbage. This situation looks really threatening. Further estimates suggest that 5 lakh people die pre-mature death in India because of air pollution. PM 2.5 and PM 10 are the major pollutants present in the air and coming into their contact exposes people to a plethora of life threatening diseases like –bronchitis, lung cancers, asthmas etc. Further, inhaling PM 2.5 reduces the average age of a person by 3.5 years and increasing pollution had reduced the life years by 6 years in Delhi. According to Organisation for Economic Cooperation and Development by 2060, the entire world will be at a loss of around Rs 135 lakh crores due to air pollution which is almost equal to India's GDP which is Rs 138 lakh crores. This loss will be in terms of the holidays taken due to ailments, expenditure on treatment and low yields in agriculture. These reports suggest that India and Russia will be the most affected by it including China.



**LANDFILL SITES**

**NARELA-BAWANA**  
50-acre area: It is under the north corporation and being the newest landfill has ample space available

**BHALSWA**  
40-acre area: Commissioned in 1993. Managed by the north corporation, the landfill was primarily used for solid waste generated from south and west Delhi

**OKHLA**  
56-acre area: Okhla landfill's lifespan exhausted a long time back. However, the SDMC continues to dump garbage here

**GHAZIPUR**  
70-acre area: One of the oldest existing landfills. Though its lifespan is over, dumping continues

**DELHI AIR POLLUTION**  
**MOST POLLUTED CITY IN THE WORLD !**

**80,000+**  
Trucks plying daily

**10,000+**  
Pollution related Death toll / year

**PERMANENT**  
Layer of toxic particular smog

**60**  
Acceptable PM 10 level

**100**  
Acceptable PM 2.5 level

**283**  
Current PM 10 level

**517**  
Current PM 2.5 level

**LIVING IN DELHI =**  
Smoking 20+ cigarettes daily

**ON DELHI ROADS =**  
In Hitler's gas chamber

**THE SOLUTION?**  
Reduce, reuse, recycle and go green. Now!

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## The solution

Now comes the most important and integral point on which the core of this research is based and that is identifying its solution provided that it is a sustainable one. Releasing posters and memes on the situation are not going to help at all, they can only create awareness amongst people but what is going to pay actually is the seriousness and the determination of both the government and the citizens in combating the problem and its effects.

## Recommendations

- As stated above, India can adopt the methodologies being used in different countries like – it can adopt and install the smog filtration tower like the one in The Netherlands with a good capacity of cleaning the pollutants and effluents present in the air and release clean and pure air to breathe.

- Further, the political and administrative units which are functional in the country need to assume their roles and responsibilities and should come up with innovative techniques and measures to reduce the intensity of air pollution. Now such techniques can be either invented within India or it can enter into negotiations with other countries.
- Pollution control and monitoring institutions like the- The Ministry of Environment, The Pollution Control Board etc. should resort to imposing huge financial penalties on all those who are contributing to pollution (Polluter-pay principle) and it should also resort to air monitoring systems especially in the sites of garbage burning.
- Dumping of cyber waste from countries like – USA and China should be avoided as it causes not only environmental pollution but also contributes to causing many respiratory and contagious diseases.
- Further, India should reduce its dependence on coal for electricity generation as it is the main source of thermal pollution.
- The mode of transportation should also undergo changes. People along with the govt. officials should be motivated to use public transport as this will reduce the consumption of petrol and diesel which are the conventional energy sources. Bicycles and electric vehicles can go a long way in reducing pollution and it will prove to be a healthy aid for the people.
- And most importantly the rate of population growth should be monitored and steps should be taken to induce people to adopt the system of family planning.
- Like China and many other countries, India should replace the most pollution causing industries with the green energy. At the same time, the government should make it mandatory for the industrialists that if they want to establish any pollution creating industry, they should come up with a green industry in order to curb its effect.

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## NATIONAL AGRICULTURE MARKETING : WITH SPECIAL REFERENCE TO ENAM

Shantanu Sharma

### **Abstract**

*Agriculture is one of the most important sectors of an economy. With respect to India, agriculture faces a lot of problems and farmer's income has always been a great topic of concern. Despite of regular policies, laws and various programs started by the government, farmers are still far from getting benefited by these programs. Although, these programs seemed to be promising and worthy, no real change was seen in the conditions of the farmers. One of the most important factors that decide the actual income of the farmers is the marketing of their products, which too have various loop holes. Therefore, this research paper tries to find out the problems faced by the farmers while approaching various markets and to know if the farmers are aware about the policies and programs that are present today to benefit them or not. With the help of this paper it was found that maximum farmers did not know about Enam or any other agriculture related policies made by the government and that is why they were not able to avail their benefits till now. Also various problems faced by the farmers while selling their products came out during the research which gave a clearer picture about the economic conditions of Rajasthan farmers who approach Jaipur Mandis to sell their products. Keeping these problems in mind, various suggestions or solutions are given in the paper to help the readers to understand what could be done in order to improve the conditions of Indian Mandis and small farmers that are exploited the most.*

### **Keywords**

Enam- National Agriculture Market, Farmers, Mandis, Agriculture

### **Objectives of Study**

The objectives of this research paper are-

- To find out the problems faced by the farmers while approaching various mandis. (Prices, Sales, Transportation, etc.)



- To analyse the efficiency of Indian Agriculture marketing- What are the various loopholes in the agricultural market of India/State.
- To check whether the farmers are aware about the eNAM or not.
- To Check whether the farmers are aware about the other government policies or not.
- To identify the problems associated with eNAM- Why farmers are not using the platform even though it would only benefit them?
- To find out the solutions to the problems associated with eNAM and general marketing for the farmers.

### **Research Methodology**

Primary data of farmers was used in this paper where a sample survey was conducted on 50 farmers from different villages and age groups who approached various Jaipur mandis in order to sell their product. A sample questionnaire was formed which included 19 questions related to the research topic and first hand data was collected by directly approaching the farmers to fill the questionnaire.

### **Hypothesis**

- A majority of farmers aren't aware of eNAM and other government policies regarding agriculture.
- A majority of farmers are aware of eNAM and other government policies regarding agriculture.

### **Analysis and Findings**

Agriculture in Indian plays an important role in framing the GDP and overall health of our economy. Almost half of our working population seeks employment through agriculture and despite that; it contributes approximately 18% to our GDP. This itself is an alarming figure and a matter of concern. Agriculture does have the potential for improvement and growth, but due to some loopholes it is not able to achieve them.

Some major drawbacks lie in the marketing structure of Indian agricultural sector. That is why; a more innovative approach needs to be followed to improve the conditions of the farmers and resolved such issues faced by them to make them more aware of their rights

and benefits.

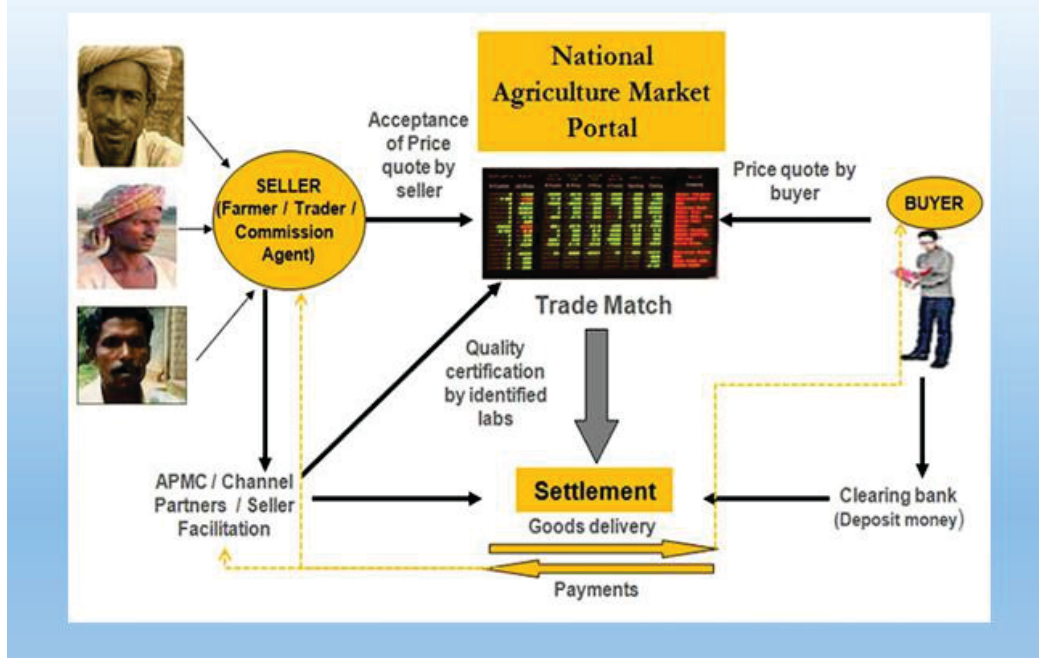
### **eNAM**

National Agriculture Market eNAM is an online platform that allows various farmers/traders/agents to come in direct contact with the buyers of their products.

This is a virtual market for agricultural products which helps the farmers for a better price discovery and facilitates smooth marketing for their products. Till now, eNAM includes 585 wholesales markets in all the states and union territories. The main objective of this program is to provide a new platform to the farmers to market their product which would help them by:

- Reducing the dominance of middlemen.
- Providing an advanced mode of marketing to the farmers.
- Providing them with a better knowledge of the market and prices quoted in different mandis.
- Help them in better decision making.
- Reducing the problems faced by them while approaching different Mandis.

## Functioning of eNAM



As stated in the above diagram, eNAM allows various sellers and buyers to come on an online portal and quote their respective prices. When there is a trade match, the settlement procedure starts where various channels check the quality of the products and finally the goods are delivered to the buyers and payments are made to the sellers.

Now, even though this program seems to be promising and useful, in reality, the platform has not made any significant change in the marketing sector of agricultural products. Which is why, a sample survey was conducted to find out the reasons behind such scenario.

### Sample Survey

A sample Survey was taken in various Mandis of Rajasthan's capital Jaipur. The survey included:

- Locations: Gol Mandi, Janta market, Ambabari market.
- Survey was conducted on 50-70 farmers in these markets.
- Number of villages that are covered under the survey: 17 Villages.

- Distance range of the farmers that approached these mandis: 8Km-130Km.
- Age group of the surveyed farmers: 18 years-60 years.

### Mandis Covered under Project: Gol mandi, Janta market,



### Result and Analysis

Following are the results of the survey:

- About 98% of the famers surveyed did not know what eNAM was.
- Problems faced by the farmers regarding eNAM was not recorded as no farmers has ever used the platform.
- About 84% of the surveyed farmers do not have any means by which they can sell their products in different mandis.
- Major problems that were pointed out by the farmers and the changes that they would like to see in the future during the survey were-

Fluctuating Prices

Poor Transportation and Roads

Poor Mandi Conditions

Storage Problems

Unsold goods

- And there were 2 farmers who were not facing any problem at the time.
- About 96% of the farmers surveyed were not aware of any government policies in favour of agriculture.
- 90% of the farmers surveyed showed their interest in coming to an online platform to sell their produces.
- About 64% of the farmers do have a smart phone with internet connection but only 48% of the farmers actually know how to use them. This is an important figure as in order to use eNAM the farmers should know how to use a smart phone with internet connection.
- Only around 2% of the farmers surveyed are satisfied with their job as it is right now.
- 82% of the farmers feel that they never get the fair prices of their produce.
- Around 98% of the farmers seek income wholly through farming. This shows the degree of dependence of these farmers on agriculture.
- The main reasons behind the farmers to choose this profession was
- Because it has always been their family tradition
- Because they were uneducated and unskilled to get any other job other than farming.
- Around 80% of the farmers could only approach 1 mandi at a time to sell their produce. Hence, eNAM would be a great help to these farmers to know the prices of their produce in different mandis.
- 98% of the farmers refused to sell their produce to government at MSP (Minimum Support Price).

After the survey, when the farmers were told about eNAM, around 94% of the farmers felt that this platform could help them in better marketing of their produce.

Problems discovered through the paper:

- There is lack of approachable markets for agricultural products.
- Lack of awareness among the farmers regarding the platform.
- Lack of internet connection with the farmers.
- Lack of technical expertise and training that should be provided to the farmers.
- Lack of semi-skilled and skilled labour and education.
- Poor mandi conditions and storage facilities.

**Suggestions that could solve the stated problems :**

- Solving the language barrier, as majority of the farmers cannot understand the technical language provided by the site. This would make it easy for them to use the platform.
- Mass advertisement for the promotion of the website in the backward areas. As majority of the farmers doesn't know about the program and they need to be aware about eNAM as soon as possible.
- Training programs for the farmers to make them skilled enough to use the platform properly. This is the most important suggestion that needs to be followed in order to improve the status of the website.
- Accessibility of the website on smart phones as majority of the farmers doesn't have access to computers. As stated in the result and analysis that around 64% of the famers have access to smart phones with internet connection.

### **Conclusion**

This paper aimed to bring out the loophole in the Indian agricultural marketing and the reasons that were associated with the dissatisfactory results of eNAM. Through this paper we would clearly observe that our Hypothesis A. was verified and that a majority of farmers aren't aware of eNAM and other agriculture related programs. Farmers are not

getting the appropriate prices of their produce which brings dissatisfaction amongst the farmers. There is lack of technical knowledge to use the website properly which has proved to be a major problem. And for which, the farmers are to be approached by the government to train them how to use the platform properly and efficiently. It is clear from the survey that farmers do feel that eNAM can help them to get proper information of the market not just with a specified area but the mandis that they can nit approach on their own. This is a major feedback for the program and a motivation to improve and reach out to all the others farmers who still aren't aware about it.

eNAM does have the potential to help the farmers, solve their problems associated with marketing of their produce and with proper implementation it can achieve all the objectives for which it was started.

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## IMPACT OF CHINESE GOODS ON INDIAN ECONOMY

Aashita Pandey, Riya Jain, Anushka Sharma

### Abstract

*The Chinese economy rose at a very violent pace for the past three decades, assisting china to build enormous cash reserved that is now playing an active role in influencing India's markets and has started affecting Indian economy at the macro level. Chinese goods have occupied almost all the sectors of the Indian market and appear to be conveying and creating harder times for the Indian industry. The main reason for popularity of Chinese goods in India as well as other countries of the world is their low cost and the fact that the Chinese goods are seemingly more technologically advanced. China is mainly using big Indian markets to dump their products and by doing so they are gradually killing the Indian units. Popularity of Chinese goods has had a negative and adverse impact on our manufacturing units. This research paper includes the analysis of made in china goods, its impact on the Indian economy, possible threats of the growing popularity of the cheap Chinese products on the Indian economy, findings, recommendations and conclusions.*

### Keywords

Dumping, Tariffs, Export, Manufacturing sector, Indian economy

### Objectives of Study

- To study Analysis of made in China goods
- To study Impact on Chinese goods on the Indian economy
- To study the possible threats of Chinese goods on Indian economy
- To provide Measures/ recommendations to solve/ overcome any of these threats

### Review of Literature

Be it anything. From needle to toys, electronic gadgets, hot water bottles, Diwali cracker one can find the Chinese version of the same in India at a much cheaper price. The price of Chinese goods is 10-70% lower than that of the Indian good/ products. Chinese goods are not only affecting the domestic business and Indian market but also the export market of



our country. The main reason for the popularity of Chinese products is their low price, easy availability and large variety/ options made in India label is slowly capturing the every segment of Indian market. Although the price is cheaper in comparison to Indian goods, their quality is very poor. China buys raw materials from all across the world and sells the end product back to the world. China is the second largest exporter in the world after Germany. Some manufactures in India are importing Chinese goods and selling them under their label due to higher profit margin. To safeguard the domestic manufacturers from the negative impact of Chinese exports on the Indian economy there is a major need for India to change its policies and also to improve the infrastructure. Some recommendations for India to solve this problem are to promote the Indian products among the masses, increase the tariffs among Chinese goods, etc.

### **Research Methodology**

The study is established on secondary sources- internet, research paper/ reports, articles from newspapers and websites.

### **Analysis & Findings**

- **Analysis of Chinese Goods :**

China made products may be a threat to Indian markets. It is because of the lower rates that people favour to buy china made goods. India is facing a lot of negative impacts due to the increase in the imports of Chinese goods in the Indian economy. As increase in the influence of Chinese goods in the Indian economy is proving to be harmful for the Indian markets and manufacturing goods. Chinese goods are using the big Indian market merely to dump their products and by doing so they are filling the Indian markets. Because of the cheaper price products made in china are becoming more popular in India and Indian masses.

Chinese products are quite cheap in comparison to the branded Indian goods. China is also providing a variety of goods at very low prices which are within the reach of people at the same time the durability and quality of these products are not good in comparison to Indian goods.

China has been progressively restoring to actions like dumping. Dumping refers to selling your country's products in other countries at unfair lower rates rather than domestic rates prevailing in the country. Chinese exporters have been accused of dumping. As a matter

of fact India has initiated the highest number of anti-dumping cases against china. China sells its products in the Indian market at much cheaper price and this in turn is causing damage to the Indian domestic industries/ producers there is increase in the demand for cheaper Chinese products in the Indian economy.

The main reasons for the inclination towards Chinese goods are:

- Low value
- Cheaper price
- Wider availability
- More customer demand

Unfair and predatory trade practices by Chinese companies could prove harmful not only to Indian industry but also to the country's economy as a whole. These Chinese goods are substantially cheaper than Indian goods and come in wide varieties. In very simple terms in economics we know that anything like large scale dumping and imports can spill a disaster for the economy. In Keynesian terms, it is a threat to income from the economy. Chinese goods are known for their moderate quality, prompt delivery and affordable prices in comparison to Indian goods.

Main reasons for cheaper price of Chinese goods:

- Labour is cheaper
- China does not have after sales tax
- Lower rate of indirect taxes on inputs.
- High level of cash subsidies being offered by the Chinese government.
- Lower taxes enable the Chinese companies to participate in the world market at a lower margin and thus dominate it.
- **Problems**

Chinese government offers a lot of tax benefits and subsidies to their manufactures as compared to the Indian government which results in high taxes on raw materials in India as compared to imported Chinese goods and hence, Chinese goods costs lesser as compared to finished goods made In India.

Chinese have penetrated deep inside the Indian markets and as a result have crippled the Indian economy and its self-sustainability.

### **Positive Impact**

- Cheaper than regular brands
- Advanced features affordability.
- Common people can easily purchase.

### **Negative Impact**

- Unsafe products
- Technical issues about the Chinese products.
- Poor availability
- Durability issues

### **Industries/ Sectors Affected By Increase In Chines Imports:**

- Facing threats in the manufacturing sector.
- Industries related to toys, fancy lightings, electrical accessories, etc.
- 80% of our dependence for power plant equipment in china.

### **Recommendations**

- Encouraging local entrepreneur

The government should promote local business and provide them adequate funds. The 'MAKE IN INDIA' project by the prime minister can bring about a big change in the Indian economy.

- Imposing high tariffs

This will protect the domestic industries from foreign competition. Also, several job opportunities are opened by protecting these industries.

- Awareness among citizen

The citizens should be well informed about the ill effect of using these Chinese products and how it is a barrier to the growth in an economy.

- Anti-dumping duties

The government must implement anti-dumping duties from different nations.

## Conclusion

China is one of the biggest threats to the Indian market. The cheap Chinese products have capitally globalized the market. They have been constantly coming up with the innovative ideas to keep their imports at the higher side and at the same time competent enough to encroach any strong industry/ country.

But, the customer demand, low cost of the product, variety automatically induces Indian retailers to buy china made products over Indian products.

Therefore, the prohibition of Chinese goods must be levied gradually in a way that hurts china more than India, only when India gains self-sufficiency.

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## CONTRIBUTION OF THE CARPET INDUSTRY TO THE ECONOMIC GROWTH OF INDIA

Medha Samvedi

### Abstract

*Is carpet sector one of the major contributors in the international trade of India by the exports? This is an emerging topic and grabs my attention as carpet sector is the only sector in India prevalent in rural parts of the country which is completely export oriented thereby contributing to improve the country's economic front not only by increasing employment and generating opportunities to rural artisans but also by improving the balance of payment and foreign exchange reserves of the country. Carpets were introduced in India by Mughal emperor Babar between 1526-30 when he started importing carpets from turkey and Persia. The production dates back to the 16th Century when Akbar called specialized artists from Persia to establish carpet workshops in India. Ever since, Carpets have been a major skill in Rural India. This Industry has spread across Indian states such as Uttar Pradesh, Kashmir, Rajasthan, Haryana, Punjab, Andhra Pradesh, Himachal Pradesh, Madhya Pradesh and Gujarat and is adding up to the financial growth. It has manifestly increased the employment as well. It is evident that the industry provides employment to millions of artisans, consequently contributing to the economic growth, rural upliftment and poverty elimination all together.*

### Keywords

Export, International trade, Sector, Economic growth

### Objectives of The Study

- To understand the carpet industry of India : Status in the international market.
- To pinpoint solutions to improve the conditions of the industry.

### Research Methodology

The study is based on the collection of secondary data from the sources like Central Export Promotion Council.

### **Review of Literature**

The carpet industry of India is a migrated art as it was brought by the Mughal emperors in India from Persia. According to the historians the woven floor coverings were present in the Neolithic age (7000 B.C) but was unknown to Indians, this tedious art has been an important part of the Indian culture when in 1526 the great Mughal emperor Babar imported carpet form turkey and Persia to India. The sole credit of production of carpets in India without any doubt is to the Mughal emperor Akbar (1556-1605). During his times he called specialized artists and weavers of carpets form Persia to setup workshop in two capital of then Mughal dynasty, Agra and Fatehpur Sikri. With the end of Mughal Empire in 19th century the Indian handicraft industry was started to diminish. “The local carpet workshop was governed by English and European countries. After the great London Exhibition in 1851, Indian handmade carpets were appreciated and thus were revived.” It was that time when it grabbed the attention of the world and hence was demanded in the international market.

### **Analysis and Findings**

The carpet industry of India is vibrant and has a huge potential to grow. Besides being important to the earnings of foreign exchange in India, it has a huge relevance as it is a labour intensive industry and has a potential to provide employment to the rural and unemployed workforce at a large scale.

The industry is wide spread in many states of the country such as Kashmir, Himachal Pradesh, Punjab, Haryana, Uttar Pradesh, Andhra Pradesh, Rajasthan, Madhya Pradesh and Gujarat.

### **Present day scenario**

Uttar Pradesh is the largest cluster of carpet weaving in India, with Agra, Bhadohi, Mirzapur, Khamaria and Shahjahnpur being the main hubs. The cluster accounts for approximately 75% of the whole carpet exports in India, exporting more than Rs. 2,500 crore in 2010.

Kashmir is famous for hand knotted woollen and silk carpets setting the benchmark for high quality and aesthetic value.

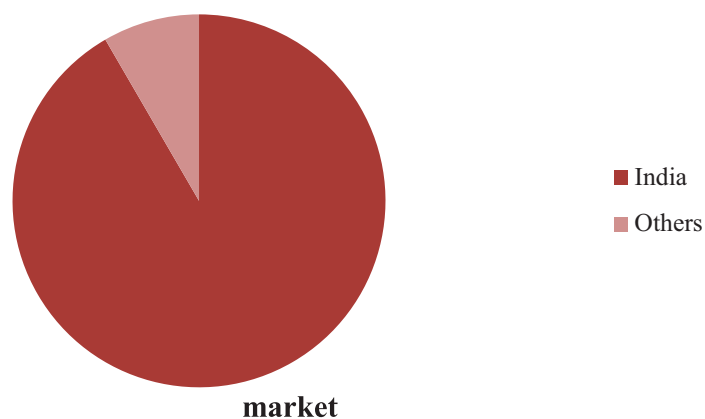
Jaipur is another major hub for carpet manufacturing employing 35000 artisans and alone contributing 15% to the total exports of carpets in India. Presently there are more than 150 exporters of carpet in Rajasthan. The industry experienced a constant growth to over the last few years due to the open competition.

Punjab especially Amritsar is well-known for the fusion of Persian and Indian style.

