



STUDY GUIDE

MODERATOR - ISHAAN JOSHI
DEPUTY MODERATOR - DHRUVIT SHAH



1st - 2nd February 2020

AGENDA: DISCUSSING THE ECONOMIC SITUATION IN THE COUNTRY

Following liberal economic reforms in the 1990s, India is now one of the fastest growing economies in the world. The country's economic growth has been driven by the services sector, which has been consistently growing and has accounted for 49% of the GDP in 2017. After substantive reforms to improve its business environment, India is now ranked among the top 100 countries on the World Bank's Ease of Doing Business Index.

Despite impressive economic growth, India continues to face significant challenges in development. Poverty alleviation and equitable access to basic social services including education and health care remain at the forefront of national socio-economic discussions. India's sustainable development will remain dependent on the country's ability to maintain economic growth, while addressing the root causes of staggering poverty.

Backed by a rich tradition of social entrepreneurship, a collaborative philanthropic culture, a developed impact investing market and an engaged corporate sector, the Indian social economy is one of the most advanced in Asia and could become the key driving force towards systemic impact. Next generation philanthropists have emerged as a driver of innovative social investment. Meanwhile, the Indian impact investing and ESG investing markets are becoming increasingly mainstream. There was an impressive 25% increase in the number of corporate social responsibility (CSR) projects in 2017-2018 compared to 2016-2017. Finally, the resounding success achieved by the Educate Girls Development Impact Bond (DIB) has paved the way for a scaled-up version, the Quality Education India DIB, launched in September 2018. With 16 out of 17 Sustainable Development Goals (SDGs) still far from being achieved, India continues to pursue ambitious targets towards social and economic development and environmental sustainability. Poverty elimination remains a key national objective and has been approached in a relatively comprehensive way through promoting continued economic growth while ensuring equitable access to public services between both the rural and growing urban population.

The Digital India scheme, along with other initiatives to increase access to finance, will help meet the needs of a growing consumer class, which is projected to increase to about 89 million households by 2025. India is also investing significantly in its services and industry sectors through the Skill India scheme, which will produce the next generation of highly skilled labour for growth in manufacturing and information and communication technology (ICT). As women make up 48% of the total Indian population but only 24% of the workforce, the Indian government is mainstreaming gender issues into programmes such as Start-up India and Pradhan Mantri Mudra Yojana (PMMY) to promote female entrepreneurship.

Schemes such as Clean India and Healthcare for All focus on social welfare through the provision of basic sanitation, adequate housing and universal health care. India has also focused on improving agricultural productivity to ensure food security. There are plans to double farmers' incomes through investments in market linkages, crop diversification and infrastructure development. The Electricity for All programme emphasises India's commitment to climate action.

The Economic Status of India

Introduction

Throughout its four-decade-long history, India's ruling Bharatiya Janata Party (BJP) has always been divided between two viewpoints on economics: the private capital-oriented, free market model that embraces globalisation, or the more indigenous, protectionist system with a significant welfare component. In the years the BJP ruled India in the late 1990s, and beginning in 2014, the party has been wrestling with whether it should make the role of the state more prominent, or that of business; and within business should it open the doors to the world or focus on promoting – and protecting – domestic businesses?

Understanding the history and context of such a dichotomy explains many aspects of the BJP's history and its stints in power as India's ruling party. Most importantly, it sheds light on the seemingly contradictory policies of the incumbent government led by Prime Minister Narendra Modi.

From the time Modi rose to prominence in the early 2000s as chief minister of Gujarat, the prime minister has been noted for his affinity towards promoting business and entrepreneurship; he himself has reiterated such inclination on different occasions. Indeed, under his leadership, the western state's economy grew at a faster pace than the national average for more than a decade. During that time, Gujarat also transformed from a power-deficit to a power-surplus state, and managed the difficult task of achieving growth in agriculture while reducing its share in the state gross domestic product. This is particularly significant because Indian agriculture has for long been plagued with low productivity, and while it employs vast numbers of people, often such participation in farm labour is due to the lack of alternative better-paying professional opportunities. The movement of excess farm labour to manufacturing and services remains one of India's key challenges. Gujarat became a model for "freeing up space for private initiative and enterprise and the creation of an enabling environment by the State." Shortly before Modi became prime minister in 2014, the Ministry of Commerce and Industry noted in a report that Gujarat's land acquisition system for business under the then chief minister Modi was the best in the country. Modi's rise to power as prime minister in 2014 came with great expectations of a slew of economic reforms. The government has brought several significant changes in the economic environment – including introducing a transformational bankruptcy law and pushing through the long-awaited Goods and Services Tax. Certain key

reforms, however, remain pending including, critically, a game-changing land reform law. Some early signs of building consensus for land reform were stalled early in his first term as prime minister, following criticisms by the oppositions that the government's proposal was anti-poor. The other critical, and long-pending, task of labour reform is also impeded and is unlikely to see the light of day anytime soon. The government has been hesitant to address issues of land acquisition, or labour, especially those involving ages and retrenchments because they often become mired in political protest and carry the risk of being used against the party during elections.