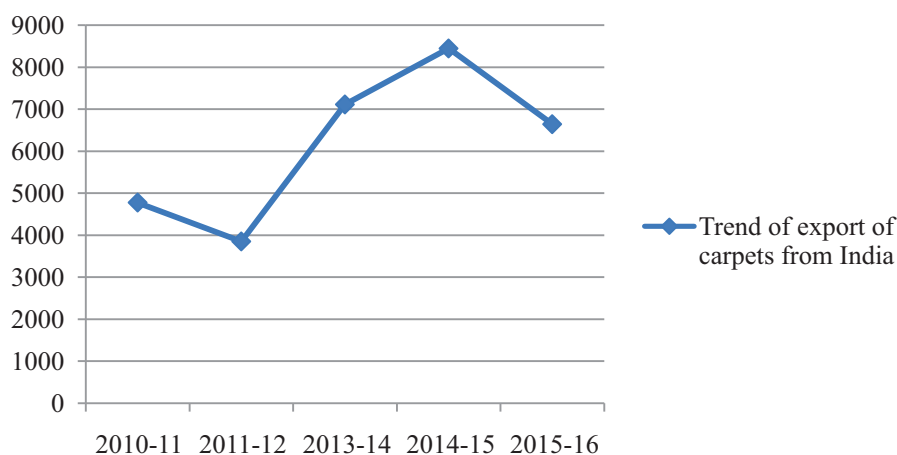
The present day scenario says that the carpet industry itself contributes US \$ 932 million in the international trade of the country by its high demand which is expected to increase to US \$ 1260 by 2022.

India is responsible for 35% of the total exports of handmade carpet across the world. Other major exporters being Iran, China and Nepal.

**Figure 1: Showing the share of India Carpet Industry in the International share of indian carpet in the world (2015)**



**Figure 2: Showing the trend of exports of carpets from India**



Source: Ministry of Textile, Government of India

In the accounting year 2015-16 the exports suddenly declined to 6641.23 forms 8441.95 in 2014-15. This is due the increase in price as well as production of carpets due to an increase of tax on carpet. Further imposition of GST (good and services tax) implemented 12% tax on carpet and 18% on job work, affecting the all over demand of Indian carpets.

### **Limitations**

Although a sudden increase in export was possible due to the interference of government by providing aid and introducing mechanized weaving but the government directly or indirectly hindered the growth of the carpet industry of India by reducing its competitiveness in the international market. As stated above GST dated 1st July 2017 imposed 12% tax on carpets increasing its prices as a result reducing demand domestically and internationally.

Other than this the Indian carpet industry suffers a huge loss due to the lack of infrastructure facilities. As mentioned before carpet production is much more prevalent in the rural areas than the urban ones so the producers suffer as quality of their carpet deteriorates because of the poor transportation in rural areas. The less prosperous regions also experience a shortage electricity supply and telecommunication.

All the above mentioned problems become a hurdle to the path of development.

### **Suggestions & Conclusion**

- New technology should be introduced instead of using traditional weaving method to make the production more efficient.
- Uttar Pradesh is the highest exporter of carpets to make the conditions of the country better off the government should encourage other states as well.
- Increasing the average rate of wages of the workers so the than can lead a better life contributing to the economic.
- Increasing the connectivity of the carpet producing regions.

Indian handmade carpets are produced by skilled weavers setting a benchmark hence grabbing attention of the whole world. It contributes greatly to the economic development and value of foreign currency reserves of India consecutively becoming strength to the economy. It ever increasing exports and high growth potential is also beneficial.



In conclusion it can be said that since the last six decades the Indian carpet industry has experienced enormous growth. By an increase of Rs. 3849.1 crore from 1961-62 to 2010-11, increasing its resistance in the competitive environment of the world, with this the industry can become an instrument for removal of region disparity and improving the conditions of the country.

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## REGIONAL DISPARITIES IN ECONOMICS GROWTH OF INDIA

Ajay Vardhan Singh

### Abstract

*This paper seeks to investigate and throw light on how regional disparities affects the economic growth and development in India. It has been widely observed and clearly noticed that, India since its independence is facing the problems of acute regional imbalance and the indicator of such imbalance are reflected by wide differences in the factors like per capita income, literacy rates, health and education services, the proportion of population living below the poverty line etc. In Indian economy there are enormous imbalances on various accounts. One such is regional disparities. To control the regional imbalance various acts and planning programmes has been undertaken by the government of India but they were also not been able to remove the disparities within the nation boundary (States). Balanced regional development has always been an essential component and key factor of the India's economic growth and development. This paper presents a very clear picture of the growth pattern of India's in economical region (Inter States) with the help of secondary data, Since all parts of the India are not equally well enriched with physical and human resources to take advantage of all the economic growth opportunities and development programme, the government of India plans intervention to ensure that large regional imbalances do not occur. Growth rate attained by some regions and some sector of India is still prevailing to be at very low levels of development. Therefore, along with the central government, the state government is also playing a very major and important role in removing the disparities amongst the region. The two major institutions are working under the supervision of the central and state government, in reducing the regional imbalances after independence, they are Finance Commission and the NITI Aayog (planning commission).*

### Keywords

Regional Disparities, Economics Growth, Administrative Apparatus, NITI Aayog.

### **Objectives**

- To analyze the impact of regional disparities in India's economic growth and development.
- Suggest certain solution on the basic of Secondary Study.

### **Review of Literature**

So far as we have studied, we came to know that India has become increasingly concerned with the problem of regional disparities as it is quiet evident that national growth has been confined to some areas only. The new economies has made its impact to such an extent that social justice, norms for redistribution of consumption, balanced spatial development, garibihatao have become integral part in the country's planning. The government is working on this issue by providing NITI Aayog a major role.

### **Research Methodology**

This study is chiefly based on secondary data collected from various published research papers, internet articles of various reputed researchers, Includes data and facts collected from websites.

### **Analysis and Findings**

It has been seen and proven on practical stage that in India since and before Independent regional disparities has affected the economic growth and development and still, it is continuing affecting the growth of India's Economy.

Regional disparities being a major concern in India the Central government along with state government has advocated and adopted many precautions through centralized planning after Independence to manage this problem. However, despite several efforts, the situation remained unsolved. The major emergence and indicator for regional disparities in India are poverty, per capita income, literacy rates, health and education services, the proportion of population living below the poverty line, the percentage of urban population of total population, under urbanization, percentage of working population engaged in agricultural or industries, absence of basic infrastructural facilities, transportation systems, development projects, income distribution, and an administrative apparatus etc. The government is working to control this up to certain level

by planning and making five years plans and also by providing two major institutions supervision in reducing the regional imbalances in country, they are Finance Commission and the NITI Aayog (Planning Commission).

### **Types of Regional Disparities in India :**

#### **Inter State Disparity (Disparity between States)**

It refers to the uneven percentage of poverty among the states in India. Although the total poverty percentage has diminished but there are still some states which face abject poverty i.e. Orissa and Bihar having the maximum poverty ratios of 44 and 48. But on the contrary some states like Tamil Nadu, Jammu and Kashmir, Kerala, Andhra Pradesh and West Bengal have shown a significant decline in poverty. Recent studies have concluded that the national average is greater than the poverty ratio of 20 states and 7 union territories.

#### **Intra State Disparity (Disparity within States)**

It refers to the uneven percentage of poverty within a particular state. In particular Uttar Pradesh has undergone serious disparities and even after 5 decades of independence. There are still some of the most backward regions where as some are developed well, these areas have a large percentage of serious poverty which makes the whole state to come under the poverty stricken states of India.

#### **Urban Rural Disparity (Disparity between Rural & Urban)**

The people who live in urban areas are better off than their rural counterparts. This wide gap between the urban and rural poor based on their residence is termed as Urban Rural Disparity. Rural areas lack in proper basic amenities and job opportunities, to eradicate these the world is moving towards urbanization so that poverty can be annihilated and this urban and rural gap contracts.

### **1. Historical Factors :**

Historically the Regional Imbalances in India started from the British time. The British rulers as well as industrialists started to develop only those particular regions of the country which as per their own interest were possessing rich potential for financially manufacturing and trading activities.

British industrialists mostly preferred to concentrate on the activities in two states like West Bengal and Maharashtra and more particularly to three metropolitan cities like

Kolkata, Mumbai and Chennai. They neglected the rest of the country to remain backward by just concentrating all the industries in and around these cities.

The land policy followed by the British led to the growth of privileged class like zamindars and money lenders for the exploitation of the poor farmers, who were also bailed to the maximum extent. In the absence of proper industrial policy and land reform measures, the country was not able to attain economic growth to a satisfying level.

The uneven pattern of investment in industry as well as in economic overheads like communication facilities and transport, power and irrigation made by the British had resulted unbalanced growth of some areas, where as the other areas were overlooked.

## **2. Geographical Factors :**

Geographical factors plays an important role in the developmental activities of a developing economy. The difficult terrain surrounded by dense forests , rivers and hills results in increased cost of development and administration projects, conjointly making mobilization of resources extremely difficult.

Most of the Himalayan states of India, i.e., the hill districts of Uttar Pradesh and Bihar, Northern Kashmir, Himachal Pradesh, Arunachal Pradesh and other North-Eastern states, remained mostly backward due to its inaccessibility and other ingrained difficulties.

Proneness to flood and adverse climate are also the factors responsible for meager rate of economic development of different regions of the country as mirrored by lack of industrialization and low agricultural productivity. Thus these natural factors have resulted in uneven growth of different regions of India.

## **3. Locational Advantages :**

Location also influences the formulation of developmental strategies of a region. Due to the locational advantages, some regions are getting special assistance in respect of site selections of various developmental projects.

While determining the location of iron and steel refineries, projects or any other heavy industrial projects, also the technical factors included in the locational advantage are getting special considerations. Thus regional imbalances crop up due to such locational advantages and disadvantages attached to the regions.

#### **4. Inadequacy of Economic Overheads :**

Economic overheads like transport and communication facilities, banking, power, insurance and technology etc. are considered crucial for the development of a particular region. As a result of adequacy of such economic overheads, some regions get special assistance in the settlement of developmental projects whereas due to inadequacy of such economic overheads, some regions of the country, viz., North-Eastern Region, Himachal Pradesh, and Bihar etc. remained much backward as compared to other developed regions of the country. Moreover, new investment in the private sector has a general tendency to concentrate much on the regions having basic infrastructural amenities.

#### **5. Failure of Planning Mechanism :**

Although balanced growth has been acknowledged as the primary objectives of economic planning in India since the Second Plan onwards but it did not make much headway in achieving this object. Rather, in real sense, planning mechanisms has broadened the discrepancy between the developed and less developed states of the country.

In respect of allocating plan outlay relatively developed states enjoy much favor than less developed states. From First Plan to the Seventh Plan, Haryana and Punjab have received the highest per capita plan outlay, all along. The other three states like, Maharashtra, Gujarat and Madhya Pradesh have also received larger allocation of plan outlays in almost all the five year plans.

On the other hand, the backward states like Rajasthan, Orissa, Assam Uttar Pradesh and Bihar have been receiving the smallest allocation of per capita plan outlay in almost all the plans. Due to such divergent trend, imbalance between the different states in India has been continuously widening, in spite of framing achievement of regional balance as one of the important objectives of economic planning in the country.

#### **6. Marginalization of the Impact of Green Revolution to Certain Regions :**

Green revolution in India has improved the agricultural sector to a great extent through adoption of new strategies but some regions are still not be considered under this strategy which they were supposed to be. The government is increasing the production of food grains by implementing this new strategy to the area where there is heavy irrigation. The other states except Punjab, Haryana and plain districts of Uttar Pradesh are not getting any benefit of green revolution and unaware of this agricultural strategy.

**7. Lack of Growth of Ancillary Industries in Backward States :**

The Government of India has been following a decentralized approach for the development of backward regions through its investment programmed on public sector industrial enterprises located in backward areas like Rourkela, Bhilai, Bongaigaon etc. But due to lack of growth of ancillary industries in these areas, all these areas remained backward in spite of huge investment made by the Centre.

**8. Lack of Motivation on the Part of Backward States :**

Though government of India approached backward areas like Rourkela, Bhilai, Bongaigaon and etc. through its decentralized approach of investment programmes on public sector industrial in the enterprise. Government could not achieve its targets as these areas were lacking in ancillary industries after large investments.

**9. Political Instability :**

Reason for these regional disparity is due to the different strategies followed by states. Some developed states like Maharashtra Punjab, Haryana, Gujarat, Tamil Nadu etc., are striving to achieve industrial development on the other side the backward states are concentrating more on political issues rather than working on development of the state through agriculture and industrial development.

**10. Natural Resources :**

Some states which are already backward in industrial development is facing unstable government issues. Few other obstacles like breaking law and order, extremist who are promoting violence hinders progress and investment in these backward areas resulting these states to remain in their current deplorable condition.

**11. Role of NITI Aayog and Finance Commission :**

NITI Aayog known as think tank institution plays a very important role in the sustainable development of the country and in policy making. NITI Aayog makes policy according to the needs of different regional backwardness in the state, makes budget and also pays special attention to the backward section of our society. It pays special attention to section of the society that may not be benefitting adequately from economic progress. So it plays very important role in removing regional disparities.

## 10. Investment Proposals and Disbursal of Financial Assistance for Investments

S. No.	State	Percentage share of investment proposals between August 1991 and March 2000	Cumulative share of financial assistance disbursed by all India Financial Institutions (upto March end 1999)	Cumulative financial assistance disbursed by State Financial Corporations (upto March end 1999)
	(1)	(2)	(3)	(4)
1	Andhra Pradesh	7.5	7.2	7.8
2	Gujarat	17.3	13.5	9.3
3	Haryana	3.4	2.5	4.8
4	Karnataka	4.5	6.1	15.5
5	Kerala	1.1	1.7	4.4
6	Maharashtra	21.7	21.0	11.5
7	Punjab	4.4	2.4	3.6
8	Tamil Nadu	6.8	9.0	10.6
9	Assam	0.7	0.5	0.5
10	Bihar	1.1	1.4	2.0
11	Madhya Pradesh	7.2	5.1	3.2
12	Orissa	2.6	1.8	3.7
13	Rajasthan	3.8	4.5	6.1
14	Uttar Pradesh	8.5	7.9	11.1
15	West Bengal	3.5	3.9	2.5
Sub-total (1-15)		94.1	88.5	96.6
All India		100 (Rs.908888 crore)	100 (Rs.312502 crore)	100 (Rs.20896 crore)

Source : 1. Annual Report 1999-2000, Ministry of Industry, Govt of India

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Notes: 1. Investment proposals include Industrial Entrepreneurial, Memorandum (IEM) Filed for items under delicensed sector and letter of indent in respect of items under licensed sector.

2. All India Financial Institutions include IDBI, IFCI, ICICI, UTI, LIC, GIC, IRBI and SIDBI.



Presents the trend in percentage share of poor in the two groups of States individually and collectively.

**Table**

States	1983-84	1987-88	1993-94	1999-2000
Forward Group				
Andhra Pradesh	5.10	5.22	4.81	4.57
Gujarat	3.65	3.98	3.28	2.61
Haryana	0.92	0.83	1.37	0.67
Karnataka	4.64	5.17	4.88	4.01
Kerala	3.31	2.88	2.39	1.58
Maharashtra	9.01	9.65	9.53	8.76
Punjab	0.89	0.82	0.78	0.56
Tamil Nadu	8.05	7.53	6.31	5.01
Total for forward States	35.57	36.08	33.35	27.77
Backward Group				
Assam	2.41	2.47	3.01	3.63
Bihar	14.31	13.71	15.40	16.36
Madhya Pradesh	8.61	8.61	9.32	11.47
Orissa	5.62	5.40	5.01	6.50
Rajasthan	3.93	4.65	4.01	3.14
Uttar Pradesh	17.24	17.47	18.87	20.36
West Bengal	9.87	9.24	7.95	8.20
Total for Backward States	61.99	61.55	63.57	69.66
All India	100.00	100.00	100.00	100.00

Source: Planning Commission, Govt of India

### **Suggestions**

- Funds should be properly instituted in the states and within the state for removing regional disparities and backwardness in the states.
- For investment and allocation of funds the government has to identify first the backward regions in the state so that proper allocation can be done.
- There should be strict laws and rules for not using the productive land for non-agricultural uses.
- Also in agriculture proper use of farming technology should be done.
- New financial institutions should be set up for the growth and development in backward area. Also inspections should be done for the working of these institutions.
- Special attention should be paid to educational, agricultural and industrial zone for the growth and development of backward areas in the state.
- There should be efficient use of natural resources for the income generation of tribal people and backward section of the people.
- Incentives should be given to the private sector for the investment in the backward region by the state government and central government of the country.
- In the state as well as central government, good governance plays a crucial role in regional disparities and growth. Through good governance equitable distribution can be maintained and regional disparities can be checked.
- Proper funds should be provided by the government for infrastructural development in the backward region and state.

### **Conclusion**

Regional Disparities and Imbalance is very serious and important concern for the future India. It is a threat for the goal of India's economics and pace. It have hampered the speed of economic development and growth.

There is a strong need for strengthening of good governance in the backward areas. Towards this end, it is necessary that the development in the backward areas should be empowered and strengthened to reduce the regional imbalances in the country at certain level.

The resources should be efficiently used and allocation of investment funds should be used in very planned manner.

India being a country of diversity, it become challenging to properly invest the funds in a way so that backward regions can benefit and can improve themselves and eradicate the regional imbalances which in turn results in economic growth of the countries so we have to do the substantial planning of our investment that could result in upgrading the backward state, progressive for developed states. Thus resulting in overall economic development and growth.

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## AGRICULTURAL SUBSIDIES

Anshika Bajaj

### **Abstract**

*Our economy inherited the backwardness of the agricultural sector from the colonial rule. In India it has mainly manipulated the agricultural sector of the economy. At the time of Independence, farmers were poor and backward in their method of irrigation and technology. The First Five Year Plan emphasised on rapid agricultural development to achieve self-sufficiency as soon as possible. So the government came up with many schemes and policies like Intensive Agriculture Development Program Land Ceiling and many other. And achieved a substantial increment in the productivity. Even after 71 years of independence we are not able to make our farmers independent. This research paper will throw light on the subsidies and its consequences.*

### **Keywords**

WTO, boxes, Subsidies.

### **Objectives of study**

- To Study Subsidies and restrictions WTO
- To Study Subsidies given by Indian government
- To Debate on Subsidies
- Suggestion

### **Introduction**

World Trade Organisation is an International Organisation whose members has come forward to improve the agricultural sector and to impose restrictions on subsidies that distort agricultural trade. So WTO has come with an Agreement on Agriculture which seems to be a significant step towards making international agriculture trade a fair trade. India is also giving subsidies which are trade distorting and needs to slow down. The question arises that we are in the 71st year of independence, why are we still not be able to make our agricultural sector independent. Are subsidies which we are providing going in the right hand. Sheshagiri, B., Honkan, G. G. and Dr. L. D. Vaikunthe in their research paper “Impact of WTO on Indian Agriculture: Performance and Prospects” have talked

about agriculture trade policies of our country and WTO impact on our agricultural exports and economic growth.

### **Research Methodology**

This study is chiefly based on secondary data collected from various published research papers, internet articles of various reputed researchers, includes data and facts collected from websites

### **Analysis and Findings**

#### **WTO and its subsidies**

According to WTO, the subsidies are classified into 'Boxes', which are based on traffic light colours -

- Green Box Subsidies
- Amber Box Subsidies
- Blue Box Subsidies
- Red Box Subsidies

But in agriculture there are no subsidies which are categorised into red box (needs to stop). Instead there are blue box subsidies. Let's discuss them in detail:

- **Green Box Subsidies (Permitted)**- these are subsidies which WTO has given green signal. These subsidies are permitted by WTO as they cause the least trade distortion. These subsidies include - Farmer training programs, Disaster Relief, Research program etc. These subsidies should be funded by the government and should not be charged by the customers in any other way. These subsidies are permitted as they are not favouring any particular product and do not affect the international trade. WTO Limit- There is no limit on govt for giving these kind of subsidies to their farmers.
- **Amber Box Subsidies (Not supported)**- The subsidies which are classified into Amber Box (Yellow Colour) should need to be reduced or slow down. These are the most trade distorting subsidies. They favour any particular product of a country by making it cheaper as compared to other countries and distort the international trade. These subsidies help in increasing production and hence creating the imbalance

between the trade. These subsidies include - Subsidies on seeds, fertilizers, MSP, etc.

- **Blue Box Subsidies** - These subsidies are 'Amber box Subsidies with conditions'. These conditions are designed in such a way that they reduce trade manipulation. Any Amber Box subsidies with restriction that they tend to limit the production are sorted into Blue Box. These subsidies are basically which do not increase with production. Currently only three countries are using these subsidies - Norway, Iceland and Slovania. Currently there is no limit imposed by WTO on these subsidies.

### Agricultural Inputs

Indian Agricultural sector contribution is 18% of the India's gross domestic product(GDP). Approx. half of the population is still engaged in this occupation. Agriculture contributed between 48 to 60 percent in initial two decades after independence. In the year 2001-02 it declined to 26% only.

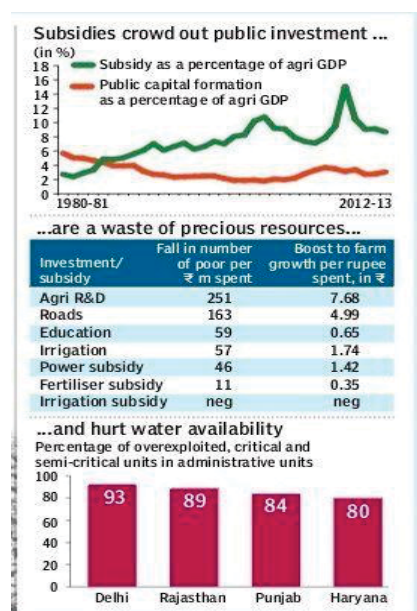
India is giving subsidies which classified into Amber Box which is the most trade distorting. Agricultural Inputs Subsidies such as on power and irrigation subsidies, fertilizers subsidies. Subsidies on these inputs have increased over the years. Power Subsidy rose from 6033 crore in 1990 to 27489 crore in 2008-09 and irrigation subsidy rose from 11196 crore to 23665 crore over the same time period.

### Consequences of Subsidies

The most important consequence of rapidly increasing power and irrigation subsidies is the increasing fiscal burden. This issue cannot only be examined only from the point of view of fiscal burden and fiscal unsustainability but from a broader perspective of ensuring food safety and security.

### Debate on whether subsidies should be continued or not

This issue is highly sensitive and arouses strong spirit among both the supporters and opponents of subsidies. The Supporters agreed that it should



continue with it as it will maintain the food security system. This is also important because without the inputs such as fertilizers, electricity, etc. it will not be accessible to poor and marginal farmers. And if not it will lead to poverty and low productivity.

Arguments against subsidies are that in India the magnitude of subsidies provided is going high day by day instead of going down. They also argued that the maximum benefits of these subsidies goes to big farmers and not to the really needy marginal and small farmers. Continuation of subsidies is also against the AOA (agreement on agriculture). Subsidies also increase heavy fiscal burden on the government, which affects the other sectors of the economy.

### **Suggestions**

There is a need to distinguish between the big and small farmers. Government should spread awareness about all the schemes, policies and subsidies of the government. After categorising them into their groups only the needy ones should be able to receive the benefits of government policies. so that it can access to them easily. Farmers should be given a limited period of time in that time period government will help them to become independent by giving subsidies that increases productivity, new technology, training and will impose trade barriers which will help them in becoming competitive in domestic as well as in international trade. After the time period is over then government will start withdrawing its help and subsidies.

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## Second Five Year Plan Analysis

Venu Gopal

### Abstract

*Planning is a very essential part if you need to achieve a specific target. Someone has rightly said that "A goal without a plan is just a wish". Like of other countries, the government of India also makes the plan so that the country flourishes more and more. From 1947 to 2017, there was the era of FYP and now after 2017, it has been replaced by TYAP. There were 12 FYP of which, this paper highlights the Second FYP. It shows the results of the plan and a critical assessment of the plan. It depicts the condition of SSI during the plan and Employment Orientation during the plan.*

### Keywords

Five Year Plan (FYP), Three Year Action Plan (TYAP), results of the plan, critical assessment of the plan, Small-Scale Industries (SSI) and Employment Orientation.

### Objectives

The objective of this paper was:

- To show what was the Second Five Year Plan.
- To show the results of the plan.
- To show the critical assessment of the plan.
- To show the condition of SSI during the plan.
- To show the Employment Orientation during the plan.

### Research Methodology

The study is mainly based on secondary data, articles, and reports of some reputable institutions and thinkers.

### Introduction

An economic plan can be defined as a set of specific quantitative economic targets to be achieved in a given period of time.



## **GOALS OF AN ECONOMY = ECONOMIC PLANNING**

The second five-year plan also called the Mahalanobis model (1956-61) was a plan that was mainly implemented to boost up the public sector. The total national income, per capita income, the rate of investment and an overall 25% increase was expected after the plan. The plan provided for an outlay of Rs.6750 crore both public as well as private. There were a many achievements of the plan but a lot of drawbacks came out of it.

### **Planning Commission**

The Planning Commission was an institution in Government of India, which formulated India's Five Year Plans, among other functions. It was formed on 15th March 1950 and dissolved on 17th August 2014. Its headquarters were Yojana Bhawan, New Delhi. In 2014, the planning commission was replaced with a new institution named NITI AYOJ. Its functions were to formulate a plan for the most effective and balanced utilization of the country's resources and to construct a long-term strategic vision for the future.

### **Second Five Year Plan (1956-1961)**

The success of the first five-year plan led to the formation of the second Five Year Plan, in which government started looking beyond agriculture, and focused on industry, especially on heavy industries. The second five-year plan is based on the so-called Mahalanobis model. This was the USSR model Indianized by PC Mahalanobis, the founder of Indian Statistical Institute. This model suggested that there should be an emphasis on the heavy industries which can lead the Indian economy to a long-term higher growth path.

#### **Growth Model and Plan Outlay of the Second Five Year Plan**

The second five-year plan envisaged an increase in the total national income from Rs.10,800 crore in 1960-61(calculated at the 1952-53 prices). This represented an increase of about 25% over the five year plan period. The per capita income was expected to increase from Rs.261 in 1956 to Rs.331 in 1960-61.

In order to make these achievements possible, the rate of investment was expected to rise from 7 % of the national income in 1955-56 to 11% in 1960-61, assuming that the rate of population growth would remain stationary at 1.3% per annum and the capital-output ratio at 2.3: 1.

In order to secure the objective of a 25% increase in the national income, the plan provided for an outlay of Rs.4,800 crore in the public sector. The actual outlay, however, amounted to Rs. 4,600 crore of which investment amounted to Rs.3,650 crore and the balance Rs.950 crore was the current developmental expenditure. Besides, the private sector investment amounted to another Rs. 3,100 crore. Thus, total investment, public as well as private, came to Rs. 6,750 crore.

### **Achievements of the Second Five Year Plan**

#### **a. Investment and National Income :**

The total investment in the economy increased from Rs. 850 crore per year at the end of the First Plan to an annual level of about Rs. 1600 crores at the end of the Second Plan.

Net investment, as a proportion of national income, increased from 7.3% to about 11% while domestic savings rose from 7.5% to 8.5% of the National Income at the end of the Plan.

#### **b. Agriculture :**

Production of wheat increased by 30.1%, that of rice by 34.4%, of oilseeds by 32.3%, of sugar-cane by 27.4% and cotton by 32.6%. An overall increase in agricultural production amounted to about 16%—the index of agricultural production (1948-1949 = 100) having risen from 117 in 1955-56 to 135 in 1960-61.

#### **c. Industry :**

There were a rapid growth and diversification of industry during the five years of the plan as can be seen from the general index of industrial production which rose from 139 in 1955-56 to 194 in 1960-61—a 29% increase.

#### **d. Power :**

This impressive industrial expansion would not have been possible but for the attention paid to the power generating capacity which increased from 3.42 million kW to 5.70 million kW i.e. by 67%.

#### **e. Employment :**

In the course of the Second plan, the additional employment opportunities created

amounted to about 8 million, of which about 6.5 million were outside agriculture. Even then, the backlog of unemployment at the end of the plan was reckoned at 9 million—more than what it was at the beginning of the plan.

**f. Transport and Communications :**

There was also a substantial expansion in road transport, shipping, and air services. The length of surfaced roads increased by 22,000 miles while that of the un-surfaced ones by 55,000 miles.

**Critical Assessment of the Second Five-Year Plan**

These shortfalls were in some of the very industries which were of crucial importance and thus deprived the economy of benefits envisaged at the start of the Third Plan. Performance in other spheres was not much better. There were serious shortfalls in the production of cotton, jute, sugar cane, oilseeds, coal, and electric energy. In brief, the overall growth rate of 3.5% per year turned out to be much below what was anticipated. A greater failure was in the sphere of prices. Unlike the First, the Second plan was characterized by a persistent rise in prices. Over the Five Years period, the rise in the general index of wholesale prices was about 30%. Food articles as a group went up by 27%, industrial raw-materials by 45% and manufacture by over 25%.

This very substantial price rise had its repercussions on the cost of living as well as the country's exports. The common man found his rupee losing a quarter of its value while the country's export promotion drive suffered a serious setback. All cost estimates were upset and the plan progress was adversely affected. While the plan failed to achieve its major physical targets, its working led to constantly widening inequalities in the distribution of national wealth. Not only had the economic inequalities increased, the regional disparities too went up. One of the principal objectives of the plan was to provide greater employment opportunities. Although, the plan did succeed in creating about 8 million new jobs, yet the backlog of unemployment at the end of the plan was estimated at 9 million. It means that the rate of investment was far short of the population growth. The Planning Commission failed to exercise effective supervision; close working relationship between the Centre and the states was absent and the administration was characterized by red-tape and inordinate delays. That is why there were serious delays in commissioning various industrial projects and achieving plan targets.

### **SSI during the Second Five Year Plan**

The principal objective of the Second Five Year Plan was to increase National Income by about 25 percent over the plan period and creation of employment opportunities for about 10 to 12 million persons. The emphasis placed on heavy and capital goods industries in this plan inevitably raised the important question of the place of the small scale sector. It was necessary to economize on the capital requirements of industries other than capital goods industries and hence investments in the consumer goods industries had to be severely restricted. Large investments in heavy industries would cause an increased demand for consumer goods by creating income (Mahalanobis Model of Growth 1961). The consumer demand from the increased expenditure in these sectors of the national economy is to be met substantially by the development of village and small industries which will not make on the one hand any heavy demand on the scarce capital resources available within the country and on the other hand will provide increasing employment opportunity.

The Planning Commission in its Resolution No.FY/11 CDI 23/55 dated 25th June 1955, constituted a committee with Prof. Karve as Chairman. The committee was asked to prepare a scheme, industry wise and wherever possible states for the utilization of the resources to be earmarked for the purpose of development of village and small industries. The major recommendations of the Karve Committee were to provide means of non-agricultural productive employment to avoid technological unemployment (Survey M. 2008).

### **Employment Orientation By Second Five Year Plan**

The Second Plan aims at creating additional employment for about eight million persons. It states that the question of increasing employment opportunities cannot be viewed separately from programs of investment envisaged in the Plan. Diversification of industrial pattern, special measures to assist small scale and cottage industries, provision of adequate training facilities, measures to promote geographical and occupational mobility of labor etc. are important elements of the new employment program. The Plan expects to provide employment opportunities for the new entrants to the labour force and relieve underemployment in agriculture and village and small-scale industries. Under its

employment policy, it recognizes the expansion of employment as an economic and social priority but it is dependent on the expansion of industrial goods and as well as consumer goods.

It states that the task of creation of employment is threefold. Firstly, existing unemployed in the urban and rural areas are to be provided for. Secondly, to provide for a natural increase in the labor force estimated at 2 million persons a year. Thirdly, the underemployed in the agriculture and household occupations in rural and urban areas should have increased work opportunities. It declares that it is necessary to take into account magnitude of the unemployment problem in the urban and rural sectors in different regions of the country and it is further necessary to distinguish the educated unemployed from other unemployed persons. Recognizing the problem of lack of adequate data it says that in the absence of appropriate data it is difficult to devise appropriate remedies for unemployment and to know how the employment responds to the different kinds of investment stimuli. It also underlines the difficulty of distinguishing unemployment from underemployment in rural areas. But at the same time, it estimates the total number of unemployed persons in India at the end of the Second Five Year Plan at 15.3 million (6.3 million in urban areas and 9.0 million in rural areas). The Plan document agrees that it would be incorrect to hold out hope that the full employment could be secured by the end of this Plan and at this stage, it is difficult to determine the direction in which the public policy should proceed.

### **Educated Unemployed**

The Plan document states that educated unemployment assumes a special significance because of the following factors - (a) rightly or wrongly there is an impression among the public that investment in education should yield a return in terms of remunerative jobs, (b) due to imbalance in the development of education in different parts of the country, there is an abundance of supply in some occupations and professions and shortage in others and (c) there is general disinclination among the educated to look for employment other than office jobs. A Study Group set up by the Planning Commission in 1955 to formulate programs specially designed to alleviate unemployment among the educated estimated that in the next five years 14.5 lakhs of educated persons would be added to the labour force. The Plan further states that according to the Study Group the question of

educated unemployed cannot be viewed in purely quantitative terms; it is necessary to be more specific about the kind of education for which the job opportunities are to be created. Regional immobility is coming in the way of fuller utilization of such personnel. The Group further suggests strengthening the cooperative organizations in the spheres of production and distribution, which will absorb to some extent the problem of educated unemployed. The Group considers a large area of small industries appropriate for the educated, which may include manufacturing industries, feeder industries (foundries, forge shops etc.) and servicing industries. In the opinion of the Group, another group of schemes to absorb the educated unemployed is cooperative goods transport. It also recommends to set up the orientation camps which would help remove the disinclination on the part of the educated to undertake manual work and to create in them self-confidence and a healthy outlook. Another set of recommendations to ease the problem of unemployment by the Group is - (a) improvement in the present system of recruitment to the Government posts, (b) provision of hostels and (c) establishment of university employment bureaux.

The Plan document states that the recommendations of the Study Group require to be implemented on a pilot basis in order to watch the reactions of the educated to such schemes and if the response is adequate, larger provisions can be made for experimental implementation. It further underlines the need for long term measures to solve the problem of educated unemployment as ad-hoc measures in the short run can hardly produce lasting results. The Plan further recognizes the fact that in spite of concerted efforts for the mobilization of available resources and their optimum utilization as proposed in the Plan, the impact on the two-fold problem of unemployment and underemployment will not be as large as the situation demands. The draft outline of the Third Plan notes, "The increase in employment during the Second Plan has not kept pace with the growth of the labour force. It was hoped that the development programs envisaged would lead to the creation of 8 million additional jobs outside agriculture. The achievement for the Plan period is at present estimated at about 6.5 million." It means that the backlog of unemployment in the agricultural sector was about 1.5 million.

## Conclusion

The Second Five Year Plan, however, was a good success but it had a many repercussions. The plan formulated by planning commission was not able to achieve its targets. The expectations were not far reached as of because there was a lack of implementation. However, the plan provided for an outlay of Rs. 6750 crore but the output was not much affectionate. The small-scale industry occupies a prominent place in the industrial economy of our country by its impressive contribution in terms of the number of units, employment and industrial production in the national economy. In the second five year plan, there was a much focus on heavy industries so the concentration on SSI came low and it did not perform much well in that plan period. As of which there was a much concentration on SSI from the third five-year plan. Employment was another criteria that to be talked of regarding second five-year plan. The aim of the plan was to create additional employment for about eight million people which were successful enough but at the end of the plan, there was a backlog of nine million people remaining unemployed. Employment remaining till date a big problem for the country was not solved because of many reasons like increasing population, improper implementation, etc.

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# FOREGIN POLICY AND TRADE RELATIONS

## SECTION 2

## BREXIT : FROM HERE TO WHERE?

Pramita Agarwal, Saket Dharewa, Lopamudra Mishra

### Abstract

*Euro scepticism or pro Europeanism? A chance to bring back sovereignty? Or play the cards of diplomacy? Are our sentiments taking over the sensibility in the decision? On 23rd June 2016, when a majority of British voters (52%) showed interest in exiting the European Union invoking the constitutional right to withdraw under article 50 (Treaty on European Union) created a turbulence in UK-EU trade states. Now, the UK is due to leave the European Union on 29 th march 2019 but when the negotiation will end, ending the transition period is uncertain. No deal, soft Brexit and hard Brexit are discussed enough and now this research aims on its implication. The scope of UK becoming an independent player, free in seeking its own rules and regulations, making its own trade deals with rest of the world is extremely a high post-Brexit. This newly found freedom can be used by UK to look for new trade deals with countries such as China, India and US.*

### Keywords

Transition period, Euroscepticism, Customs union, Single market

### Objectives of study

The objective of the study is to meet the questions posed below:

- Why Brexit?
- Who voted for Brexit? And what voters know about Brexit?
- What happens to UK post Brexit?

### Review of literature

Oliver Wyman in his study in 2016 estimates that one quarter of Finance industry's revenue comes from business related to EU.

At the aggregate level, Bruno, Campas, Estrin and Fian estimates using a gravity equation imply that leaving Single market will reduce the flow of FDI into the UK by around 22%. (2016).

Brexit: The Economics of International Disintegration, a research paper written by Thomas Sampson in the year (2017) states that in the long run, Brexit will make UK poorer creating new barriers to trade, FDI and immigration.

Brexit and the end of Great Policy Moderation by Thomas Philippon (2016) states that there's going to be a wide amount of economic and financial uncertainty in the shaping of trade barriers post Brexit.

### **Research methodology**

Situation analysis with detailed and dynamic approach.

### **Analysis and Findings**

European Union is a political and economic union consisting of 28 member states and is on the verge of becoming EU27 post Brexit.

UK became a member state of EEC (European Economic Community) on 1973 and since then, UK has been following all the political and economic requirements under Copenhagen criteria. This way, becoming a part of EU's Single market and Customs union, UK abided all the rules and regulations of being a member country until 23rd June 2016.

On 23rd June 2016, when a majority of British voters (52%) voted to exit EU invoking the constitutional right to withdraw under Article 50 of British constitution (Treaty on EU) created turbulence in UK-EU trade states. This historical withdrawal interest got abbreviated for “British Exit” and came to be known as Brexit. Meanwhile a period of settlement and negotiation has been granted to UK to decide on the future trade relations with EU by the end of 29th March 2019. But now the question is, how this is going to shape into by the end of the transition period.

### **Does Brexit means Brexit?**

Prime minister Theresa May once in her speech said “Brexit means Brexit” which clearly indicated that there will be no attempt to remain inside the EU, no attempts to re-join it by the back door and no second referendum. Giving such a bold and firm statement planted the idea of “Hard Brexit” in the mind of some Brexiters. But when she gave another statement claiming that she will “negotiate the best forms for Britain's departure from EU and forge new roles for the nation in the world”. Everything became more ambiguous

after this as to the way Brexit will shape into remained uncertain. The exiting agreement between EU and UK remained unclear.

After considering all types of notions that was floating in the economic and political space of Britain, it was found that Brexit can broadly be categorized into three main types –

- Hard Brexit
- Soft Brexit
- No Deal

### **Hard Brexit**

Hard Brexit basically means “clean Brexit” where UK is out of EU's Single market as well as Customs union. Being a part of Single market allows free movement of goods, services, labour and capital where as being a part of Customs union meant the member countries can buy and sell from each other with no import taxes, and it doesn't end here, it also means charging the same taxes ( Single tax system) to goods coming in from the rest of the world.

### **Soft Brexit**

Britain's departure from EU can also take place softly, instead of leaving everything behind. Thus Soft Brexit means keeping some aspects of Single market membership like individual deals, free movement and financial trade deals. Supporters believe, Soft Brexit approach is an essential condition for UK's economic growth.

### **No deal**

“A bad deal is always better than no deal”. Leaving with “no deal” can result in a wreck because that will mean surrendering to WTO rules and regulations.

This way UK will move to trade under WTO regime on the expiry of the transition period.

### **Implications**

Single market is basically based upon the idea of “free trade”. And UK wants to alter this definition of Free trade in its favour. Thereby it supports the free flow of goods, and services too to some extent. But is definitely not willing to compromise its stand on Labour and Capital. And EU on the other hand is not willing to agree on the alteration deal by UK.

Going for Hard Brexit would prove to be heavy on UK's pocket where as Soft Brexit would never be agreed upon by EU. And No Deal is something UK would never like to get into. Hereby the only mid-way to lead UK out of this crises would be what May's government is currently working upon – The Chequers Plan.

### **Why Brexit?**

Brexiters have a broad consensus that Brexit will make UK stronger than before. And this consensus is mainly floating around due two main prospects –

- Immigration
- Sovereignty

### **Immigration**

When almost 17.5 million people voted for Brexit, concerns about immigration were at the forefront in many of their minds. Even today the concern hasn't changed as 3.8 million EU citizens are found living in UK as per the data of 2017. And about 6% of the population of UK.

Freedom of movement has clearly been the biggest single factors behind the Brexit vote. The openness of free movement has also made it very hard for the local and national authorities to plan for future population growth and infrastructure needs with any certainty. Many of the EU immigrants are seen taking advantage of the free movement in recent years invading the rights of actual inhabitants. Now the people standing by the idea that the priority status given to EU citizens must be reviewed voted in the favour of Brexit. All that they believe is jobs and social rights must have minimal reach to the future EU citizens. They also demand of policies concerning labour market should be more country specific.

If all goes by this plan, people from EU will start facing the same immigration rules as those from elsewhere.

## **Sovereignty**

The sovereignty has always been a fundamental principle of UK's constitution. But the very sovereignty seems to be under threat when it comes to be a part of EU. Euroscepticals strongly believe in this reasoning to justify their vote in the favour of Brexit.

Generally, sovereignty refers to the authority of a state to govern itself and determine its own laws and policies. But in the context of Brexit, UK is demanding sovereign law making powers that are challenged by its membership of the EU. This way UK is bound to act under laws made by EU treaties. And these laws have primacy over the laws of the member states.

## **Who voted for Brexit?**

The prime voters of Brexit can be broadly divided on the basis of region, education and age. And to this it has been found that –

- England and Wales voted to leave while Scotland and Northern Ireland voted to remain. And within England, support for Brexit was considerably lower in London, where only 40% voted to leave.
- Education wise, majority votes were in the hands of non-degree holders (which constituted 65%) as compared to degree holders
- Age wise it is found, people above the age of 65 were the ones who favoured Brexit constituting 60% of the voting chunk.

## **What voters know about Brexit?**

Analysing the psych of the voters on the basis of same three divisions:

### **Region wise**

Of all the voting regions, Northern Ireland and London's votes' put forth a wide scope of discussion.

The Republic of Ireland is separated from UK through Irish Border and this border has recently been in a controversy in the context of Brexit. Now what the controversy is all about? Northern Ireland have always had a good trade relations with EU and Irish nationalists believe that the EU has helped Northern Ireland open itself up to the world.

North Irish business constitute a major chunk of Europe in agriculture, food, tourism and FDI. And all of these might get a lot difficult if Northern Ireland exits EU. Now, how important and sensitive the Northern Ireland issue is can be witnessed from the data of 2016 that reveals – 33% of Northern Ireland's goods exports go to the Republic of Ireland.

On analysing the voting pattern of London voters it is found that London is Europe's leading financial centre and Brexit poses possible threats to London's position as Europe's financial hub.

Oliver Wyman(2016) estimates that one-quarter of finance industry revenue comes from business related to EU. If Britain leaves the Single market, UK based finance companies will lose their passporting rights and face higher barriers accessing European markets and all this will affect London the most.

### **Education wise**

Non degree holders constituted the majority votes when it came to leaving EU, this shows the decision was taken keeping only the short term immediate effects in mind without much introspection on facts. Also, voters being economically less successful might have an angle of insecurity in their minds when it comes to availing of job and education.

### **Age wise**

There is high possibility of the leave voters to be conservative, unprogressively and socially orthodox in nature if votes are analysed considering age as a factor. This is because, 60% of the voters who voted in the favour of Brexit were older in age (65+).

### **What happens to UK post Brexit?**

It is too soon to know whether Britain leaving the EU will prove to be merely a diversion on the path to greater integration, a sign that globalisation has reached its limit, or the start of the new era of protectionism. However, few predictions can always be made keeping the current scenarios in mind. Thus, what happens to UK post Brexit can be predicted under following heads:

Dooming of the Finance industries' revenue

The policy decisions' consequences post Brexit reveals Financial revenue would fall

between 12%-18% and employment would fall between 7%-8%. And this isn't the end. Oliver Wyman(2016) estimates that one quarter of Finance industry revenue comes from business related to EU. If Britain leaves the Single Market, UK based finance companies will lose their passporting rights and face higher barriers accessing European markets.

Finance industry is by all accounts a hugely influential sector in the British economy, contributing 12% to UK's total GDP. It generates more than two million jobs and is the country's biggest export industry. And if Brexit happens, UK based finance companies will suffer.

### **Reduction in the flow of FDI into UK**

At the aggregate level, Bruno, Campas, Estrin and Fian(2016) estimates using a gravity equation that leaving Single market will reduce the flow of FDI into UK by around 22%. This might happen because post Brexit, the size of UK's market will reduce considerably as it would no more serve as a door to other European economies unlike before. The investors will never put their money in such an uncertain situation this way.

### **Uncertainty in barriers to trade**

The gap between binding tariff commitments under trade agreements and applied tariffs is by what trade policy uncertainty is measured. And this is recognised as a important barrier to export so much so that UK exports are seen falling. Brexit is certainly making it for firms to decide on their imports and exports.

### **Immigration-losing priority status**

UK at present is bound by the EU's freedom of movement rules, which offers nationals from the 27 EU member countries an automatic right to work and settle in Britain. EU citizens who have lived in the UK for at least five years will be eligible for a new “settled status” after Brexit, the UK government said recently. Home secretary Sajid David said that people with “settled status” would be able to bring close family members, such as spouses, children and parents, to the UK after post Brexit transition period ends in 2020.

However, this has both optimistic and pessimistic angle to it. Optimistic when it reduces the European population creating job opportunities for low paid workers. And pessimistic when UK's GDP falls due to the same.



## Conclusion

Evidences show, “leave votes” in Brexit referendum are casted by the ones who strongly thinks life in UK would get better post-Brexit, only because, they deem it as freedom of their nation and see it as a matter of sovereignty. According to this hypothesis, voters supported Brexit also because they believe European Union membership has contributed to their discontent with the status quo. However, it is too soon to make any further judgments regarding Brexit as everything will eventually unfold with the way negotiations take place between UK and European Union and how successful it goes in meeting UK's economic interests.

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## FLUCTUATIONS IN OIL PRICES

Heenakshi Manoj Gurbani, Chestha Khatri

### **Abstract**

*The price of oil or oil price refers to the spot price of a barrel of benchmark crude oil. There is a difference in the price of a barrel of crude oil based on its grade, which is determined by various factors like density of oil, its location and its Sulphur content. Heavier, sour crude oils are less expensive than lighter and sweeter oils. Thus, the price of oil has seen many ups and downs throughout the years and these fluctuations in prices have many impacts on the global economic scenario.*

### **Objectives of Study**

- To study the patterns, trends and changes in oil prices over the last two decades.
- To analyse the causes of oil price fluctuation.
- To study the economic impact of the fluctuation in oil prices on the global as well as Indian economy.

### **Review of Literature**

Dvir and Rogoff 2010; Alquist, Kilian, and Vigfusson 2013 - Oil prices have been largely free to fluctuate in response to the forces of supply and demand.

Barsky and Kilian 2002, 2004; Kilian 2009; Kilian and Murphy 2012, 2014; Bodenstein, Guerrieri, and Kilian 2012; Lippi and Nobili 2012; Baumeister and Peersman 2013; Kilian and Hicks 2013, Kilian and Lee 2014 - Most major oil price fluctuations are largely explained by shifts in the demand for crude oil.

### **Research Methodology**

The study is based on secondary data collected from online and offline sources like books, magazines and published articles, written by various scholars and economics.