After the government in its first budget of Modi's second-term in office, announced a hike in the surcharge on income tax (the so-called tax on the super-rich), and a continuance of the long-term capital gains tax introduced in 2018, foreign institutional investors (FIIs) sold more than \$1 billion in Indian equity shares in July 2019. Widespread criticism of the tax harassment followed from even prominent entrepreneur supporters of the BJP like investor Mohandas Pai, who spoke of "tax terrorism". There has been a sustained pushback on a tax on angel funds and jail term for failing to meet mandatory spending on corporate social responsibility (CSR).

Following a barrage of news reports of sinking corporate profits and fleeing investors, Prime Minister Modi gave an interview reiterating his commitment to entrepreneurs as "growth ambassadors". The finance ministry announced a series of rollbacks, including on the surcharges on foreign portfolio investors, long-term capital gains, the removal of the controversial angel tax on start-ups, and jail terms for CSR rule violations. As more worrying economic data on slowing growth appeared, the Modi government also announced a major reduction in corporate taxes, responding to foreign funds having sold nearly \$5 billion of Indian stocks since June 2019.

While such a swift turnaround suggests that the Modi government has its ear to the ground, what still surprises many free-market supporters of Modi, is the state-driven focus on the delivery of public goods in his first term, and an even more ambitious plan in his current second term. In fact, some of his targets are distinctly borrowed from idea of the welfare state. This brief defines 'welfare state' using the framework conceptualised by the theorist Asa Briggs in 1961: "A welfare state is a state in which organised power is deliberately used (through politics and administration) in an effort to modify the play of the market forces in at least three directions – first, by guaranteeing individuals and families a minimum income irrespective of the market value of their work or their property; second, by narrowing the extent of insecurity by enabling individuals and families to meet certain 'social contingencies' (ill health, old age and unemployment) which lead otherwise to individual and family crisis; and – third, by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services."

In his first term, the Modi government embarked on a mission to build toilets for every household in India and announced by the end of its term earlier in 2019 that around 90 million of them had been built. In the same period, around 80 million gas cylinders were handed out to help women, especially in rural India, to escape indoor air pollution – which kills more than four million each year around the world – and more than 350 million LED bulbs were distributed. Around 100 million people have received e-cards that help them access cashless treatment scheme under the Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), the national health insurance scheme.

To enable the efficient delivery of these goods and services, the state has pushed the adoption of the Aadhar platform for identity verification; the system has since registered about 90 percent of Indian citizens. Moreover, its flagship Unified Payments Interface has surpassed the combined number of transactions in credit and debit cards.

Through this entire process, what Modi has strived to create is a direct benefit interface with the Indian citizen – and of course, the voter – with an unspoken promise that retaining him in power would result in tangible benefits in their day-to-day lives. Philosophically, the strategy is the public policy equivalent to his regular radio show, *Mann ki Baat*, where he shares his thoughts with the citizens. It could also be compared to the artful use of his Twitter account – where he now has more than 50 million followers – as a tool for engaging in direct conversations with the citizens. Indeed, it would appear that every delivery of a good or service has the imprint of Modi on it. Contrary to the expectations of some libertarians, Modi as prime minister has not sought to dramatically reduce the role of the state. Rather, what he has done is reinterpret the promise of small government – by reducing the government-to-citizen interface via technology with local bureaucracy, which is often a point of corruption. What the prime minister has done is to attempt to smoothen the strife at the touch point of delivery, for instance, preventing petty corruption while delivering a service given by the state to the citizen. However, the overall role of the government has widened in scope. One of the early realisations that dawned on the Modi government during the first term seems to have been that the Indian citizen may in fact not be seeking less government in a society where few other institutions offer even nominal guarantee of monetary security; it wants better government, with a clear path of transactional delivery. People want to know what exactly they will receive from the government, and how.