### **Analysis and Findings**

From 1999 till mid-2008, the price of oil rose significantly due to the rising oil demand in highly populated countries like China and India. Crude oil prices averaged \$30 a barrel

in 2003 as a cause of the political instability within various oil producing countries. It hiked 19% from the average in 2002. The 2003 invasion of Iraq showcased a significant event in the history of because Iraq contains a large number of global oil reserves. The conflict coincided with an increase in global demand for petroleum, but it also reduced Iraq's current oil production and has been blamed for increasing oil prices during that period. After retreating for several months in late 2004 and early 2005, crude oil prices rose to new highs in March 2005. The price on NYMEX (New York Mercantile Exchange) has been recorded as above \$50 per barrel since March 5, 2005. In mid-2006, crude oil was traded for over USD 79 per barrel. In October 2007, crude price rose to \$90.02. In the middle of the financial crisis of 2007–2008, the price of oil underwent a significant decrease. On January 2, 2008, crude price surpassed \$100 per barrel before falling to \$99.69. Oil prices surged above \$110 to a new inflation-adjusted record on March 12, 2008 before settling at \$109.92. In April 18, oil prices rose to a new high of \$119.90 a barrel. On July 3, 2008, crude rose to \$145.85 a barrel. By August 13, prices had fallen to \$113 a barrel. By the middle of September, oil price fell below \$100 for the first time in over six months, falling below \$92. By the end of December 2008, oil price went as low as \$32.

From mid-January 2009 to February 13, oil price remained at \$35 and then rose. On May 21, 2010, the price of oil had dropped in two weeks from \$88 to \$70. Prices increased to \$90 per barrel in December 2010. On March 1, 2011, the price of oil rose to \$100 a barrel and then to \$114.83 a barrel in May, before falling to \$93 per barrel in mid-June. Oil prices fell below \$90 before rising again to \$94.96 during the end of June. In the month of August price dropped to \$86.88 per barrel on the New York Mercantile Exchange. At the end of the year, the price reached \$96.80.

The price of oil stayed near \$100 throughout January and February 2012 because of concerns over supplies, and the European debt situation. Oil price then rose to \$128 per barrel in March, before registering a sharp decline of \$21. In May, it decreased to \$95.34 and further went down to \$84.29 in June. In July, it rose to \$89.22 per barrel. In December, price was at \$109.

Through first half of 2013, the price of oil remained between \$80 and \$100. In August and September, it registered a sharp rise and went up to \$111.50. It fell again throughout

October and November, first to \$103.31 and then further to \$93.92. In December, due to a better economy in the United States leading to higher demand, oil closed at about \$100 a barrel.

In January 2014, oil price remained at around \$95. Cold weather led to the price of oil staying above \$100 for most of February, but lower prices were expected. Continued problems in Ukraine, pushed oil prices up to more than \$100 in the months of March, April and May. Trouble in Iraq resulted in higher prices for oil in June to \$113, after which prices fell below \$100 in July and August. With demand low in China and Europe and OPEC deciding not to cut back, prices dropped to \$60 and then to \$55. By the end of 2014, the demand for global oil consumption continued to decline causing great destabilization in the international oil markets.

Throughout the first quarter of 2015, oil price remained between \$45 and \$59. It rose in April, reaching \$64.95 per barrel and remained stable throughout May, June and July. In August, prices fell to \$43.08 and then remained at around \$45 during the next two months. It increased to \$48.76 in the month of November and then fell again to \$40. It further fell in December and closed at \$36.

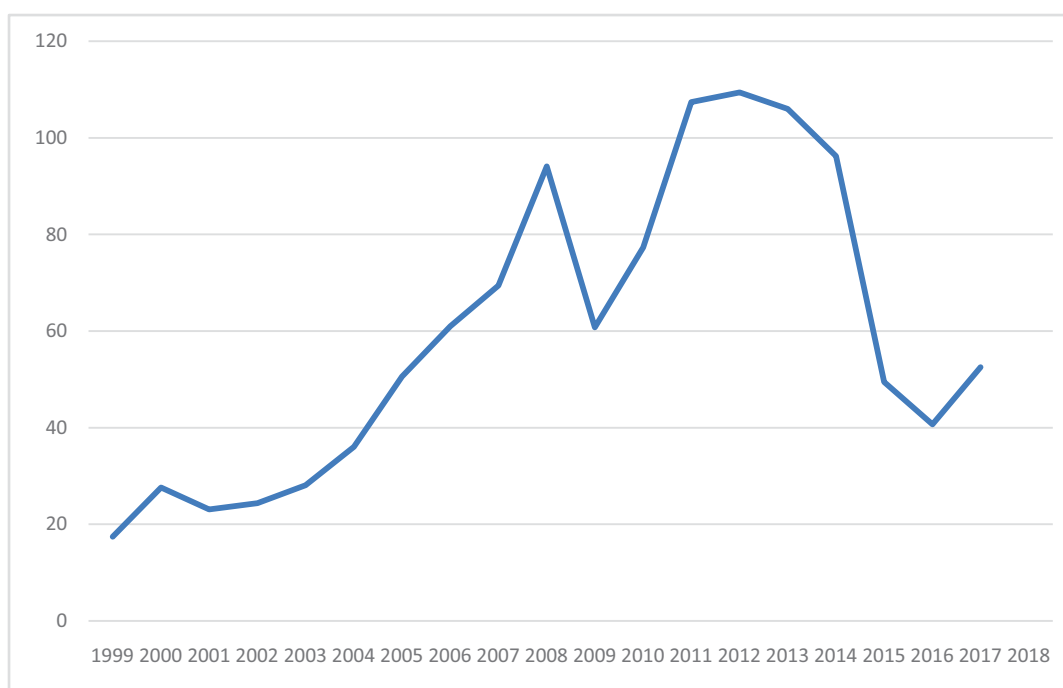
During January and February of 2016, prices remained stable at around \$30. In March, price of oil rose to \$40 per barrel. The end of March saw a fall in prices to \$37, before increasing to \$40 in the beginning of April. The prices rose to \$44 in the month of April and then to \$50 in May and June. In July, price fell to \$47.20 and further to \$45. It remained at around \$45 throughout August and September. The price reached \$52 in October and then fell to \$45 in November. Then price rose throughout December, first to \$52.49 and then to \$56.

During the first four months of the year 2017, prices remained at around \$55 and then fell to \$45 in May and remained constant throughout June and July. At the onset of August, prices increased to \$51. During September, prices increased, reaching \$59 by the end of the month and remained constant through the next 2 months, only to increase to \$62 in December.

Price of oil began the year at \$64 in January and then fell to \$61. The price increased to \$65 in March and then to \$73 in April. It further rose to \$76.44 in May. It fell to \$69 in June

and remained at around \$65 throughout June, July, August and September. It rose to \$80 in October and then fell to \$55 in November. The price then rose back up to \$65 at the end of November.

### Yearly fluctuation in oil prices over the last 2 decades



Years (1999 – 2018)

#### **Causes of fluctuation in oil prices**

- OPEC's Influence on Oil Prices

OPEC, or the Organization of Petroleum Exporting Countries, is the main influencer of fluctuations in oil prices. OPEC is a consortium made up of 14 countries: Algeria, Angola, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. The cartel controls 40% of the world's supply of oil. The consortium sets production levels to meet global demand and can influence the price of oil and gas by increasing or decreasing production.

- Supply and Demand, Futures Contract Impacts on Oil Prices

As with any commodity, stock or bond, the laws of supply and demand cause oil prices to change. When supply exceeds demand, prices fall, and the inverse is also true when demand outpaces supply. While supply and demand affect oil prices, it is actually oil futures that set the price of oil. A futures contract for oil is a binding agreement that gives a buyer the right to buy a barrel of oil at a set price in the future. As spelled out in the contract, the buyer and seller of the oil are required to complete the transaction on the specific date.

- Impact of Natural Disasters and Politics on Oil Prices

Natural calamities are an important factor that can cause oil prices to fluctuate. From a global perspective, political instability in the Middle East causes oil prices to fluctuate, as the region accounts for the lion's share of the worldwide oil supply.

- Production Costs, Storage Impact on Oil Prices

Production costs can cause oil prices to rise or fall as well. Once the supply of cheap oil is exhausted, the price could conceivably rise if the only remaining oil is in the tar sands. With so much oversupply in the industry, a decline in production decreases overall supply and increases prices.

There are also ongoing concerns that oil storage is running low, which impacts the level of investments moving into the oil industry. Oil diverted into storage has grown exponentially, and key hubs have seen their storage tanks filling up rather quickly. However, slowing production and pipeline network improvements will reduce the chance that oil storage will reach its limits, which helps investors shed their fears of too much supply and a rise in oil prices.

### **Impacts of fluctuation in oil prices**

#### Global Economy

- Heightened tensions in the Middle East and lower supply from oil producing countries have led to the recent surge in oil prices.
- An increase in global demand for oil has only amplified the existing problem.

- Oil price change indirectly impacts the local currency of various countries and affects the fiscal deficit and current account deficit.
- There is no sustainable correlation between direction of crude oil price and the stock market. Global economic recovery is aiding stock prices now. When oil prices dip, Sensex records an uptick.

### **Indian Economy**

- India's significant oil imports (70% of its total consumption) are a big drag on its finances. With rising oil prices, the import bill is getting fatter.
- Since oil imports form a large proportion of India's total imports, it contributes to the country's trade deficit. Further rise in crude oil will only increase the deficit further.
- Changes in oil prices have a spill over effect on consumer inflation in the country. Inflation fell as oil prices cooled but is going back up now.
- Consumers are facing the brunt because taxes now account for more than 50% of the price of petrol. Retail petrol prices, which initially fell are back up again due to higher taxes.

### **Conclusion**

The price of oil has gone through a large number of fluctuations over the last two decades. It has seen both dips and rises due to various factors. There are several factors, both economic and political, that can cause fluctuations in oil prices. OPEC is widely seen as the most influential player in oil price fluctuations, but basic supply and demand factors, production costs and even political turmoil in oil producing countries play a significant role in the price of oil. Recent changes in oil prices have had many impacts on the global as well as Indian economy. Wide fluctuations in oil prices have played an important role in driving recessions and even currencies collapsing. Which is why oil price movements are closely watched by economists, investors, and policymakers.

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# **BUSINESS AND SOCIAL**

## **SECTION 3**

## FAT TAX : WHAT, WHY, WHERE, WHEN, HOW AND THE INDIAN PERSPECTIVE

Aartey Harpalani

### **Abstract**

*This research paper underlines facts about the two sides of a coin – the coin being Fat Tax. If more than 60 per cent population of a country is considered obese as per the World Health Organisation (WHO) 2016, is it safe and fair for the government of that country to impose taxes on the junk food or is it just another way for the government to take the tax payer's money? Will this tax just be reduced to a government approved scam or should this tax be imposed on fat people's income not the food, clothes and the seats? When some people can put a watchful eye on their diet, is there a need to discipline and punish us all? This paper also discusses effects on the Indian Economy with the imposition of 14.5 per cent Fat Tax in Kerala. This paper answers and debates both the versions giving it's own conclusion, backed up by interviews of eminent personalities from the University of Oxford, World Health Organisation, National Action Against Obesity, National Centre for Public Policy Research, recent surveys, facts and figures analysed by graphs and diagrams. It finds that fat tax is not only limited to food but also includes tax on clothing and airplane seats. This research provides enough empirical evidence and concludes that snack consumption is impacted differently by price, across income groups and ignoring out-of-home purchase decisions leads to a significant bias in price and consumption elasticities. This study is based on secondary data compiled from various sources. The objective of this paper is to analyse the effects of Fat Tax on different economies including India, discussing the pros and cons of the imposition of such a tax.*

### **Keywords**

Obesity, Pigouvian tax, BMI, price and income effects, price elasticity.

### **Objective**

The objective of this paper is to analyse the effects of Fat Tax on different economies including India, discussing the pros and cons of the imposition of such a tax.

## **Review of Literature**

In the literature review, there exists evaluation and simulation of studies of fat tax in different countries, after discussing the very meaning of Fat Tax, giving notable arguments for obesity being an economic issue for country and its rise over the globe. Finally, a short overview of literature is provided on India's take on fat tax, the effects and behaviour of the imposition of such a tax over an economy.

Mytton et al. (2012) provide an overview of all important food taxes over the past 30 years, here only a few selected studies are discussed.

Smed et al. (2007) and Jensen, Smed (2007) used models of consumer behaviour to investigate the potential effects of health-related food taxes, including a tax on saturated fat, on all fats, and on sugar. Mytton et al. (2007) found that taxing sources of saturated fat may lead to a reduction in the intake of saturated fats. By contrast, Chouinard et al. (2007) studied the impact of a fat tax on the consumption of dairy products using estimated price elasticities, and found a rather inelastic demand for these products suggesting a low impact on consumption, but a high potential to generate revenue. Cash et al. (2008) made an experimental investigation into the impact of fat taxes, and their findings suggest that consumers are less likely to choose a product with a stigmatizing warning label attached to it. Mytton et al. (2012) examined the evidence on whether taxes on unhealthy food and drinks really improve health.

## **Research Methodology**

For conducting this research, secondary data like books, journals, reports and newspapers have been consulted to bring out the best possible research on this topic. The focus is made on relevant and latest crisp details so that it brings about the gravity of the tax scenario. Using authentic data from the countries on purchases for both in-home and out-of-home consumption of high-sugar snacks, we find that the predicted impact of a 10% fat tax would be a 9.6% drop on yearly demand for the low-income segment. Ignoring purchases for out-of-home consumption would overestimate that prediction by about 16%.

## **Analysis and Findings**

Increasing prevalence of overweight and obesity has led policy-makers to consider health-related taxes to limit the consumption of unhealthy foods and beverages. Obesity,

defined as abnormal or excessive fat accumulation that presents a risk to health is measured by the Body Mass Index (BMI), which is calculated by dividing a person's weight in kilograms by his or her height in metres squared (kg/m<sup>2</sup>). Obesity has nearly tripled worldwide since 1975.

### **Why is obesity of economic concern?**

Obesity imposes costs not only on those who become obese but also on the rest of society. These costs include medical costs for treating obesity and its resultant illnesses, lost working days and so on. Since people do not consider these costs when making their diet and exercise decisions, obesity rates will tend to be higher than those that would occur if these costs were taken into account. Economists can then think of using economic instruments, such as a 'fat tax', to affect people's decision-making in order to bring the outcome closer to the socially desirable one. According to an article by WHO on 16 February 2018:

- In 2016, more than 1.9 billion adults, 18 years and older, were overweight. Of these over 650 million were obese.
- 39% of adults aged 18 years and over were overweight in 2016, and 13% were obese.
- Most of the world's population live in countries where overweight and obesity kills more people than underweight.
- 41 million children under the age of 5 were overweight or obese in 2016.
- Over 340 million children and adolescents aged 5-19 were overweight or obese in 2016.

### **What is Fat Tax?**

Fat tax is a tax or surcharge that is placed on fattening food, beverages or on overweight individuals. Usually, the subject of such a tax is a specific food or drink (e.g. sweetened beverages, salted snacks) or a food constituent, most commonly sugar, saturated fat. It has been imposed in various countries but the structure of the tax is not same across these countries. It is imposed to discourage people from consuming unhealthy food products as the price of the commodity will increase, which in turn leads to a fall in the quantity demanded (Law of Demand). Fat tax or its spin offs like sin/sugar tax can currently be seen in Hungary, France, Finland, Mexico, Chile, Norway, Denmark, Australia, UK, India and

across various states in USA. According to the World Cancer Research Fund, a total of 48 cities, nations and territories have now imposed taxes of some type on their soft drinks too. Post obesity taxes- on airplane seats and plus sized garments are also included in Fat Tax. Obesity and the implications of high bodyweight are among the greatest challenges facing health systems worldwide. Governments are desperately seeking effective policy tools to turn the tide before it becomes a tsunami. The list of policy options follows the well-worn staples of public health: front of pack labels to improve consumer information on foods, restricting marketing of unhealthy foods, promoting healthy foods and the selection of healthy diets, and subsidizing healthy foods and activities. Unfortunately so far, at a population level, these policies have not been effective at scale in some countries: overweight and obesity rates and as well as nutrition-related chronic diseases continue in countries irrespective of income level. According to an article in India Today dated Oct 11 2017 “ India is home to second highest number of young people who have excess weight and as per a study, by 2025, India will have over 17 million obese children and stand second among 184 countries where the number of obese children are of concern.

#### **Why is there a rise in obesity?**

- Studies point to increased availability and low prices of fast food and other processed food, increased soda and candy consumption, and increased advertising of unhealthy foods to children.
- Technological advances that turned active workers into sedentary workers, brought lower prices, and increased the demand for processed food. The increases in the availability and consumption of processed food items are partly due to the cost savings associated with such convenience.
- With these technological changes and a lower need for a physically active work force, exercise is now done primarily during leisure time.
- The increased availability and use of TV s, computers, and video games during leisure time have caused a corresponding decrease in exercise turning people into couch potatoes, with many people choosing a level of exercise that is inadequate for the amount of calories consumed.
- In addition to excessive calorie consumption and inadequate physical exercise, there

are other factors that contribute to growing obesity. It is likely that a combination of genetic, metabolic, behavioural, environmental, cultural, and socioeconomic influences are at work (U.S. Department of Health and Human Policy Perspectives Services 2001).

- Also, consumers may lack full information about the food they eat, which could explain various Food and Drug Administration (FDA) labelling laws regarding nutritional content. Perhaps, with full information, fully rational consumers would make different choices.

#### **Fat tax around the world and their latest updates.**

- Japan implemented the 'Metabo' law in 2008 which mandates local governments and employers to add a waist measurement test to the annual mandatory check-up of 40 to 74 year olds. Men and women failing this test, i.e. exceeding the maximum allowed waist size of 33.5 and 35.4 inches respectively, are required to attend counselling sessions, monitoring through phone and email correspondence, and motivational support. The overall goal is to cut the country's obesity rates by 25 per cent by the year 2015. Failure to meet these goals results in fines of almost 10 per cent of current health payments. Employers are also required to have a participation rate of 65 per cent failing which they are penalised. Japan cut obesity by 3.5% by 2014.
- Denmark implemented a nutrient-based tax in October 2011 on butter, milk, cheese, pizza, meat, oil and processed food containing more than 2.3 per cent saturated fat and was the world's first to implement a food fat tax. The tax was withdrawn in November 2012 as according to OECD, the goal could not be reached. According to IEA's Current Controversy Paper no. 42, fat tax led to a rise in inflation to 4.7 per cent in a year in which real wages fell by 0.8 per cent. It also led to cross border purchase of food items. The tax was based on the amount of fat used to produce the food and not the amount in the final product. The “Keyhole logo”, a better alternative in place in Denmark, Norway and Sweden since 2009 and more recently in Iceland and Lithuania helps consumers to choose products that are lower in sugar, fats and salt, and higher in whole grains.
- Hungary implemented 'public health food tax' in September 2011. People have to pay a tax of 10 forint on packaged products with high sugar, saturated fat and salt content.

Hungary witnessed a 40% decrease in soft drink sugar content in the wake of its tax. The tax is applicable on packaged snacks and sugary drinks but not on fast food.

- Finland has reintroduced a tax on sweets including soft drinks and ice-cream in 2011. Media reports indicate that the tax had only a short-term effect and the demand came back to normal over time.
- France, in 2012, introduced a tax on drinks with added sugar or sweetener. A study showed that tax was fully passed on to the consumers for sodas, which had no untaxed substitutes. However, the tax was not fully passed on to consumers for flavoured water and food drinks for which substitutes were more widely available. The NutriScore label, implemented in France as of April 2017, is a 5-colour scale that summarises the healthiness of a product.
- Mexico, in November 2013, approved an excise tax on high-calorie packaged food including potato chips, peanut butter and sweetened breakfast cereals and an increase in tax on soft drinks. Mexico's 10% tax accelerated the movement in 2014. After just one year, Mexicans were consuming 12 per cent less sugary drinks, the most significant reductions in the poorest households. The producers changed the production recipe of soft drinks. They substituted cane sugar with high fructose corn syrup.
- Dubai pays people to lose weight. The cash-rich government is encouraging people to lose weight by paying them in gold for every kilogram they shed. Shed pounds, and we'll give you some gold. And if you're a child — we'll give you double. Participants will be awarded one gram of gold, worth just under \$42, for every kilogram (2.2 pounds) in weight lost.
- Compulsory front-of-pack (FOP) warning labels were introduced in Chile in June 2016, and preliminary evaluations show changes in consumers' food purchases.
- In Korea, a new rule will soon be implemented requiring manufacturers of snacks, processed food and beverages to list the total amount of monosaccharides and disaccharides in their products, along with the total amount of nutrients per package. In March 2017, six large food and beverage corporations announced plans to launch an easy-to-interpret FOP traffic light system in their European operations, which would be in compliance with the EU regulations.

- New Zealand, where one in four adults are technically obese, bars overweight immigrants from obtaining a visa. The “Health Star Rating” system implemented in Australia and New Zealand in 2014 is a front-of-pack labelling system that rates the overall nutritional profile of packaged food based on energy, saturated fat, sodium, total sugar, and fibre content, assigning a rate from ½ star to 5 stars. It provides a quick, easy, standard way to compare similar packaged foods. The more stars, the healthier the choice.
- In Berkeley, California, a minimal tax decreased overall consumption of fat and sweetened beverages by 21%.
- South Africa's sweetened beverage tax which came to effect in April 2018, covers all sugars in beverages, “intrinsic”, or “added” and includes concentrates. At 2 per cent per gram of sugar, the tax effectively adds 11 per cent to the price of a can of soda. To encourage manufacturers to reformulate with lower sweetener content, the tax excludes the first 4 grams per 100 ml.
- Public Health England (PHE) hoped to push companies like Coca-Cola, Pepsi and Red Bull to reformulate their products in ways that encouraged lower and less frequent sugar consumption. If they failed to change their recipes before 6 April 2018, the tax would go into effect and retailers would be forced to raise prices. Most opted to change the recipes of their popular drinks. Drinks with more than 5 grams (g) of sugar per 100ml would face a tax equivalent to 18p per litre (\$0.23). More than 8g would add a 24p tax per litre (\$0.31). The expected yearly revenue was about £500m (\$650m), which PHE said would be invested in obesity-reduction programmes for children.

According to a study by Cambridge University in the long run, it estimates that the tax raised liable soft drink prices by approximately 38%, leading to a 26% decrease in consumption in England. Researchers say this decrease would prevent approximately 370 coronary heart disease deaths, effectively generating about 4,490 life years by 2021. Comparing the 617,000 hospital admissions in 2016 in which obesity was a factor, the projection becomes all the more realistic.

### **Fat Tax through the Indian Eye**

In India, where 194.6 million are undernourished (in 2016), it seems like a sharp dichotomy that people in Kerala, the tourist hot-spot, are becoming obese. However, the



total percentage of obese people in the state is 3% to 4%. In light of such figures, the Government of Kerala (GoK), Finance Minister Mr Thomas Isaac in his 2016-17 budget announced and has imposed a 14.5% “fat tax” on burgers, pizza, tacos, doughnuts, sandwiches, and pasta sold at branded restaurants and food retail giants such as Dominos along with many others to curb an unhealthy trend that is overcoming the state. The key concern was to shore up tax revenue, according to the Times of India, but officials said the levy was introduced for health reasons as well. “There has been an alarming trend in the growth of unhealthy eating habits among Keralites and we hope the fat tax will be a deterrent,” Rajan Khobragade, commissioner of commercial taxes, told the Times of India. The government expects additional revenue of Rs. 10 crores. As per 2005-06 NFHS data, 24.3 per cent of males and 34 per cent of females were obese or overweight in Kerala while the national figures were 12.1 per cent and 16 per cent respectively. Data release for NFHS 2015-16 is awaited. In the 2017-18 budget, the fat tax got subsumed in the GST. There was no mention of the amount it collected or its status though.

### **The Economics of Fat Tax**

#### **Predictable direct impacts of taxes**

The 'law of demand' in economics says that there is an inverse relationship between price and demand, and therefore that higher prices should lead to less consumption and lower prices to greater consumption. This does indeed apply to most products, including foods, but the responsiveness of the demand for foods to changes in prices is generally low (i.e. the demand is inelastic). Indeed a recent review suggests that taxes on foods would need to be at least 20% to have a meaningful impact on health outcomes. On an average, in developed countries the responsiveness of consumption to changes in prices is relatively low because food comprises only a relatively small proportion of total household income (<20%) and so small changes in food prices do not really have any impact on consumption at a population level.

However, within countries, low-income populations are more sensitive to price changes because they spend relatively more on foods compared with their wealthier counterparts. Lower socio-economic groups also purchase a greater proportion of energy from less healthy foods and beverages in comparison with those in higher socio-economic groups,

and we may therefore expect their consumption of these unhealthy foods to be reduced more by a tax. Disregarding the income inequality issue, this is potentially good news for health because lower income earners have a higher burden of risk factors for nutrition-related chronic diseases and food taxes therefore have the potential to reduce health inequalities. But unfortunately, this is not the full story.

Although prices and incomes clearly play a substantial role, availability of substitute foods (eaten instead) and complementary foods (eaten together) as well as individual habits and preferences are critical factors that determine what food gets eaten. For example, heavy consumers of sugar-sweetened beverages have been found to be less responsive to price increases compared with light or moderate consumers. This means that a tax on such beverages may have a relatively bigger impact on those who were not really the problem in the first place. Although in absolute terms the change in the quantity consumed may be similar between heavy consumers and those who consume very little of taxed foods—and arguably the absolute change may be more relevant for health outcomes—the consumer welfare is lost due to taxes mostly for moderate, non-problematic consumers. Overall, there is a need for a much greater understanding of sensitivity to price changes across different segments of the population beyond obvious population characteristics. Who in a population actually responds to taxes by lowering their consumption of taxed products, and why?

On the positive side, even if the demand does not respond much to taxes, there will be an increase in government tax revenue that can be used to alleviate the regressive nature of the tax through re-distribution of the revenue within other programmes and policies. Also, if the tax is accompanied by a strong public health message that is accepted by consumers, the benefits may multiply naturally.

### **Unpredictable indirect impacts of taxes: consumer side**

More complexity, however, comes when we look beyond this direct effect of price on consumption. When the price of a particular food (e.g. red meat such as beef) increases then people will probably consume less of it (the own-price effect), but in doing so they are left with a decision about what to consume instead (the cross-price effect). Part of the consumption is likely to be substituted with an alternative which ideally is healthier (e.g. white meat such as chicken), but it may very well be healthier (e.g. potato chips

covered in salt) or just cheaper (e.g. lower quality beef). Also, consumers may still continue buying the now higher priced food but reduce the quantity of other foods they consume to continue to afford it, including healthy foods. This is known as the income effect and it is more likely to affect lower income earners as they spend a relatively greater share of their incomes on food.

It is clear that an understanding of these cross-price effects is critical for predicting the actual real-world impact of changes in food price on demand for food and the subsequent effects on population health. Yet, three recent large systematic reviews point out that most individual studies on the effectiveness of food and beverage taxes generally do not consider these effects which means that a lot of the current evidence base should be interpreted with this caveat in mind. Studies that address cross-price effects explicitly are emerging but these generally focus on either a narrow range of substitutes or on a very broad food group such as low-fat- versus high-fat content products, rather than across the whole diet.

Although cross-price effects tend to be small, they can be really important. For example, a recent US-based study examining the effect of substitution within 25 food groups from high-fat to low-fat and high-sugar to low-sugar products in the context of a tax on fats or added sugars found that if substitution is not considered, a tax on fats is more efficient than a tax on added sugars but if substitution is considered the opposite holds—a reversal in the primary finding. Similarly, when the effect of substitution between beverages is included, a 20% tax on sugar-sweetened beverages results in smaller reductions in body weight than in analyses in which substitutions are not considered. Conversely, the substitution effects may actually reinforce the effect of the tax, if a wider range of substitution effects is considered. For example, a tax on sugar-sweetened beverages was found to reduce their consumption but also reduced the consumption of foods that were found to be complements, such as ice cream and salty snacks.

These substitution effects are not new and studies that do not include them generally identify this as a limitation to their findings. However, as a result of the methodological complexity involved in considering the whole demand system in simulation or modelling exercises and the heavy data demands, policy options are all too often being considered without full consideration of substitution effects (e.g. a recent modelling of a proposed 10% tax on sugar-sweetened tax in Ireland).

At the same time there is a risk of bias when using the cross-price elasticities. As the values are usually close to zero, even a small bias in estimation can cause a switch in the direction of the effect (either reduction or increase in the consumption of the alternative product). Because substitution patterns unknown, the bias becomes very difficult to detect. Also, due to multiple testing needs, traditional cut-off points for determining the statistical significance needs careful consideration.

A further step would be to examine the distortionary impact that food taxes may have on other expenditure, such as health care and education, or the economy more generally, with associated job losses and gains, impacts on inflation and balance of payments and so forth. These are the likely issues that will be strongly emphasized by stakeholders who oppose health-related food taxes and they often find public support in negative economic climates.

#### **Unpredictable indirect impacts of taxes—supply side**

It is equally difficult to foresee the response to taxes from the supply side, i.e. how farmers, producers, processors and supermarkets will respond? To sustain sales the food industry may reduce the impact of the tax on consumers through lowering the profit margin of the products being taxed (also known as strategic pricing). A study on the French soda tax found that while the tax was fully passed on to the price of sodas (no untaxed substitutes), the tax was not fully passed on to the price of flavoured water and fruit drinks (substitutes more widely available).<sup>28</sup> Similarly, in Denmark, supermarkets did not fully pass on the tax to consumers on butter and oils, while discount stores fully transmitted the tax for blended spreads and oils.<sup>8</sup> Interestingly, the discount stores also used the tax to increase their margins on butter and margarine, possibly because of the higher demand for these products from this type of store. Supermarkets are also able to spread the higher cost of taxed food onto other foods or own-branded products that typically have higher profit margins. These actions are all likely to reduce the hoped-for positive health impact of the food taxes as the price increase for the consumer can be manipulated to be much smaller than originally intended.

In addition to strategic pricing, food processors are likely to apply reformulation strategies that may change the quality (and possibly healthiness) of processed foods by using alternative, cheaper inputs or ingredients. In Mexico, the introduction of a tax on

soft drinks reportedly led a major soft drink manufacturer to plan to reformulate its recipe to use cheaper high fructose corn syrup instead of cane sugar. This reduces the price impact of the tax but makes the product potentially worse in terms of its health effect. However, reformulation can also be positive for health, for example, the replacement of sugar with natural sweeteners resulting in soft drinks with 30% lower sugar content. Thus, such taxes may have both positive and negative health effects through reformulation strategies, but of concern is that these effects are very difficult to predict in advance.

### **Benefits of Fat Tax**

A fat tax could have the effect of reducing excess calorie consumption and, therefore, body weight. This is typically the stated policy goal of such a proposal: to decrease the prevalence of obesity and related health problems. However, a fat tax could also correct for a negative externality such as higher medical expenditures, lower productivity, or lower wages due to obesity from excess consumption of fat or high-calorie items.

Another off-stated policy goal of such tax proposals is the generation of government revenue to fund obesity educational and/or prevention programs. A fat tax could be seen as beneficial if these programs resulted in health benefits, the value of which exceeded the value of transferred government revenue. However, it is hard to argue that earmarked tax revenue would cause substantial additional change, unless it were to fund a new program that would not have been initiated with general revenue or without the new fat tax. Nonetheless, there would also be substantial intangible benefits for individuals-increased self-image and confidence, among others-and even an argument for increased societal welfare as a result of these individual intangible benefits. There would also be secondary benefits in the increased sale of healthier goods like vegetables, which consumers would substitute for the taxed items. If the policy is too narrow and does not tax a range of unhealthy items, benefits would be minimal because of the large scope of substitute goods.

With the aforementioned lack of quantitative information, it is difficult to estimate and monetize the benefits of a fat tax. Would the social benefits from this tax be enough to outweigh the costs? Whether people reduce their body weight through a new government program funded by the fat tax revenue or simply on their own by eating healthier food, we would need to determine that the weight reduction would not have occurred without the

implementation of a fat tax. If an obese person aged 35-64 years loses 10 percent of his or her body weight and successfully keeps it off, fairly large medical cost savings would be achieved. These would include a reduction in lifetime medical costs of obesity of \$ 2,523 to \$6,077 per person in 2002 dollars (Oster et al. 1999), converted from 1996 dollars with the Consumer Price Index (CPI). Even if people failed to achieve full benefits . Immediately or gained back the lost weight, these cost savings would be great enough that we would not want to ignore them. It is possible that finding an effective way for the government to intervene would pass a cost-benefit test.

### **Tax is not a simple fix**

A much needed clearer understanding of whether the direct effects of a tax (less consumption of a taxed product) are reinforced, undermined or unaffected by indirect effects. A tax in the order of at least 20% of the price of a food product is far from being a simple or predictable fix, albeit being one of the few upstream policy options that is straightforward to implement and send a clear health message.

I suggest that government policy on food should not aim to change behaviour per se, but rather the environment that frames the context and cues that shape food behaviours and food choices; addressing the whole environment of food consumption from affordability to packaging, placement and display, lighting, size and shapes of plates, glasses and tables, and, yes, price also, but only as one component.

In formulating policy relating to making us thin, price needs to be seen as a contributing, but limited and blunt instrument; one that can complement other forms of intervention to change our relationship with food, environmental stimuli and health but not one that can achieve it alone.

Fat in particular is the key nutrient in terms of obesity. However, weight depends upon lifetime energy consumption relative to lifetime energy expenditure, so any tax that focused solely on fat or other particular nutrients may be rather a blunt instrument with which to tackle obesity. This could suggest a 'calorie tax' as an alternative.

Another problem with taxing fat content may be that it would limit the price differentials between 'high-' and 'low-' fat varieties of food – such as whole milk versus semi-skimmed and skimmed milk – since the latter varieties would also attract some tax. If, instead, the government chose simply to tax whole milk, the differential would be greater.

Given the practical difficulties there may be with a tax on nutrients, a more likely approach would be to take certain food groups, such as crisps, snacks and soft drinks, and apply a tax (either as a flat rate or as a percentage of the retail price). Such a tax could be overtly introduced as a tax on the foods' 'not healthy' and an attempt to introduce a greater price differential between such foods and healthier alternatives such as fresh fruit or juices or lower-sugar cereals. Naturally, the obvious problem with taxing food groups is deciding which goods would face the tax and which would be exempt, and it is likely that there would be fierce lobbying by the food industry and manufacturers and conflicting advice.

### **Conclusion**

As of now there is no data to do a detailed economic analysis of the effects of this tax. If quantity demanded does not fall, health issues will still persist. In reality of course, consumption of these fast foods that have come under the purview of this tax will fall. The only exception is when demand or supply curve is perfectly inelastic. The argument that changing the eating habits was the goal of the government of Kerala becomes suspect considering that it did not tax other equally unhealthy local street fast foods. As per the WHO data on Prevalence of Obesity 2016 (see appendix), India is no where to be seen among the infamously high ranked countries. Hence the question- was it really necessary to introduce Fat Tax in India?

On the positive side, fat tax may be progressive in India where the consumers of donuts, pizzas etc. are middle and upper middle classes. India's poor cannot really afford these foods. There is a dearth of data and so we offer this as a conjecture, rather than as a proven fact. On the medical and scientific fronts, a number of studies highlight the debilitating effect of these fast foods on health. Experience from around the world also does not give conclusive evidence on whether their experiments with such Pigouvian taxes have been effective in changing the consumption patterns of the people so taxed. The Kerala government would have done well to have brought all the so called junk foods under the purview of this tax, if health of the citizens was its concern. Selectively applying the tax on products mostly supplied by multi-national companies, without adequate justification based on research, does not send the right signals to the consumers.

Obesity rates have risen substantially among people Even over the past decade, and forecasts suggest that this trend is likely to continue. As per “The Economic Times” dated January 16, 2019, “Eating food filled with trans fat increases the risk of coronary heart

disease by clogging the arteries, which is why Food Safety and Standards Authority of India (FSSAI) has planned to remove trans-fat from the food industry by 2022”; marking the movement of a #TransfatFreeIndia.

A 'fat tax' is one way in which the government might wish to intervene to reverse this trend. We have suggested that a 'fat tax' would probably be regressive, costing the poor relatively more than the rich. This is because consumption of fat and other 'bad' nutrients does not differ much across the income distribution. For the hypothetical tax we model, the poorest households lose around seven times more, as a proportion of income, than the richest households do, on the assumption that there is no behavioural change. The degree of regressivity of a 'fat tax' is likely to hold no matter how the tax is implemented – whether on fat content, on calories or just attached at a particular rate to certain foods.

There is certainly an economic justification for a government to intervene in an attempt to reduce obesity levels, since obesity imposes external costs on society as a whole and some estimates suggest that these costs can be high. A 'fat tax' is advantageous to the extent that it raises revenue, which the government could then use to finance other measures to combat obesity, such as education programmes or subsidising exercise equipment. However, there would be difficulties and costs in the design and implementation of any 'fat tax', and it may be that the level of taxation necessary to encourage people to change their eating habits would be high. Trials of any 'fat tax' scheme might be desirable in order to assess the potential effects more rigorously, and consultation with the food industry, organisations concerned with obesity, food retailers and the medical profession would be paramount. Monitoring and re-evaluation of tax rates and which goods are subject to it would also be important. Assessment of the actual effects, or a pre-assessment of the potential effects, would require more detailed data on food intake and purchasing behaviour (both inside and outside the home) than currently exist. Given some of the problems highlighted in taxing fat or nutritional content, a more likely policy would perhaps be the taxation of certain foods that are considered unhealthy, such as snack foods or soft drinks. This would be akin to current legislation on alcohol and tobacco, which are also taxed with health concerns in mind. There are limited examples of such schemes in operation around the world at the moment, and some of these raise substantial revenues. Was it to become largely a source of revenue, public support for it may depend on the funds being seen to be spent on other programmes to help reduce obesity?



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## Appendix

WHO data on Prevalence of Obesity (BMI more than or equals to 30 kg/m<sup>2</sup>) of 2016.

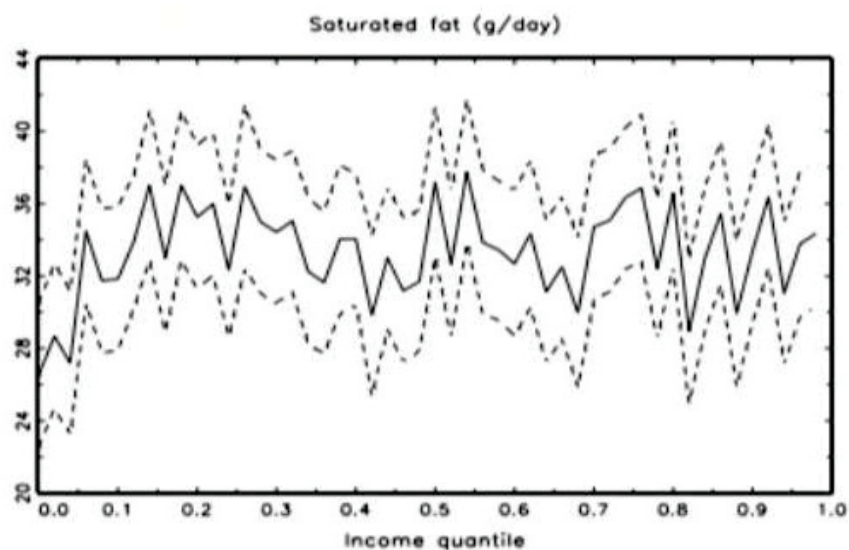
Country	Overall rank	Overall prevalence of obesity (%)	Female rank	Female prevalence of obesity (%)	Male rank	Male prevalence of obesity (%)
 Nauru	1	61.0	1	58.7	1	63.3
 Palau	3	55.3	3	51.8	3	58.8
 Marshall Islands	4	52.9	4	48.4	4	57.3
 Tuvalu	5	51.6	5	47.0	5	56.2
 Niue	6	50.0	6	44.8	6	55.1
 Tonga	7	48.2	8	41.4	8	54.5
 Samoa	8	47.3	10	39.9	7	55.0
 Micronesia	10	45.8	9	40.1	9	51.5
 Kuwait	11	37.9	12	33.3	11	45.6
 United States of America	12	36.2	11	35.5	21	37.0
 Saudi Arabia	13	35.5	19	28.2	13	43.1
 Qatar	14	35.4	14	30.8	14	42.3
 Libya	15	35.1	13	32.5	12	43.1
 Jordan	16	32.5	32	25.0	17	39.6
 Turkey	17	32.1	37	24.4	19	39.2
 Egypt	18	32.0	54	22.7	15	41.1

 Lebanon	18	32.0	22	27.4	22	37.0
 United Arab Emirates	20	31.7	21	27.5	16	41.0
 Bahamas	21	31.6	38	24.4	20	38.1
 New Zealand	22	30.8	15	30.1	38	31.4
 Mexico	23	30.4	48	23.4	23	37.0
 Fiji	24	30.2	30	25.1	26	35.3
 Bahrain	25	29.8	28	25.5	24	36.8
 Canada	26	29.4	17	29.5	47	29.3
 Australia	27	29.0	16	29.6	56	28.4
 Malta	28	28.9	39	24.3	34	32.8
 Syria	28	28.9	18	29.2	55	28.5
 South Africa	30	28.3	105	15.4	18	39.6
 Argentina	30	28.3	23	27.3	49	29.0
 Chile	32	28.0	33	24.9	40	31.0
 Dominica	33	27.9	76	19.9	25	35.6
 Uruguay	33	27.9	34	24.9	42	30.6

 Maldives	148	8.6	138	5.8	158	11.4
 Sudan	148	8.6	135	6.0	159	11.3
 Iran	152	8.4	158	4.0	148	12.7
 Togo	152	8.4	161	3.9	150	12.5
 Pakistan	154	8.3	162	3.9	154	12.3
 Angola	155	8.2	159	4.0	156	12.1
 Zambia	156	8.1	169	3.6	153	12.4
 Somalia	157	8.0	165	3.8	149	12.6
 Comoros	158	7.8	171	3.3	155	12.2
 Guinea	159	7.7	166	3.7	157	11.5
 Sri Lanka	181	5.2	176	2.9	179	7.3
 Eritrea	182	5.0	187	2.0	174	7.6
 North Korea	183	4.7	156	4.4	188	4.8
 Ethiopia	184	4.5	189	1.9	180	6.9
 Japan	185	4.3	148	4.8	190	3.7
 Nepal	186	4.1	178	2.7	184	5.4
 India	187	3.9	180	2.7	185	5.1
 Cambodia	187	3.9	179	2.7	189	4.8
 Timor-Leste	189	3.8	182	2.6	187	4.9
 Bangladesh	190	3.6	184	2.3	186	5.0

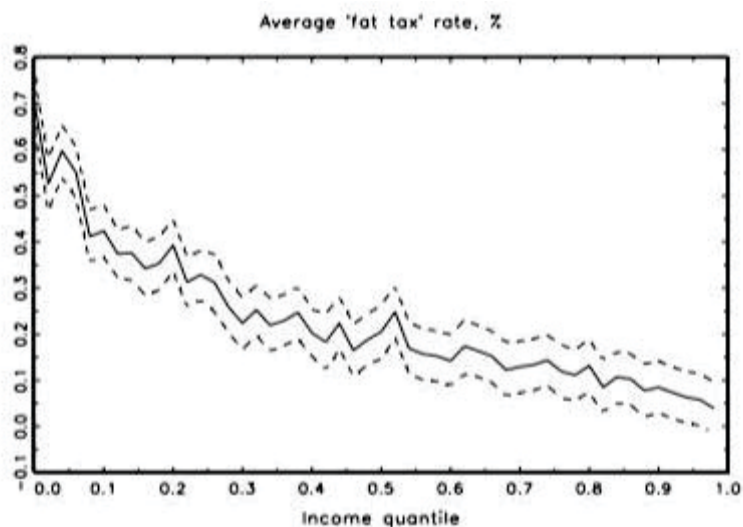
## DAILY PURCHASE OF SATURATED FAT ACROSS THE INCOME DISTRIBUTION

Classification	BMI (kg/m <sup>2</sup> )	Risk of comorbidities
Underweight	<18.5	Low (but risk of other clinical problems increased)
Normal range	18.5–24.9	Average
Overweight (preobese)	25.0–29.9	Mildly increased
Obese	≥30.0	
Class I	30.0–34.9	Moderate
Class II	35.0–39.9	Severe
Class III	≥40.0	Very severe



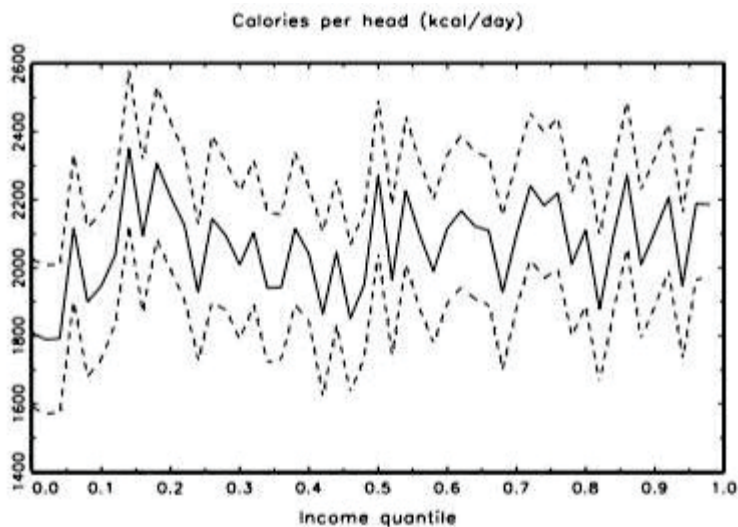
Source: Authors' calculations from the National Food Survey.

DISTRIBUTIONAL EFFECTS OF A FAT TAX



Source: Authors' calculations from the National Food Survey.

DAILY CALORIE CONSUMPTION ACROSS THE INCOME DISTRIBUTION



Source: Authors' calculations from the National Food Survey.

## IS CONSUMER RATIONAL OR IRRATIONAL?

Divya Sharma

### **Abstract**

*Classical Economic Theory assumes that individuals are rational. However, in the real world, we often see irrational behaviour-decisions which don't maximise utility but can cause a loss of economic welfare - The purpose of this paper is to analyse the behaviour of the consumer that how he is conducting oneself when it comes to buying a product's benefits in the market which is full of choices, whether he is making his decisions rationally or irrationally which is affected by many factors can be grouped into three major captions that are economic determinants (personal income, family income, consumer income expectations, consumer liquid assets, consumer credit, the level of standard of living); psychological determinants (motivation, perception, learning, attitude, personality) and sociological determinants (family, reference groups, opinion leaders, social class, caste and culture). This paper is the outcome of the primary survey which should to confirm that "Is consumer being rational or irrational?"*

### **Keywords**

Classical Economic Theory, irrational, rational, utility, economic welfare

### **Introduction**

As one of the sites made a remark on Consumer attributes that Rational Behaviour refers to a decision-making process that is based on making choices that result in the optimal level of benefit or utility for an individual. The assumption of rational behaviour implies that people would rather be better off than worse off. Most conventional economic theories are based on the assumption that all individuals taking part in an action or activity are behaving rationally.

### **Research Methodology**

This paper is purely based on the primary data collected from consumers and users of various products and services.

## Analysis and Findings

Consumers are those who are consuming things of daily use, and buy products according to their needs, preferences and buying power. What they buy, how they buy, where and when they buy, in how much quantity they buy, depends on their perception, self-concept, social and cultural background, age, family cycle, attitudes, beliefs, values, motivation, personality, social class and many other factors.

Consumer Behaviour can be defined as the decision-making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services. The above definition clearly states that its just not the buying of goods and services that receives attention in consumer behaviour but the process of buying starts in the mind of the consumer leads to finding the alternative between products with their relative advantages and disadvantages and then the post purchase behaviour. Its a blend of psychology, sociology, social anthropology and economics.