Building on earlier work by Gøsta Esping-Andersen and Richard Titmuss, Jørgen Goul Andersen's 2012 paper, "Welfare States and Welfare States Theory" divides the world of welfare models into three types: residual, universal and corporatist. These can be understood broadly as a liberal model, a social-democratic model, and a corporatist model. The first envision lowers taxes and focuses on poverty alleviation based on a right to access the resources depending on need, while the other two are a sort of 'people's insurance' model where redistribution happens "from everybody to everybody" via high

taxes. The difference between the conservative model and the social-democratic model is that the former is based on the principle of entitlements depending on contributions and security depending on social status, while the latter is universalist and is based on equality and citizenship for all.

In the case of the Modi government, the strategy veers towards a 'liberal welfare model' which has streamlined the delivery of specific benefits (such as cooking gas cylinders or toilets) to the financially impoverished sections of the population. Instead of taking an open-for-all-citizens approach, the Modi government has preferred to sharply target the beneficiaries using identification technology to ensure minimum leakage. (This was one of the critical problems of the welfare schemes of its predecessor, the United Progressive Alliance government).

This kind of targeting has had the electoral benefit of changing Modi's image from being a markets-and-entrepreneur-friendly politician to someone who is much more focused on delivering governance to the bottom-of-the-pyramid. In doing so, Modi has heightened a gradual but unmistakable transition of the party's core voter base from mainly urban to predominantly rural and semi-urban. In 2009, the BJP had 77 seats in rural India, and in 2019, it had 207; in semi-urban India, the number grew from 20 to 58 seats. After doubling between 2009 and 2014, the number of seats BJP won in highly urban seats remained static.

As far the BJP is concerned, this is the ideal electoral demographic transition – not only are they picking up the erstwhile solid voter base of their nearest national rival, the Indian National Congress, but as India urbanises, they are essentially tapping into the entire chain. The BJP maintained its historical strength of urban voters, while also reaping the rewards of the turning over the rural and semi-urban voters to their side. What used to be their main rival's strength is becoming theirs. The question then remains as to whether Modi is growth-and-free-market-oriented, or is he transitioning to the welfare state model. Scholars like Krzysztof Iwanek have pointed out some of the early contradictions in economic thinking with the Rashtriya Swayamsewak Sangh (RSS), the ideological parent of the BJP and the mentoring ground of Modi. The second head of the RSS, M. S. Gowalkar, for instance, denounced both communism and capitalism for confining man's experience of life merely to the material. But Gowalkar also argued that "the success of any government or any particular theory of government is to be measured in terms of its capacity to give every citizen two square meals, a place to rest in, sufficient clothing, treatment in case of illness, and education. That is the acid test." Iwanek has argued that "Gowalkar probably really favoured capitalism, but he chose to hide it under the garb of some old Indian tradition of political economy which was somehow more ethical than modern capitalism."

This contradictory theme recurs throughout the history of the BJP. Consider the views of another economic stalwart of the RSS and its affiliate organisations, the Sangh Parivar, Dattopant Thengadi. For example, Thengadi's 1995 book, *The Third Way*, promotes what its title says – a 'third way' between capitalism

and communism, both of whose demise it foresees. It advocates instead an indigenous, sustainable path with a special focus on environmental upkeep. "The world communism has virtually collapsed. But this need not generate euphoria. Apart from the weight of its own internal self-contradictions a number of contributory factors have been responsible for its downfall. These have not yet been properly evaluated. Capitalism is on the decline. But its demise is being delayed. Knowledgeable circles have started their search for a third alternative."

The most ardent defender of this indigenous alternative may be S. Gurumurthy, a part-time director of the Reserve Bank of India. Considered the most prominent economic thinker within the current government, he is credited by many for sowing the seed of demonetisation. Gurumurthy argues against a "one-size-fit-all" cultural model, which evolved because of one-size-fit-all economic model. Both Thengadi and Gurumurthy belong to a worldview that while not entirely dismissing the impact of globalisation, argues for a domestic-first model with strong elements of protectionism. In this, they are joined by the stalwart of the Hindutva worldview, V. D. Savarkar, a great believer in *swadeshi* or self-manufacture, arguing, "every step must be taken by the State to protect national industries against foreign competition."

However, another leading light of the Parivar pantheon, Syama Prasad Mookerjee, "judged every scheme and policy by the criterion of its practicability and usefulness to the people and was not wedded to any dogma or concept." He was India's first industries minister who laid the foundation for major industrial projects after independence in 1947, including the Chittaranjan Locomotive Works. The political party Mookerjee started, the Bharatiya Jana Sangh, the predecessor of the BJP, occasionally defended village enterprises in a Gandhian way, while also promising to let in foreign capital, promote enterprise and reduce taxes. For his part, Deen Dayal Upadhyaya, another key ideologue in the 1960s, gave the Hindutva movement its Integral Humanism text and argued for similar *swadeshi* ideas. When the Bharatiya Janata Party was created in 1980, however, it committed itself to Gandhian socialism. The BJP's current constitution document has a clause that talks about the party's commitment to "Gandhian approach to socio-economic issues leading to the establishment of an egalitarian society free from exploitation."