## Determinants of Consumer Behaviour

- 1. Economic Determinants :** Economic scientists were the first among social scientists to study consumers and their behaviour and provided the details about the solutions to the consumer and consumption problems. Economists, as we are aware, took man as a social and rational animal.
- **Personal Income :** In an economy, one's expenditure becomes the another's income, when it comes to income in marketing sense, we concerned with disposable income and discretionary income. The former is the amount of money that a consumer has for disposal, i.e. balance remains after meeting pre-emptive demands like taxes, debt repayment, debt servicing charges and like, whereas the latter is the amount of money which consumer has left after meeting his basic needs of living. There is a direct relationship between Income and the Expenditure of the consumer as one rises other also rises and vice versa.
- **Family Income :** When a consumer belongs to a joint family, then the buying behaviour of the one depends upon the family income rather than the individual income as fall or rise in one member's income will be neutralised by change in another member's income. That is why; it is the relationship between the family size or the



requirements and the income that finally determines the buying behaviour or the family members.

- **Consumer Income Expectations :** The future income expectations of the consumer affects the present buying behaviour of that one as when it expects that in future his income will fall then in present he tries to cut off his present expenditure irrespective of its basic needs of living.
  - **Consumer Liquid Assets :** It is the consumer liquid assets which influences the consumer behaviour i.e. assets held with the consumer in money or near money form like hard cash, bank balance, bank deposits, shares and bonds. If a person has more liquid assets, he likely to become more carefree in terms of purchasing things.
  - **Consumer Credit :** Availability of easy finance options in market i.e. postponing the payment for some future date, which also has a great impact on consumer behaviour. Consumer credit takes number of shapes like deferred payment, instalment purchasing, hire-purchase arrangements and the like. Easy availability of consumer credit makes the consumer to go in for those consumer durables which he would have postponed otherwise. Further, it makes him to spend more freely the current income.
  - **Level of Standard of Living :** The consumer behavior has the impact of the established standard of living to which he is accustomed, even if its income goes down, the consumer spending will not come down proportionately.
2. **Psychological Determinants :** Psychologists have also provided certain clues as to why a consumer behaves this way or that way. The major psychological determinants internal to the individual are motivation perception learning, attitude and personality.
- **Motivation :** It is the intervening variable between stimulus and response and a governing force of consumer behavior, i.e. it leads the individual to act in a particular way. It is the complex network of psychological and physiological mechanisms.
  - **Perception :** To perceive is to see, hear, touch, taste, smell and sense internally. In other words, perception is the process by which mind receives, organizes and interprets physical stimuli. It depends on the personal factors like self concept, need, span of apprehension, mental set and past experiences.

- **Perception & Communication** : It is believed that more than ninety percent of stimuli which individuals perceive come through sight and rest from hearing, that is why advertisements bank heavily audio on visual stimuli.
- **Product & Brand Conception** : consumers perceive the products and the brands they choose regularly. It is brand images and the brand differentiation that play vital role in perception in addition to the physical characteristics of the product.
- **Price Perception** : Higher the price better the quality', Consumers have a basic belief that if the price is high then the product is of better quality and vice versa. It is going to be the direct or positive relationship between price and demand where marketer is cared to gain. Another aspect of this price perception is psychological pricing. The reasoning behind such pricing strategies is that consumers are likely to perceive used in cut-price sales promotions to increase the feeling that a price has been drastically reduced.
- **Store Perception** : There are five major components of stores image namely, location design-product assortment-services and personnel each of which contributes to consumer perception of the place from which he or she buys. Mere physical attributes do to talk of a store image. Other intangible factors, too, influence consumer perception of stores image such as advertising, inter-personal communication and experience. Consumer perceptions of stores are greatly influenced by consumer's own self- perception and motives. Further, consumer's self-images influence the places in which they shop.
- **Perceived Risk** : The concept of perceived-risk recognizes that consumer experiences a sense of risk in purchase and that consumer behavior can be studied profitably as a risk reducing behavior. Consumer behavior involves risk in the sense that any action of a consumer will produce results which he cannot predict with certainty.
- **Learning & Attitude** : Any change in behavior which comes due to the past experience is learning, which is the process of acquiring knowledge. Attitude develops gradually as a result of experience, which refers to a predisposition to behave in a particular way when presented with a given stimulus and the attitudes

towards people, places, products, and things can be negative or positive or favorable or unfavorable.

- 3. Sociological Determinants :** In the area of psychological determinants, the consumer behavior was seen from the stand point view of an individual. However, the sociologists and social psychologists have attempted to explain the behavior of a group of individuals and the way in which it affects and conditions and individual's behavior in marketing or purchase decisions.
- **Family :** Decisions made by consumers are taken within the environment of the family and are affected by the desires, attitudes and values of the other family members. In an family, different roles like initiator (person who senses the need for purchase), influencer (person who provides input into the purchase decision), decider (person who has the final say over the decision), and the user (the person who is directly involved in using the purchase) played by different members of the family and initiates purchasing.
  - **Reference Groups :** These are the groups in which an individuals identifies with to the extent that these groups become a standard or norm which influences his behavior, It is a social and professional group that influences the individual's opinions, beliefs and aspirations.
  - **Opinion Leaders :** Like reference groups, 'opinion leaders' or 'influential' play a key role in influencing the buying behavior of their followers. Very often we come across situations where a person refers to an individual than a group in formulating his or her behavior pattern. The individual to whom such reference is made by a person or persons is the opinion leader. The beliefs, preferences, attitudes, actions and behavior of the leader set a trend and a pattern for others to follow in given situation. In very intimate reference group, there is a reference person, an informal group leader.
  - **Social Class and Caste :** Buying behavior of individuals is also influenced by the social class and the caste to which they belong. Social class is a relatively permanent and homogeneous division of a society into which individuals or families sharing similar values, life-style, interests and behavior can be categorized. Social class is a larger group than intimate group in structure. Constitution of a social class is

determined by the income, authority, power, ownership, lifestyles, education, consumption patterns, occupation, type and place of residence of the individual members. In our country, we can think of three classes as 'rich', 'middle' and 'poor'. Caste, on the other hand, is the group of the membership by birth. It is not the wealth but the birth that decides his or her caste. These castes were based on activity specialization of profession or occupation.

- **Culture** : Culture adds yet another dimension to the study of consumer behavior. 'Culture' refers to all those symbols, anti-factor and behavioral patterns which are passed on socially from one generation to the next. It includes cognitive elements, beliefs, values, and norms, signs and non-normative behavior.

#### **Are Consumers rational or irrational?**

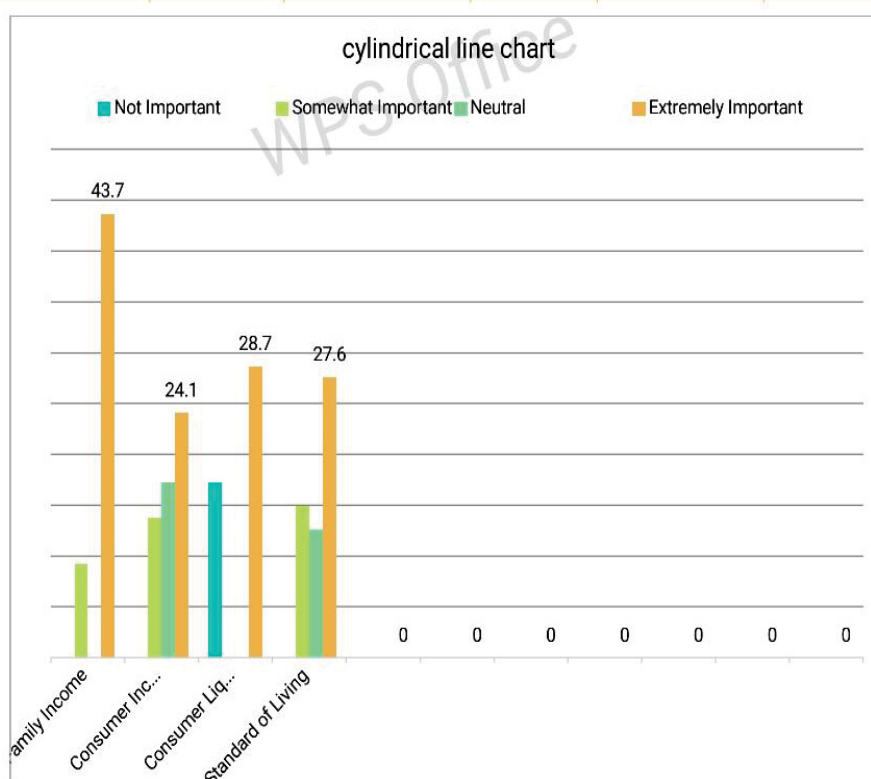
Conventional Economic Theory assumed that consumers make their decisions rationally. This means that they know their own preferences, and given the choices among any alternatives, they calculate which one they like best and choose it. Psychologists and social scientists always found this difficult to believe. Here, an attempt is made to study the characteristics of individual consumers, assess influences from such as family, friends, reference groups and society in general in order to get the answer of a question "Are Consumers Rational or Irrational?"

We have 87 responses of the questionnaire which is divided into three parts i.e. PART A consists of Economic Determinants, PART B consists of Psychological Determinants and PART C consists of Sociological Determinants.

## Analysis

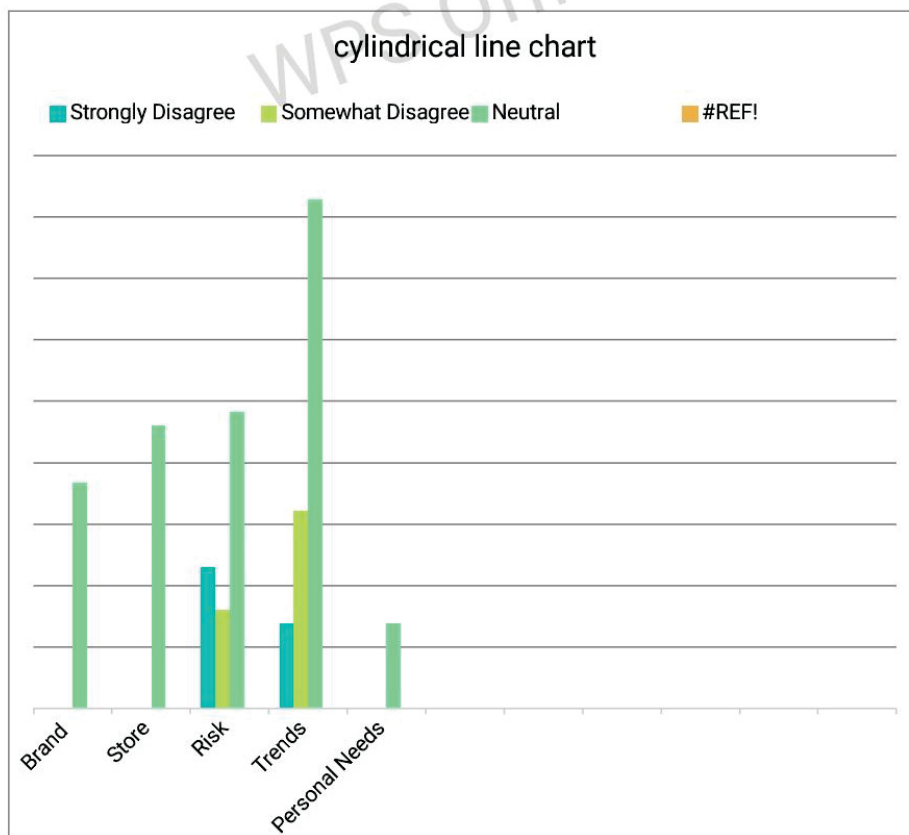
Here we have taken the best four options which got the more responses out of eight in every part. So first, let's consider Economic Factors in which we can see that Consumers are rational because for most of the consumers, factors like family income, income expectations, in future etc. are important to them.

Determinants	Not Important	Somewhat Important	Neutral	Quite Important	Extremely Important
Family Income	-	9.2	-	40.2	43.7
Consumer Income Expectations	-	13.8	17.2	41.4	24.1
Consumer Liquid Assets	17.2	-	-	46	28.7
Standard of Living	-	14.9	12.6	41.4	27.6



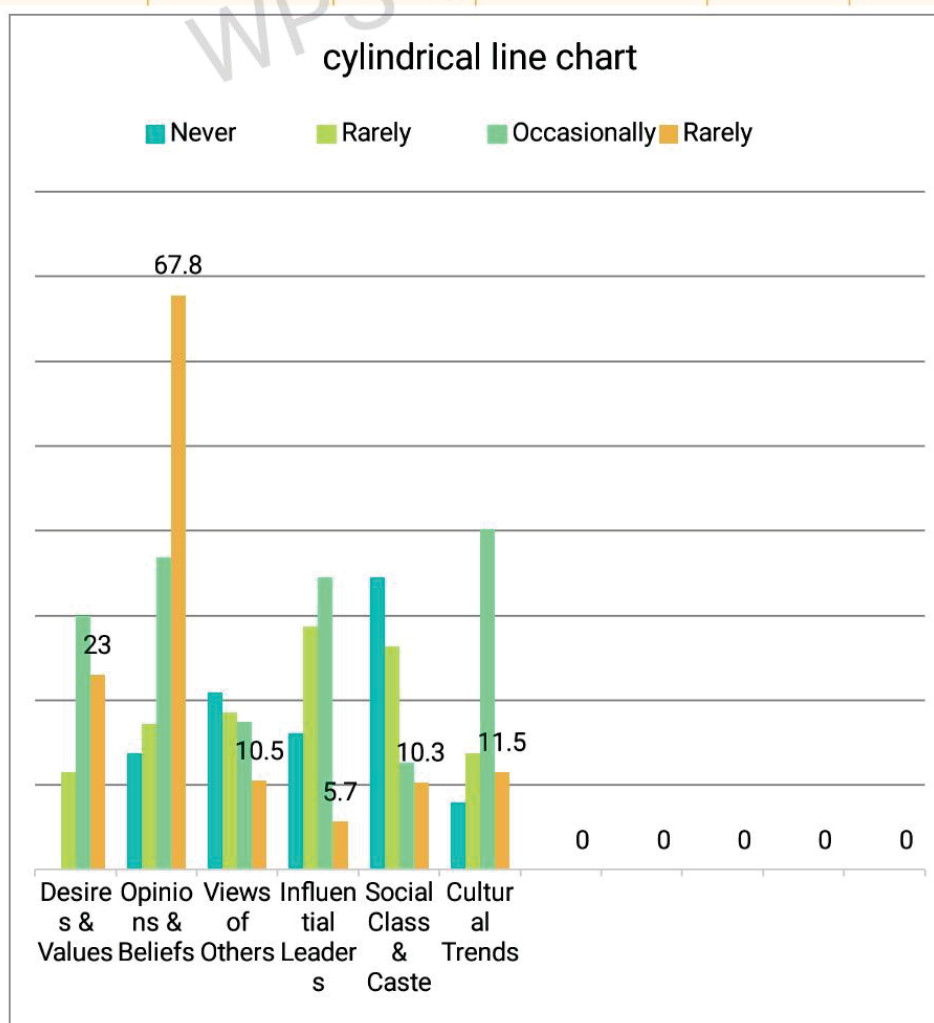
Brand images, Store images, risk etc. are the main factors which are affecting the consumers' choice psychologically which shows that their behavior is dependent on the strategies adopted by marketers.

Determinants	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
Brand	-	-	18.4	42.5	32.2
Store	-	-	23	43.7	26.4
Risk	11.5	8	24.1	42.5	13.8
Trends	6.9	16.1	41.4	20.7	14.9
Personal Needs	-	-	6.9	27.6	57.5



In Sociological factors, we get the outcome that consumers get influenced by other social professional group and family group of theirs.

Determinants	Never	Rarely	Occasionally	Often	Rarely
Desires & Values	-	11.5	29.9	32.2	23
Opinions & Beliefs	13.8	17.2	36.8	18.4	67.8
Views of Others	20.9	18.6	17.4	30.2	10.5
Influential Leaders	16.1	28.7	34.5	13.8	5.7
Social Class & Caste	34.5	26.4	12.6	13.8	10.3
Cultural Trends	8	13.8	40.2	24.1	11.5



**Conclusion**

Economically, Consumers act in a very rational manners, whereas in terms of psychological and sociological factors, they get influenced by marketers, family and social professional groups.

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## INTELLECTUAL PROPERTY RIGHTS (IPR)

Aditya Tibrewal

### **Abstract**

*The rights which require our attention in day to day life are the Intellectual Property Rights, often referred as IPR, they denote creations of the mind, such as inventions; literary and artistic works; designs; symbols, names and images, that are used in day to day life. Protection of these rights are required to safeguard the innovative and creative minds. Such creations and laws help the society to become better off in technology and save the efforts of the people of society. In this research we are going to discuss about different types of IPR which requires attention so that people can know what will happen if they breach the law related to particular intellectual property rights. Many people in their daily life breach such laws, for example by downloading a movie without making payment of it or by uploading a movie without prior permission (pirating). Through this research we can also get the knowledge of scope in the field of intellectual property rights. The whole world is surrounded by IPR from one's clothes to a high quality and costly devices which we use in our daily life. Countries which has more creative minds as well as good implementation of intellectual property rights lead the country on higher growth and the country is able to compete with other countries. People have to respect such talents and should maintain their dignity. This is main purpose of this research to create awareness among people regarding crimes and benefits related to INTELLECTUAL PROPERTIES.*

### **Keywords**

Copyrights, Patent, Intellectual, Geographical indication, Trade secret, Trade mark

### **Objectives of Study**

- To create awareness regarding intellectual property rights.
- Using relevant measures, understanding the growth of intellectual property.
- To find out the scope in the field of intellectual property rights.
- To safeguard the interests of creative minds and new creations.

- Understanding the requirement of strong IP administration.
- IP rights commercialization and enforcement and good adjudicatory mechanism for combating IP violations.
- Examine the benefits of IPR in the overall development in capacity of young generation of the country which lead to inclusive growth of the country.

### **Reviews Of Literature**

CATHERINE EASTON that it aims to address the effects of Intellectual Property Rights on the processes of innovation and innovation diffusion with respect to developing countries. Contributions cover ethical incentives for innovation, green innovation, and growth in agriculture. According to world intellectual property right organization (WIPO) Reliable intellectual property (IP) statistics are an important tool in understanding trends in policy, business, and technology worldwide. It also says that intellectual

property rights are very important to safeguard the future innovative world where technology will grow in very fast pace. TRADE RELATED INTELLECTUAL PROPERTY RIGHTS (TRIPS) are plays a very vital role in the growing world.

### **Research Methodology**

The collection of data and the study is based on secondary data gathered from Global institute of intellectual property (GIIP), National Ip Training Institutions-Wipo, Institute Of Intellectual Property Study.

### **Analysis and Findings**

Intellectual property are of six type that are:-

- **Copyright**

Copyright is related to safeguarding the rights of author over its creation. For the progress creativity plays a vital role and no civilized society can afford to ignore the basic requirement of encouraging the same. Development and prosperity of society depends on the creativity. The protection provided by copyright to the efforts of writers, artists, designers, dramatists musicians, architects and producers of sound recordings

cinematograph films and computer software, creates an atmosphere conducive to creativity, which induces them to create more and motivates others to create. Copyright also has an expiry date. Copyright in all works persists for 60 years in addition to the life of the author. However, in published sound recordings and published cinematographic films, the right remains only for 60 years. FOR example :- due to the above reason the play written by William Shakespeare is Romeo and Juliet which is now available for everyone to make use of it for making dramas, movies etc. It must be remember that if we make use of copyright for the purpose of Education , charity, awareness then It could not be consider as crime, it could be a crime if certain charges taken by these institutions without any permission of copyright holder. The copyright holder may use his copyright for economic purpose by allowing third party to use his copyright against certain amount through the process of licensing.

The sign of copy right is :



- **Patent**

A patent is a right provided by the government to the patent holder who create a particular technology by preventing other to make use of it without prior permission. A patent is valid for 20 years, starting from the date of filing of the patent application and this term cannot be extended. A Patent is available for inventions. An invention in simple terms refers to a new product or process, which is a technical advancement over the existing knowledge or has economic significance or both. For example, a television, telephone, the Internet, email, YouTube are all inventions Discoveries such as light travels faster than sound, or Newton's discovery of Gravity are not patentable. A patent owner may grant licence to third party for making use of his invention against a certain payment called Royalty. Those who break the rights of patent holder have to face serious consequences

The sign of patents is:



- **Trade mark**

All companies have their particular identity Whether it's a Nike clothes, Levi' s Jeans, Sony televisions, KFC burger, Apples mac book, Zara' s clothes line – all depict Trade Marks that helps a buyer to make a choice as to which product to buy. Trade Mark essentially is a connotation of quality and the service. Trademarks helps us differentiate the goods of one company from another based on reputation, goodwill, products and services. A word or a combination of words, letters, and numerals can perfectly constitute a trademark. But trademarks may also consist of drawings, symbols, three-dimensional features such as the shape and packaging of goods, non-visible signs such as sounds or fragrances, or colour shades used as distinguishing features – the possibilities are almost limitless.

Some popular trademarks are:



The sign of trademark is:



- **Geographical indications**

A geographical indication (GI) is a sign used on products that have a specific geographical origin and possess quality or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place. In addition, the qualities, characteristics or reputation of the product should be essentially due to the place of origin. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production. Examples: Darjeeling tea, basmati rice, bikaneribhujia, paithani and Banaras saree, Kanchipuram silk saree, Nagpur oranges, khurja pottery, Banarasi pan etc.

This right is not given to a particular person but it is given to the all people who are living in a particular area and producing a creative thing.

The right of geographical indications is given for 10 years which can be renewed after ten years by paying certain amount. - Darjeeling tea is the first Indian product to have got GI protection. 301 GI's have been granted registration as on October 25, 2017 by the GI registry, India.

- **Industrial designs**

Industrial designs make a product attractive to customers. Design drives consumer's choice. the appearance of a product can be a key factor in the consumer's purchase decision. In other words, the success or failure of a product may rest, at least partially, on how it looks. Industrial designs can

therefore be very important for both small- and medium sized enterprises (SMEs) and larger companies alike, regardless of their sector of activity.

Industrial designs are relevant to a wide variety of products of industry, fashion and handicrafts from technical and medical instruments to watches, jewellery, and other luxury items; from household products, toys, furniture and electrical appliances to cars and architectural structures; from textile designs to sports equipment. Industrial design is also important in relation to packaging, containers and “get-up” of products.

Industrial designs help the business to compete with other business who is producing the similar product.

A design protection is available only for limited time period that is for 10-15 year after it that design become free to use by anyone.

Examples of industrial designs are:- design of a cycle, car, bike, washing machine, stylish furniture, watch etc.

A product is given industrial design right if the product is new and unique and It can be present in the form of sketch or product in physical existence.

Some physical examples of industrial designs are:-

- **Trade secret**

A Trade secret is any business confidential information that offers a competitive advantage. This could be a manufacturing secret or commercial secret. A trade secret could also be a formula, practice, process, design, instrument and pattern. Remember no one till date knows, secret recipe of KFC that makes their chicken taste so different and delicious!!! A 200-page typed manuscript, believed to have been written in the mid-60s. The chain has restaurants in 108 countries around the world, recipe found in one place locked away in the KFC vault, a trade secret to this day. Spices are mixed in different locations in the United States, to protect the full recipe.

A trade secret expires after 20 years.

Trade secret is very vital in business as it lead to a firm to earn profit by maintaining secrecy of his product as well as a person can allow third party to use his secrets after making some payment to inventor. It is generally use in food items.

### **Conclusion**

IP is protected in law by copyrights, trademarks, designs, patents, geographical indications, and others. It offers right to its owner, upon its successful registration, known as IPRs. Providing such rights an inventor can earn wealth by making use of his invention or by selling and sharing his creation to other people. IP law is structured in a fashion where the twin requirements of the innovators, as well as the general public, are equally met. Providing the right to an innovative mind leads to growth of the country as well as provide proper reward to the innovators On the other hand, the interests of the public lie in ensuring that technological and artistic advancements continue to happen

for the benefit of all There are also some other advantages of study of intellectual property rights that are:-

- IP literacy offers competitive advantage and inclusive growth.
- IP literacy is important in every business and for every job.
- IP literacy help to save your job as well able to increase the chances to get the job.

So, here we conclude that Intellectual property rights is very essential in the present developing world. IPR maintains the peace in the society by safeguarding the interest of the inventor, if IPR is not given to people than no invention will not take place because inventors consider that what will he get if no reward given to him. Through this research create awareness among people. Thus, an individual should respect the new invention and must not steal the new inventions and creations. Many crimes are taking place due to violation of these rights which leads to loss in the image of the people as well as the goodwill of the country. So, everyone should take care that they must stay away from such crimes and the young generation have to take knowledge of it because it required in the every field.

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**ECONOMICS FROM ITS  
PERIPHERY TO ITS CORE**

**SECTION 4**



## ECONOMIC IMPACTS OF TERRORISM

Daksha Sharma

### **Abstract**

*Terrorism, war or border conflicts have both its implicit and explicit Impacts attached to the economy of a country. The opportunity cost of terrorism is multidisciplinary in nature as it dampens country in all its social, political , economic and technological realms. The consequences of any such destructive activity are heterogeneous in developed and developing economy. This is because a stable economy like USA has absorbing capacity to backlash such incidents except in one case of crashing of two planes on September 11, 2001 into the two towers of world trade centre is the most significant single terrorist blow against the US economy with resulting losses worth 80-90 billion dollars. Although it accounted for only a small proportion of GDP. However, the most suffered are the developing and underdeveloped economies which often face austerity and the economic downturn. The research paper takes into count the study of the economic nature of various in progress Nations like Pakistan, Syria, Iraq, Thailand. It further analyses the striking insurgencies and their consequent effects using various macroeconomic indicators such as GDP, inflation, employment, current account deficit excreta. This study explores the spiralling social economic measures reflecting hike in poverty, deterioration of health and educational services, climbing rates of unemployment putting forth a challenge in policy making to commence the task of building up the economy.*

### **Analysis and Findings**

Terrorism means harassment, destruction, suicide attack and killing of innocents for no reason. Terrorism impacts economic growth as it increases the cost of import and export, it affects foreign direct investment, capital flow and it increases the risk perception. Emerging countries are more vulnerable to instability of the country's economy. Terrorism impacts countries ability to combat poverty. Also, increase in poverty leads to increase in political destabilization and revolt among population. It becomes a vicious circle of poverty. Thus it can be said that there is a non-proportionate relationship between economic growth, social progress ,political advancement and terrorism activities of a nation

## **Impact of terrorism on developing economies**

- **Pakistan**

Pakistan is an agrarian economy with 45% of population dependent on agriculture for livelihood. During the nuclear testing cover explosion “Shakti” the economy of Pakistan was highly impacted as the external capital flow was severely disturbed as on 11 and 13th May 1998. Consequently, all the official donors to Pakistan like IMF, world Bank, Asian developing Bank and Japan withhold support and import sanction on Pakistan's economy. From 1998- 2001 economic situation of Pakistan was highly detestable. During 1980, the total investment was 18.6% as of GDP with decline to 13.9% in 2001-02. During 2009-2011 the imposition of consequent curfews, riots and firing destroyed fruits and other agricultural commodities in Swat valley from 2009 to 2011. FDI declined as terrorism fear was raised among the people, stock market suffered due to high profile killings like that of Benazir Bhutto, Pakistan lost more than 50000 citizens and military personnel. The following are the effects of terrorism on Pakistan

### **Incidence of human cost**

The intensity of terrorism increase in Pakistan in 2009 when the country experienced mega terrorist attack on general headquarters of Pakistan army, Sri Lankan cricket team in Lahore and Manawa Police training centre, Lahore. In federally administered tribal area ( FATA ) 559 tribal attacks took place killing 644 people 21,046 were injured . Khyber Pakhtunkhwa around 1438 people were killed further during attacks in 2010 around 836 people were killed.

### **Unemployment**

In 2007, professor Duggan and Lafre for analysed the impact of terrorism on employment. In Pakistan, unemployment increased from 3.2 million in 2009-10 to 3.40 million in 2010-11.

### **Impact on education**

Education is the foundation for the country's progress. In FATA and KPK number of boys and girls schools were destroyed by militants. Around 119 schools were attacked in 2008, 188 in 2009, 127 in 2010 and 142 in 2011. Girls school suffered 62 attacks against 51 attacks on boys school .

As per the report of KPK education department militants destroy total of 758 school in various parts including 640 schools in Malakand division.

### **Economic Impact**

#### **FDI**

In 2007, Abadie and Gardeazabal examined the impact of terrorism on FDI and concluded that standard deviation increase in terrorism lead to decrease in ratio of net FDI and GDP of between 4.16 % and 6.54%.

According to economic survey of Pakistan, FDI has been a major source of private external flows of Pakistan. Investors always look for a safe and secure environment invest their money.

The peaceful countries of the world receive high FDI as compared to troubled area. FDI decreased from 371 9.1 million dollar in 2008 to 320 5.4 million dollar in 2009. It further declined to 1292.9 million in 2010. Total investment decreased from 22.3 percent of GDP in 2006-07 to 13.4 percent of GDP in 2010-11. The main reason behind this decline was increased terrorist attack, credit risk, high oil prices and euro zone crisis.

#### **Agriculture**

Agricultural sector is the main source of employment for around 44.7 % of labour force in Pakistan. It is the main source of revenue for people in the terrorism affected area like a FATA and KPK . From 2007 to 2009 in Swat valley, agriculture loss was amounted to 35 billion rupees and around 55 to 70% of total food produce was wasted. All this happened because of various hostilities, blowing of bridges in bomb blast and imposition of frequent curfews used by the army. All this precarious laws affected the situation of local farmers, land owners and dealers. This faced a loss of billions of rupees. Agriculture growth was 6.5% in 2004-2005 which decreased to 6.3% in 2005-2006 and further decrease to 4.1% in 2006 to 2007. In 2007 to 2008, there was a major downfall in agricultural growth which declined to 1%.

#### **Tourism**

In 1991, Enders and Sandler using monthly data from 1970-1988 found that a single terrorist attack in Spain decreases the number of tourist by 1,40,000.

In Pakistan, the attractive tourist places are located in northern part and there was significant decline in the number of tourist visiting Pakistan due to intense acts of terrorism after 2007 to 2008.

Pakistan hotel association in 2008 indicated a sharp decrease in hotel occupancy rates. Swat valley alone suffered a loss of 60 billion from 2007-2009. In 2009, Pakistan rank 113 out of 130 countries due to intense terrorism it is likely that thousands of people associated with down with tourism industry become jobless in terrace affected areas of FATA and KPK.

- **Thailand**

Thailand is a 26th largest economy in the world of GDP (4,83,779 US million dollars) Thailand's fishing industry and agricultural processing sector are thriving with a special nod to the countries billion and Shrimp industry. The farm sector accounts for 30 to 40% of the job in the country and is the main source of income for Thailand's rural population.

Incidence of terrorism in Thailand are mostly related to south Thailand insurgency.

#### **2006 Bangkok bombings**

Thailand face bombings on 31st December 2006 and 1st January 2007 in Bangkok for explosions went off simultaneously in different parts of the city followed by several more explosion within next 90 minutes around three people was confirmed dead and more than 38 were injured. Bangkok bombings economic fallout -Thailand reported second quarter GDP growth of 2.8 % year on year down from 3 % in the previous year.

#### **2015 Bangkok bombing**

On 17th August 2015, a bombing took place inside the Erawan Shrine in Pathum Wan district Bangkok, Thailand. Around 20 people were killed ,120 people were injured. After Hong Kong raised its travel advisory for Bangkok to red alert, it prevented the purchase of compulsory travel insurance. The number of tourist from major Asian markets dropped by 10%.

After August 2015 Bombings, in the tourism industry of Thailand faced a major sector as it dropped by 17%.

Total foreign investment between January and November 2015 dropped by 78% with a notable drop in investment from Japan, European Union and US.

### **August 2016 Thailand bombings**

On August 11 2016 ,two bombs exploded in 9 resort town of Hua Hin. One person was killed and 23 including tourist were injured. On the very next day several bombings took place at Surat Thani,Phuket and Trang

Economist at the University of Thai chamber of commerce said that the attacks may deteriorate 3,65,000 visitors triggering as much as 170 million dollar revenue loss.

- **Syria's Civil War**

Syria is a country having a lower middle income level within the region Middle East and North Africa. serious economy is essentially states and having little train business the economy private eyes in 2000 series ranks 116 out of 186 countries in terms of GDP when compared to other countries in the region it traces below Egypt leaving only Morocco Iraq and Yemen at bottom for decades serious international economic policy was subordinate which foreign policy until the outbreak of Syrian conflict serious slowly came out of which isolation vis a vis in the west.

### **Syria : Emergence of Conflict**

In March 2011, pro-democracy protests started in the southern city of Deraa. After the arrest and torture of some teenagers who painted some freedom slogans on the wall. After security sources opened fire on protestors killing 7 more. The unrest triggered nationwide protest who were demanding president Assad's resignation. Opposition supporters eventually inclined towards violence by using arms and weapons. First, in order to protect themselves and later to eliminate the security forces from local areas

Violence in the country began to intensify which ultimately ended to a civil war. As rebel divisions were formed to oppose government forces to undertake control of cities and towns. Fighting reached the capital Damascus in second city of Aleppo 2012. According to UN 90000 civilians were killed in 2013 and it reached to 2,50,000 by 2015

### **War within a war**

The differences and conflicts began to widen as it acquired sectarian overtones which placed countries Sunni majority against Shia Alunite sect.

In surge of these differences there were war crimes in the country like murders, torture, rape and forceful kidnapping. Civilians hardships like lack of accessibility of food, water and health services are also an allegation on the country's unrest.

### **Economic Consequences**

The economic consequences to Syria are suspect able to many challenges such as global integration, climate changes which has strained Syrian security state over more than 50 years creating sectarian and ethnic unrest.

The presidency of Hafez Al Assad did not give much priority to the economy. The business class during his time was indeed tied up with limit of investment (investment law 10 in 1991). However, in 2000 the of Bashar Al Assad underwent vigilant liberalization through technical assistance from European Union institutions However it remained a state dominated system with absence of private banks, capital market and mobile operators.

### **Counting the cost of Syrian Conflict**

The Syrian committee on financial market and securities SCFMS supports the performance of economy in terms of foreign trade inflation exchange rate and oil, gas electricity production with numerical figures to highlight the economic impact of 4 years of conflict in Syria.

The counterfactual analysis show that the accounting losses in terms of GDP at constant prices are equivalent to 229% of 2010 GDP; the losses in GDP at current prices are approximated to be dollar 120 billion which is almost doubled the level of GDP in 2010 the SCPR report shows that real GDP shrieked by 62% between 2010 to 2014 . The major affected sectors include mining decreased by 94% manufacturing domestic trade and construction decrease by 70% and agriculture decreased by 40% population also decrease from 20.9 million in 2010 to 17.7 million at the end of 2014 ,resulting in 2.3% fall in population of Syria , because of deaths and external migration.

### **Impact on Agriculture**

At the time of 2011 agriculture consisted about one fifth of Syria GDP and a significant fraction of labour forces. The latter half of 2000; Syria was severely affected by drought in addition with more rapid development in other sectors 30% of the total labour force was engaged in agriculture during 2001 as compared to 23% of labour force in services. This share drifted to 13.2 percent in agriculture and 28% in services. As per the report of WFP(world food programme) half of the Syrian population consisted of rural dwellers out of which 80% used to derive their main income from agriculture.

The report of FAO/WFP highlighted the deadly impact of conflict on livestock farming which comprise about 40% of total agricultural output by value. According to the report ,national herd of sheep cattle and goats has decreased by 30-40% since 2010 .Also, poultry production decreased by more than 50% production of major crops in Syria which includes olives and cotton fell to a great extent . Olives fell to 4,50,000 tonnes in 2014 which is half the average during the pre-conflict period highlighting poor rainfall and impact of conflict on IDLEB governorate.

### **Energy**

Oil and gas used to play a significant role in Syria's pre conflict economy. Although, the country was a modest producer by regional standards.

Oil exports in 2010 was 5.5 billion while imports of petroleum was 3 billion net income from oil exports was offset by royalty paid to international producing companies. Oil revenue accounted for about 20% of annual budget revenue during 2005 to 2010 .The government introduced certain reforms such as fuel subsidies in 2008 ,raising diesel prices and presenting a system of rationed access to subsidized fuel.

Syria produced about 3,85,000 billion dollars of oil in 2010 which fall down to 40,000 billion dollars in late 2014 when the total output of oil fields was under Isis control in Syria. Since then, the production slipped due to collision air strikes.

Several natural gas installation between Palmyra and Homs came under assault from Isis forces in second half of 2014 and 2 gas fields to the last of Palmyra fell into ISIS prior to groups capture of town in May 2015. In October 2014 the prices for household

consumers, drivers and farmers was set at Euro 80 us cents per litre while private sector industrial users were charged Euro 150 us cents per litre based on world market linked index. The new, unified prices Euro 125 us cents per litre representing increase in more than 50% of most consumers.

### **Natural Gas and Electricity**

Due to Major control of ISIS over gas fields, the gas industry was severely impacted, partly because of difficulty in trading natural gas and partly because of electric grid. There were attack on transmission line and distribution facilities which led to difficulty in ensuring proper maintenance of power station.

Previously Syria's gas production average was about 5.5 billion cubic meter per year, with the entry into production of new projects, total output reached a record of 8.7 billion cubic meter in 2011 since then it has declined to 5.6 billion cubic meters in 2013 and estimated 5.3 billion cubic meters.

Public establishment for electric generation and transmission shows that power generator declined by 30% in 2013 to 29922gwh from 42090gwh in 2012. It is likely that there was steep decline in power output in 2014. As a result of further damage to infrastructure and difficulties in securing fuel. The PRGET report 2013 does not include details of fuels used in Syria power station. The previous data indicated by natural gas was the most important source which accounted for about 6.3 million tonnes of oil compared with 2.4 million tonnes of fuel oil as the gas production decreased government indicated to import more fuel and introduce the import of liquefied natural gas.

The major projects including combined cycle plants account for 40% of serious effective generation capacity of 7939 MW. Steam turbine plants which used to run on natural gas accounted for just under 3000 MW of available capacity.

The most important power facilities in the ISIS area of control over the hydroelectric plant on the Euphrates. These plants accounted for 9.2 % of Syria's power generated in 2013. However, poor rainfall during 2013-14 lower the water level in lake Assad which is likely to have impaired the performance of main Euphrates dam during 2014



### **Exchange Rate and Inflation**

The Central Bank of Syria continue to quote daily rates for Syrian pound against other currencies. These rates include: official central bank rate, rate applicable for commercial banks, rate at which other banks can obtain foreign reserves for import purposes, rate for licence money changing.

Central Bank bought in the special rates for banks and money changers in July 2013, after black market rate briefly sold over (300 euro=1\$)the gap between official rate and the black market rate has changed it to 5 to 10%. Although, the cost of dollar in the black market was actually lower than the official rate during the period of 2011, Official rate declined about 10% and black market rate by 20%, depreciation rate increase to 25% for both .

The official rate in 2013 fell by 46% and the black market rate by 40% .A further increase in depreciation was seen in the first quarter of 2015, it likely to reflect the depreciation of Central Bank forex holding. The black market rate crossed the (300 euro=1\$) threshold at the end of April 2015 reflecting about rebel military games in IDLEB and Derra governorate.

The year on year rate of inflation peaked at about 120% in July and August. The average annual rate of inflation increases from 4.2 % in 2011 to 37% in 2012 and to 88 percent in 2013

During the first 11 months of 2014, the average rate of inflation was 36.8% and it actually declined during this period falling to 9.7 percent in August and then to 6.7% in September. Inflation reached 23.7% year on year in January 2015

- **Iraq**

In comparison with many other developing countries, Iraq has unprecedented economic possibilities. It has great amount of agriculture potential, fertile soil deposits from rigorous and Euphrates. Population is estimated around 30 million in 2010 which guarantees quite good amount of labour. Iraq oil reserves about 10% and gas reserves (Iraq ranks 11 in the world) are the ones on which the nation almost is totally dependent.

During 1989, crude oil used to generate 98% of the export revenues covering 90% of government budget. The great strength of Iraq's economy lies in the combination of these factors but due to under stable political circumstances.

The increase military spending in Iraq due to war proved to be at the cost of economic growth in terms of increase investment and consumption.

Initially, high military spending increased demand boosting up the employment in the economy. However, by 5 years the inflation rate increased pushing up the long-term interest rates. Thus, impacting the international trade of the country. Exports were 1.8% lower and imports were 2.7% higher which increased the current account deficit by dollar 12.8 billion more as compared to the baseline scenario.

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## THE 2008 FINANCIAL CRISIS

Shailee Satviki Saboo

### **Abstract**

*As early as in 2000 John Taylor warned of housing loan bubble to lawmakers. Not much attention could be drawn by him and finally collapse of US economy happened. The crisis in the economy continued to deepen and when Lehman brothers filed largest bankruptcy of history on 15 September 2008, a recession occurred. U.S. Government acted briskly to save the institutions by providing large credits which stopped the conversion of the crisis to a full-fledged depression. By micromanagement later this credit could be fully recovered and even profits were gained.*

### **Keywords**

Subprime lending, Credit default swaps (CDS), Collateralized debt obligation (CDO), Bailouts

### **Review of Literature**

Karl E. Case and Robert J. Shiller stated A tendency to view housing as an investment is a defining characteristic of a housing bubble. Expectations of future appreciation of the home are a motive for buying that deflects consideration from how much one is paying for housing services. According to Oscar Arce and others low interest rates go hand in hand with a large aggregate supply of loanable funds that may lead to formation of assets that do not pay any dividend (i.e. bubbles). In 1977 Lewis Renieri, vice chairman of Salomon brothers created five and ten year bonds from 30 year mortgages to give solution for banks facing difficulties due to short-term borrowing and long term lending.

### **Research Methodology**

Secondary data sources such as research papers, various articles, blogs, and surveys done by various institutions and organisations were used as a basis for this study.

## **Analysis and Findings**

The credit crisis of 2008 brought two groups of people together the home owners and the investors. Home owners represented their mortgages i.e. houses and investors represented large institutions like Pension Funds, insurance companies, mutual funds, sovereign funds etc. These groups were brought together by the financial system, a bunch of banks and brokers commonly known as Wall Street.

Traditionally the investors invested in the treasury bills from the U.S. Federal reserve as they were believed to be the safest investments (AAA rated). But in the wake of the Dot-com bubble in 2001 the Federal Reserve chairman Alan Greenspan lowered the interest rate for treasury bills from 6.5% to 1% in order to give a boost to the economy. Such low returns on investment decreased the investments in the treasury bills by investors but on the flipside the abundance of cheap credit increased the demand for borrowing by the banks. So in 2000's United States commercial and investment banks relaxed lending standards as creditworthy customers were limited. Analyst who policed mortgage standards also faced tough competition and to get more business they succumbed to the lenders

### **How banks working?**

The banks majorly work and make their money using the concept of leverage. Leverage is borrowing money to amplify the outcome of a deal. For example, in normal functioning someone with ten thousand dollars buys a box for ten thousand dollars. He then sells it someone else for say, eleven thousand dollars and makes a profit of thousand dollars. But using leverage someone with ten thousand dollars would borrow 990,000 \$ which gives him 1,000,000 \$ in hand. Then he goes and buys hundred boxes with his 1 million dollars and sells it to someone else for 1,100,000 \$. Then he pays back 990,000 \$ that he borrowed along with 10,000\$ as an interest. So now he is left with a profit of 90,000 dollars vs. the other guy's 1000\$ profit. Banks constituting the Wall Street, then became greedy and went beyond this normal leverage to quickly grow rich. In short creditworthiness was omitted. The ratio between the borrowed money and the bank's own money is called leverage. The higher is the borrowed money higher is the leverage. In 2004 the SEC lifted the leverage limits on the investment banks allowing them to sharply increase their borrowings and the degree of leverage in the financial institutions became absolutely frightening.

**Important terms**

- Subprime lending means giving loans to people who may have difficulty maintaining the repayment schedule
- Credit default Swaps (CDS's) are the type of insurance against default risk by a particular company.
- Collateralized Debt Obligation (CDO's) is a structured financial product that pools together cash flow generating Assets and repackaging this asset pool into discrete trenches that can be sold to investors.
- A bailout is a situation in which a business or an individual loses his money and to prevent the consequences that arise from the business's downfall bailouts can be undertaken by the government by giving loans, issuing bonds, investing in stocks or providing cash.

**Making of crisis**

If a family wants to buy a house they save for a down payment and contact a mortgage broker. The mortgage broker forms the connecting link between the family and the lender. The family buys the house and puts it up for mortgage with the commercial banks. In turn, the investment banks bought thousands of these mortgages from the commercial banks and receives money from the home owners. It did not stop here, the Banks converted these mortgages into CDO's and divided them into sections based on the risks involved. The rate of interest on the lowest section remains high to compensate the risk involved. Furthermore, the safest section was insured by CDS's to make it more safe for investments. These sections were rated by the credit rating agencies, AAA for the safest investments. If some home owners (subprime) default on their mortgages and the money does not come in, the investor gets the house. Since the housing prices were rising, the lenders started adding risk to new mortgages and extending loans to the subprime borrowers. Now, when a home owner defaults on his mortgage, the bankers could recover the dues by selling the mortgaged property. But as more and more families default there are more houses for sale in the market creating more supply than there is demand. The housing prices slump and while the prime borrowers who are still paying for their down payment started to wonder why they are paying high mortgages for a house whose prices are

decreasing. They walk away from the houses even though they can afford to pay. The housing prices slump further and the banker tries to sell the CDO's to the investors who had already become aware, so such efforts were in vain. The investment banks started to default on their commitments. The investment banks actually preferred the subprime loans because they carried higher interest rates. This led to a massive increase in predatory lending. The investment banks paid the credit rating agencies to give false ratings to CDO's. The credit rating agencies had no liability if their prediction was untrue. The lenders transferred their risks to the investment banks who in turn transferred them to the investors. Nobody cared for the quality of mortgages. The real estate prices doubled while the mortgage loans quadrupled.

Once the collapse started a sort of epidemic extended to more banks as the fraudulent lending in mortgage finance was being done on unrealistic value of houses to customers for purchase of second and more houses. This chain reaction of collapse caused crisis in institutes which were too big for economy to accept a failure, so federal action was taken to save these institutions. Large amount of currency was advanced to acquire failing institutions, take stocks in cash strapped institutions and also loans were advanced at negligible interest rates to avert the crisis.

The name subprime lending crisis was coined because loans were advanced to less creditworthy at higher rates leading to crisis. Global Financial Institutions in the countries other than US also faced heat as those institutions invested in US Subprime Mortgage based Securities.

### **The housing bubble**

Actually in some cases the banks had allowed loan amount more than hundred percent of value of new home. Additionally mortgage securitizing agencies became lax. The two kinds of agencies, Government sponsored such as Fannie Mae and private Scrutinizers both committed mistakes in the expansion of lending. The greed of these institutes formed the housing bubble leading to the crisis.

There is a contrary view that says roots of this financial crisis lies in an affordable housing policies of US government in 1990's when Government sponsored Institutes Fannie Mac and Freddie Mae started purchasing risky loan portfolio. This was done for community reinvestment act (CRA) which covered low and middle income group. At the time of

crisis ( in 2008) 50% of loans in the sub Prime crisis had some connection with CRA loans. This shows classification of CRA loans as prime-loans by Federal Reserve was not correct. The government did not ever bother to suspect the bubble.

In 2006 when Realtors were applauding falling housing prices calling it a correction for better, more was happening the Gramm Rudman act had allowed trading derivatives, mortgage based securities, with home loan as Collateral. Such MBS were created by lenders and further sold to hedge funds and Financial Institutions around the world. Even pension funds invested in these derivatives, hoping that insurance offered under credit default swaps will protect them from any derivative value loss. The insuring agency AIG (American International Group) could not honour their insurance commitment and this lead to panic.

### **Impact of crisis**

To mention grievous impact of 2007-08 crisis following can be enumerated. At the end of the crisis housing prices fell 31.8 percent, as the housing prices fell foreclosure by lenders caused loss to consumers, who lost dollar 4.2 trillion wealth from home equity. Economy came to standstill and unemployment rate grew to 9 percent.

There was increase in foreclosure of loans by 57%. Libor rate reached a record high of 6.9 percent for 24 hours. Practically no interbank lending was available. Medium household net worth fell so much in recession that it is yet to recover to the level of 1998. Dow Jones Industrial Average lost 33.8 percent of its value in 2008. US imports fell as no credit was being extended for such imports. Japanese export fell 3.7 % in 2nd quarter of 2008. World Bank forecast of 2009 Global economic growth was just 0.9 %. Suspicion among banks stopped their mutual lending. Libor started to rise beyond control and no end was seen to this crisis.

### **Government actions**

In March 2008 JP Morgan bought Bear Stearn which was supported by Fed guarantee of dollar 30 billion. At that time Fed assumed that the risk is over. But it was not so, Fed had to participate again to support AIG, spending dollar 182 billion. This was wise as Fed could sell it in 2012 with profits. But at that time suspicion was so serious that companies stopped parking money with banks. Banks finances became precarious and global stock markets almost collapsed. Fed chief conveyed serious urgency to the US government for action.

US government and Fed created dollar 700 billion bail-out package. Out of that again Dollar 245 billion were spent by Treasury Department at that time to buy bank stocks. This money again was safely received back against the sale of same stocks in 2018. Rest of the money of \$700 billion was used by government in stimulus package.

To prevent future occurrence of such crisis US government passed Dodd-Frank Wall Street reform act. This act has provision of keeping the banks away from too much risk and reduce size of banks to avoid situation of too big to fall. Practical implementation of this act is not in site, banks are getting bigger and opposing regulators prescribed in this act, so in 2018 the impression of the US middle class remains that the banks are ruthless and greedy. You can hear a dim voice of those who were affected, that nobody has learnt a lesson from 2008.

### **2008 Crisis In India's Context**

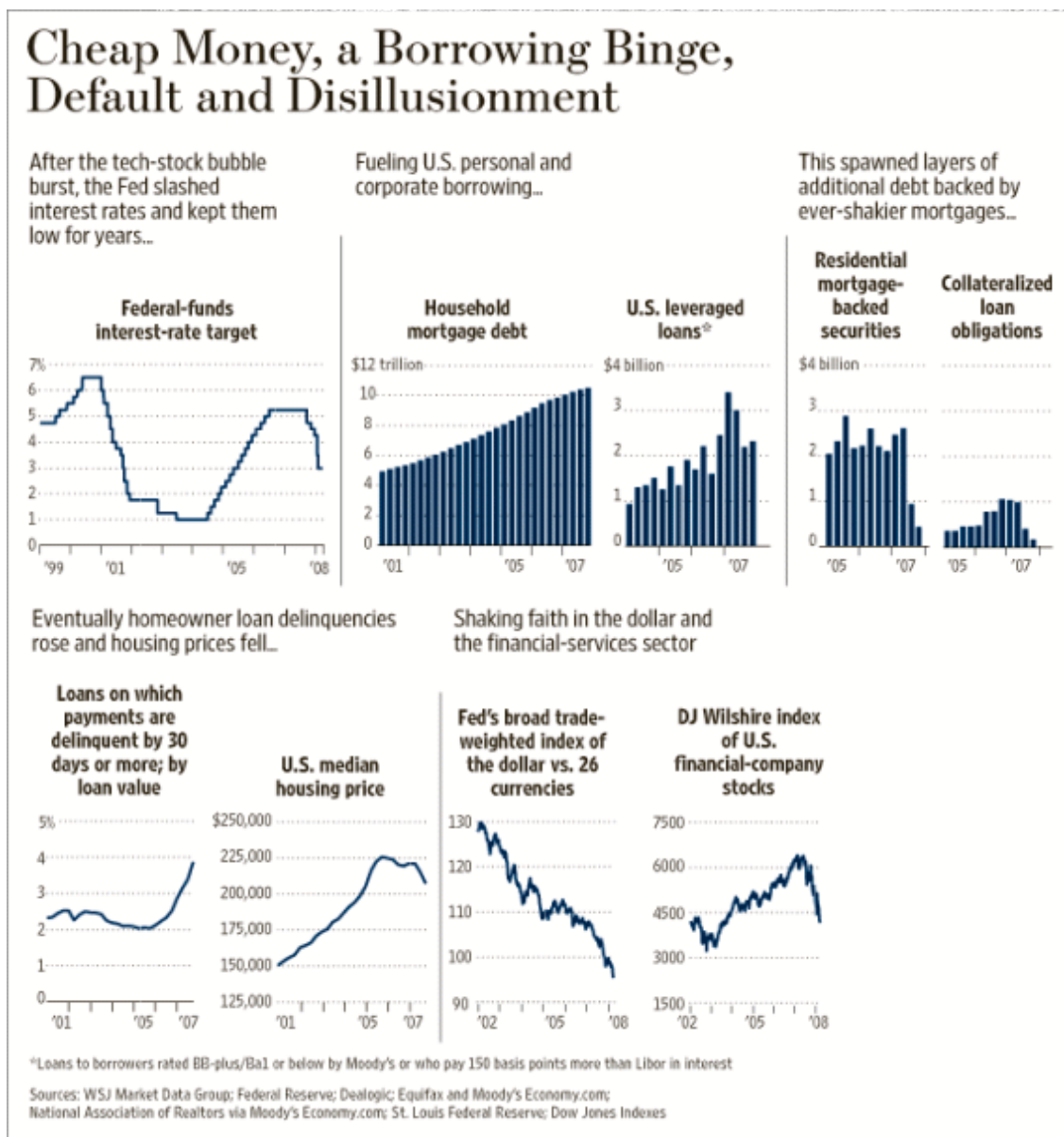
I would like to add a footnote for the Indian financial situation in October 2018 IL&FS, our own largest NBFC, has defaulted to honour its commitment leading to drying up of funds for more than 4500 NBFC in India. These NBFC have leverage of six times and deals in more than 5 lakh crores. If this contagious default spreads, India may have to face a financial crisis. Likely causes for any financial crisis are complacent managers and poor financial regulations.

### **Conclusion**

The global economic crisis of 2008 cost tens of millions of people their savings, their jobs, and their homes. The government and the credit rating agencies who should have protected the citizens of United States had done nothing. The Wall Street incomes were excessive and they having massive private gains at public losses. The urge of creating something out of nothing kept pushing them. The result was a global recession which cost the world tens of trillions of dollars, rendered 30 million people unemployed and doubled the national debt of the United States. The crisis was not an accident. It was caused by an out of control industry. The rise of the financial sector after deregulation in U.S. has caused a series of crisis, each causing more damage than the other while the industry has made more and more money.



The deregulation of the financial industry, the merger of the commercial and investment banking by violating the Glass-Steagall Act (which prevented the banks with consumer investment from engaging in risky investment banking activities), capture of political system by the Wall Street, absence of federal action and clear failure of self-regulation triggered a crisis not only in the United States but globally. After a decade has passed since the crisis it is clear that financial regulation cannot be complacent. Investors and bankers should not be greedy otherwise action is suicidal and the falling giants would crush the others around them



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**REPORT**

**SECTION 5**

## RAJASTHAN ASSEMBLY ELECTION : VOTER SHARE, ANTI-INCUMBENCY AND HOW PARTY LEADERS AFFECT ASSEMBLY ELECTION

Tanishq Israni

### **Abstract**

*Assembly election- The Legislative Assembly elections in India are the elections in which the Indian electorate choose the members of the Vidhan Sabha (or Legislative/State Assembly). They are held every 5 years and the members of the legislative assembly are called MLA.*

*The last assembly election in Rajasthan were held on 7th December, whose results were declared on 11th December. The result led to the forming of government by the coalition of Indian National Congress and BahujanSamaj Party. (Other parties and Independents too)*

### **Total Seats : 200**

### **Results declared : 199 (One seat – Ramgarh adjourned)**

Out of the 200 seats 99 were won by INC while 73 seats were won by BJP. This didn't come as a complete shock as all the opinion polls came in the favour of the former. Moreover the population of Rajasthan is famous for anti-incumbency that is, electing the alternative government. For the past 20 years the government in Rajasthan has changed every 5 years. It just seems like that the voters are never satisfied with the very people they elect. During the 2013 assembly election, BJP won by acquiring 163 seats being led by VasundharaRaje, when only 21 seats were won by INC led by Ashok Gehlot. While there was dramatic change in the trend of seats won, the change in vote share was not much. The BJP vote share was 45.2% in 2013 which fell to 38.8% in the year 2018, which shows a decline of 6.2%. On the other hand the Congress vote share was 33.1% in 2013 which rose to 39.2% in 2018, which shows a hike of 6.1%. During elections all the party leaders put forward their A game in order to win over people. In every election not just the people contesting but the party leaders get involved in the process to secure votes for them. INC leader Rahul Gandhi and BJP leader Amit Shah, current Prime Minister Narendra Modi and CM of Madhya Pradesh Yogi Aditya Nath went to all the major constituencies but the

results were not as expected for BJP. This time when INC was able to lure the minds of the stratified society of Rajasthan specially the farmers and youth, the BJP fell short which resulted in the defeat of the latter.

### **Keywords**

Anti-incumbency, vote shares, loan waving.

### **Objectives of Study**

The objective if the paper is to carefully analyse the Rajasthan Assembly election of 2018 and study the change in vote share and impact of party leaders on state elections and the reason behind the cycle of anti-incumbency of Rajasthan.

### **Introduction**

Economic times stated that, “Rajasthan has been changing government for the past 20 years and this year's opinion polls suggest the same, that BJP will fall prey to the anti-incumbency cycle of Rajasthan.”

The Hindu in one of its article stated that, “Even though BJP had a miraculous win in the past elections, according to reports farmers and youth are in high distress. This might result in the change of vote share and result in fall of the BJP government.

### **Research Methodology**

The collection of data and the study is based on the secondary data collected from various government websites and renowned newspaper.

### **Analysis and Findings**

#### **Vote share**

Vote share-This refers to the percentage of total votes a party/alliance has secured in an election. Vote-share is different from seats and the two figures can be confusing.

BJP in the 2018 election lost 6.4 percent votes, when compared to the 2013 elections, in the opposite fashion there was a gain of 6.1 percent of voters by the INC when compared to the elections of 2013. Although there has been an approximate rise in the vote share of INC as there has been a decrease in the vote share of BJP, it would be immature to believe that the lost vote share of BJP went directly to INC as there has been a significant increase

in independent MLA's in this elections, out of the 200 seats 13 were secured by independent parties which is more than the double of what was secured in 2013, that is, 6.

It would be reasonable to believe that even though people are not putting their faith in BJP this time but it's not in congress too. The increase in the share of independent parties, shows us that people have been voting what's best for them rather than being manipulated by big parties. The public is well aware of the vote bank strategies of these parties and thus are focusing on the independent politicians who they believe will work for the development.

During this assembly elections, farmer distress and youth unemployment were the major reason for UPA to come in power. The farmer distress was to be solved by waiving off loans of farmers worth Rs 70,000 crore, while the votes of the youth were accumulated by announcing employment schemes, which in turn gave INC a upper hand on BJP this elections.

The loan waiving of farmers was one of the reason that the votes from rural Rajasthan were in favour of Congress. These 2 popular strategies are one of the main reason of the decrease in vote share of BJP and subsequent increase of INC.

### **How party leaders affect assembly election**

**Hypothesis: During the assembly elections people vote for the central government rather than taking in account of state issues.**

Assumption: Party leaders have huge influence on the voters during the assembly elections. INC's Party leader Rahul Gandhi and BJP's Party leader Amit Shah and current Prime Minister NARENDRA MODI, went to different constituencies during the Rajasthan Assembly Election to appeal for the vote.

The question arises is that does their visits make an impact. Does them appealing to the public is more influential than local leaders doing the same.

When a politician is elected as a party leader he or she is seen as the face of the party and the general public seems to relate him/her more than they relate to the party in large. As people find it much easier to relate to the ideas and vision of a particular person and who is just like them, than to a political part which a lot of times is seen as a big corrupt organisation, so it us very understandable and reasonable for the general public to be influenced by a party leader.

Now, the question arises that why the local leaders are not as influential as the party leaders?

Apart from the general reason that was discussed above, the other important reason would be consistency, the party leaders seems to stay at their position for quite a long time, the most appropriate example would be Sonia Gandhi, she led the INC for a good 19 years, on the other hand the local leaders seems to change every 5 years, even if they win the last elections doesn't ensure that the party will give them the ticket to fight for the post again.

To check whether the taken hypothesis is correct or not, we need to analyse the impact of party leaders on the election, we will analyse the number of wins they were able to secure by their speech and influence.

### **For Indian National Congress – party leader Rahul Gandhi.**

Constituencies visited by Rahul Gandhi during his Rajasthan Tour for the State Assembly Election:

#### **Hanumangarh**

Hanumangarh was previously governed by RAM PRATAP of BJP, as he was elected with a high margin of 30,487 votes but during this election RAM PRATAP of BJP lost the elections from VINOD KUMAR of INC by a good 15,522 votes.

The visit of Rahul Gandhi did make a positive impact for the INC.

#### **Bhilwara**

Bhilwara was previously governed by VITHHAL SHANKAR AVASTHI of BJP, as he was elected with a high margin of 46,116 votes by the public, and even this year he maintained his legacy by beating ANIL DANGI of INC, with an even higher margin of 49,578 votes. The visit of the INC leader actually had no impact on the elections of this constituency.

#### **Chittorgarh**

Chittorgarh was previously governed by CHANDRABHAN SINGH of BJP, as he was elected with a decent margin of 11,850 votes by the public, this year the winning streak was maintained by him, as he beat SURENDRA SINGH GAJAWAT of INC, with the vote margin of 23,894, which is almost the double of the vote margin by which he won the

elections in 2013. This means that the visit of the party leader had no impact on this constituency too.

### **Kishan pole**

Kishan Pole was previously governed by MOHAN LAL GUPTA of BJP, he was elected with a decent margin of 9,685 votes during the 2013 assembly elections, but during the elections of 2018, he was defeated by AMIN KAGZI of INC by a margin of 8,770 votes. This certainly points out the fact that the visit of Rahul Gandhi was fruitful for the elections in this constituency.

### **For Bhartiya Janta Party – party leader Amit Shah.**

Constituencies visited by AMIT SHAH and PM NARENDRA MODI during his Rajasthan Tour for the State Assembly Election:

### **Ajmer north**

Ajmer north was previously governed by VASUDEV DEVNANI, he won the 2013 election with a high margin of 20,479 votes, and even in the 2018 election he beat MAHENDRA SINGH RALAWATA of INC and won the election, even though he won the elections the margin of the votes has been decreased to 8,630, which might be a decent margin but still is worrisome for him as well as the party.

### **Ajmer south**

Ajmer South was previously governed by ANITA BHADEL, she won the elections of 2013 with a high margin of votes, that is, 23,158. Even though she has been elected again against the HEMANT BHATI of INC, the margin by which she won this time dramatically decreased to a mere 5,700, which once again is quite worrisome for her and the party.

### **Civil lines**

Civil lines was earlier governed by ARUN CHATURVEDI, he won the 2013 elections with fair margin of 11,129 votes, but the tables turned during the elections of 2018 when he was defeated by PRATAP SINGH KHACHARIYAWAS by a vote margin of 18,078. This means that the visit of Party leader had no impact on the elections.



## Dausa

Dausa was previously governed by SHANKAR LAL SHARMA, who won the 2013 elections by a vote margin of 25,172 votes. The tables turned during the 2018 elections when SHANKAR LAL SHARMA was defeated by MURARI LAL of INC with double the vote margin of 2013, which is 50,948. This indicates that the visit of party leaders had no impact on the elections.

**Result:** The hypothesis taken, that, “**During the assembly elections people vote for the central government rather than taking in account of state issues.**”, has been proved wrong as we can clearly observe that the party leaders of both the party went to different constituencies and the results were mixed as Rahul Gandhi party leader of INC went to Hanumangarh, Chittorgarh, Kishan Pole, Bhilwara while the result of Hanumangarh and Kishan Pole came in favour of INC, on the other hand the result of Chittorgarh and Kishan Pole came against the INC which really contradicts the first assumption we took that that, “Party leaders have a huge influence on the voters during the assembly elections”.

The assumption is further contradicted when we take in account the observation of BJP, as Amit Shah and PM Narendra Modi went for the rallies to Ajmer north, Ajmer south, Civil Lines and Dausa. The results were mixed again as in Ajmer North and Ajmer South, BJP won again but the margin has been dramatically reduced, and in Civil Lines and Dausa BJP lost with a good margin.

This proves that the influence of party leaders and their rallies were not seen in the assembly election of Rajasthan this time and the voters focus more on what's best for their state during the election not being manipulated by the leaders of the parties but proving that what matter to them most is how the government is going to function on the grass-root level.

It can also be noted that in Ajmer North and Ajmer South, the vote margin for BJP has decreased dramatically, this means that the public is not very happy either with the government they choose. This is a warning sign for BJP as if this trend continues next election might break the trend of anti-incumbency.

### **Anti-incumbency**

Anti-Incumbency- It refers to the way through which the general public exercise their power and vote against elected officials currently in power. It allows the voters to register their discontent with sitting government officials, particularly when protesting against certain actions taken by the government or the elected officials in question.

The voting population of Rajasthan never seems to be happy about the very people they elect to power and this trend has been going on for the past 20 years.

### **The reasons for anti-incumbent votes for the election 2018:**

#### **Not living up to the promises made during the election campaigns.**

The promises which were made during the election campaign were not all fulfilled by the government.

#### **Distrust of people in the party as the leaders are not easily accessible, and they feel like their problems are not heard.**

This was particularly the case with VasundharaRaje's government as there were high distress among the people as according to them the leaders they were elected were not easily accessible which led them to feel disconnected from the party and the leaders.

#### **Development came at the cost of anger**

The Raje Government promised the beautification of streets and broadening of roads, this seeming like a pleasant development came at the cost of removing/demolishing Hindu temples, which was not liked by the majority community and turned into anger, which led to increase in anti-incumbent vote.

#### **Distress between the party**

The name for the party leader was in deciding stage for long as VasundharaRaje didn't seem to quite meet up with the expectations of Narendra Modi and Amit Shah. This made people have a wrong impression about her.

#### **Loan Waiving for farmers**

When Rahul Gandhi came up with policy of waiving of loan of farmers amounting to Rs. 70,000 crores. This policy directly increased the vote share of INC with the rural population, while the Raje Government didn't pay much attention to the development of the farmers, this one announcement from the party leader of INC made a huge difference.

### **The Rajput Community**

The Rajput community was in great angst with the former Chief Minister Vasundhara Raje, because of the encounter of a gangster named ANANDPAL SINGH. Now even though Rajput comprises of only 5.3% of the total population, their influence on the vote share is more.

### **Muslim & Dalit factor**

The INC, succeeded in building a narrative for Muslims, that defeating BJP in the assembly elections would be the first step to remove the HINDUTVA leader, from the union leader in the 2019 Lok Sabha election. The BJP is also examining how a Dalit backlash, over violence community earlier this year, have contributed to its defeat in the state.

### **Conclusion**

The UPA Government is in power for the next five years in Rajasthan, the vote share of INC sure have increased to 39.2% but this increase is still not enough for party to sustain its governance over a period of time, even though the NDA government lost in the elections of 2018 its vote share was only slightly below UPA, that being 38.8%. If UPA wants to break the cycle of anti-incumbency in Rajasthan, it has to work really hard over the period of their tenure and gain the trust of not only the farmers and youth but also the general public at large.

There were several reason as to why the public of Rajasthan changes government every 5years and if those are not kept in mind by the current government then there surely anti-incumbency will continue. Social Changes are needed to be brought in every strata of society to impact the society at large.

The population of Rajasthan has grown to be very intellectual and now any fake promises from the party leaders doesn't affect their choice of vote much. They tend focus more on what the local leader has done or promises to do for the development than on the hollow promises of party leaders.

This forces government to strive for best and focus on what's really important, because they are well aware of the power of public support and the best part is even the people are aware about it.

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# BOOK REVIEW

SECTION 6

## I Do What I Do

Aditya Tibrewal

One of the greatest economic books of 2017, which gave the almost whole idea of the RBI governor working because this book is written by the Dr. Raghuram Rajan, who was the ex-governor of RBI and one of the most influential modern era economists of the world.

The book starts with his first speech to the RBI board and states that what are the objectives that they have to achieve collectively and as soon as possible to provide a great strength to the country.

He also makes special thanks to Harper Collins who motivated him to write this book on his tenure in the RBI as a governor and the steps which provide direction to economy of the country.

The serious steps that he had taken through his tenure in RBI because when he joins the RBI as a governor the economy was in free fall, inflation rate was high, parliament may hung, NPA issue was very high, facing all of these problems how the decisions taken by him and who gave him help in taking decisions are described in this wonderful book.

The most interesting part that I love most is the concept of “DOSANOMICS”. In this concept he tells us the relation between interest rates and inflation rate using the example of price of DOSA. That how consumers or citizens are in benefit even at the time of low interest rate because the inflation rate is lower than the interest rates and the real interest rate is positive.

When Rajan tells that he will not extend his tenure and leave the RBI in 2016, just before the demonetization, there was a rumours that he was removed by the govt. for criticizing the step of demonetization and everyone anticipate that this book may give answers of their questions.

Through this book Raghuram Rajan gives us the answers in clues but not clearly otherwise it may affect the credibility of the RBI and he remains with the answers in this book which does not create any bad image in the minds of people regarding one of the most reputable of the country or the post of the governor of RBI.

In this book, he tells that how RBI become more flexible with small banks in providing licensing so that they can open their branches especially in the rural area. Along with that he describes how Dr.Urjit Patel and his other colleagues helps him in controlling the inflation from double digit to single digit and tells us how they were succeeded in maintaining the inflation at considerable level.

From his book we clearly state that he did not take any credit and started using the word “WE” and appreciate the work of Dr.Urjit Patel committee. This book also changes your views regarding Urjit Patel whom we may considered as a government officer only not as an RBI governor initially, as we considered that he will be biased in his policy but after reading this book we can state the appreciable work that he had done for the RBI.

On broader scale Mr.Rajan stresses on mutual trust in market, credibility and long-term plans. The narrative is quite appealing though at times it may feel that, it is fluctuating between being too simple to being too hard. (May be that depends on your understanding of the particular topic!). All-in-all a good read to understand the dynamics involved at the central bank, the role of different committees, reports and the collective work between government, Central bank, markets and Banks.

Through this book he also states the reason that why they adopt CPI for controlling inflation rather than focusing only on WPI. This book is also very helpful for the present government for the issues related to financial inclusion, resolution of distress, debt market, advice on macroeconomics etc.

He also states that how they adopt the policy on foreign exchange which started to give them profit for the first time in the history but this policy also includes the risk of loss but further he states that there is no profit without risk. He also states the reason that why he was started to consider as the poster boy or Ranbir Kapoor of RBI.

A special mention for his speech on Tolerance to the IIT Delhi students finds importance as it was widely misinterpreted and construed as an act towards the 'Intolerance' movement against the ruling government. A closer perusal leads to the conclusion how tolerance and debate can foster free competition and encourage free exchange of ideas. A reference to misrepresentation on the Social media finds mention with respect to distortion of facts and how the intent should matter over the words.

A speech covering international issues with mentions of Federal Bank rate policies, focus on unconventional monetary policies like quantitative easing, troubled assets relief programs, decoupling theories make it an interesting read.

The book concludes with a miscellany of white papers written as a columnist on a vast array of topics like Incentives for Investment Managers, Asset Management and Political Risks, Credit Crisis, Lessons from the Great Recession, although the last two topics find a comprehensive insightful analysis in his book, Fault Lines.

To conclude, although the book will find immense interest from students of economics, Dr Rajan's superstar persona during his stint as the governor should entice enough curiosity amongst the educated masses to make an attempt at understanding the various concepts related to Economics and Politics.