All of this is to be compared with the BJP's record of disinvestment under Prime Minister Atal Bihari Vajpayee between 1999 and 2004, including the setting up of a separate ministry for disinvestment and selling Videsh Sanchar Nigam Limited, Hindustan Zinc, Balco, Indian Petrochemicals Corporation Limited, several state-run hotels and Modern Food Industries. It should be noted, however, that Yashwant Sinha, a finance minister of that period, lamented about economic reforms that "national highway project is regarded as the high point of the NDA government's achievement, yet in 2004 general elections the NDA lost all the 14 seats it had won in 1998 along NH-2 (the key

highway)." Sinha argued that economic reforms must be seen to be touching the lives of people.

Modi promises to bring the power of the markets to the country's economy, including bringing the large investors summit format – a model he used successfully in Gujarat – to Kashmir later this year. This summit could be seen as Modi's way of trying to heal the fissures in Kashmir after the government in early August abrogated the special status of the Himalayan state to absorb it into India. The prime minister is also setting a disinvestment target for the financial year 2019-2020 of Rs. 1.05 lakh crores, a 31-percent jump from the previous year across 23 government companies, and has vowed to provide 141 million homes with tapped water – a project six times as ambitious as providing electricity for all. It would be fair to assume that Modi's government will continue to engage both the free market model and welfare statism, and prove that these principles could work together.

Conclusion

Modi's breakthrough realisation seems to have been that most of India is at a stage where globalisation has critically sharpened cultural and economic inequities and mass-scale delivery of public goods by the state can assuage grievances. While the focus on growth is critical for India, unless the benefits of that growth are felt at the grassroots through a direct delivery of the goods and services directly from the state – it might be impossible to contain the anxieties and restlessness unleashed by globalisation. At the same time, Modi is signalling that giving up on growth would lead to a downward spiral that would make it impossible for the state to deliver goods and services. Flight of global capital from India could cripple and even imperil his government.

Faced with the upcoming challenge of mass automation, there is an understanding that the state must step in to assist in crucial ways, while ensuring that it is seen to be doing so. The benefit of this endeavour is already clear – unlike Vajpayee who pitched 'India Shining' but was rejected by a large number of India's poorest voters who perhaps felt that their lives were not directly touched by the 'shine' – Narendra Modi's model is to ensure that there are direct touch points of benefit which are embedded in the minds of the voters. That it has helped the BJP to win successive elections with full majority speaks of the potency of such a model.

By embracing both challenges, Prime Minister Modi is seeking to subsume, and transcend the old dichotomy on economic thought within his own party. The question of how much money will be available to the state to spend remains unanswered especially since already significant shortfalls in tax collections have emerged. Modi, however, has a window of opportunity where India still has a demographic advantage and a relatively peaceful political economy.

Job Crisis

The recent shedding of over 350,000 jobs in its automobile sector – and thousands elsewhere – is an indicator of the economic and social hurdles that jeopardise India's demographic dividend, the growth opportunity afforded by the world's second largest working-age population of 688 million people.

With unemployment at a 45-year high, poor health is still faced by children everywhere, evidenced by the fact that 42 infants per 1,000 still die before turning a year old. Factors like poor health care and a low average of 6.3 years of education per person, put India's demographic dividend at risk, according to an IndiaSpend analysis of data from the United Nations Population Fund (UNFPA) and the Indian government, and research from the Reserve Bank of India (RBI).

India needs state specific policies like good health and education systems, with more women entering the workforce in young states, and policies to attract migrants and elderly care systems in ageing states. India will also need to reduce caste and urban-rural inequality, especially in access to reproductive care, health, education and jobs.

As its working population is larger than the population of dependents, "India, theoretically, could have a golden period in the decades of 2020 to 2040 (and continuing later, though with decreasing results)... but it could happen only if the right policies and programmes are put in place right now", according to a 2018 paper by the UNFPA.

However, our research shows, states vary widely in the education, skill development and healthcare facilities they are able to provide, leading to varying employability outcomes.

As a result, states need policies specific to their unique challenges, which are determined, in part, by the stage of demographic transition they are in. For instance, the age-dependency ratio – the ratio of dependents (people below 15 years and above 64 years) to the working-age population (people aged 15-59 years) – shows that Kerala has an ageing population, while in Bihar, the number of working people will keep increasing until 2051, based on a 2017 UNFPA report, Demographic Dividend in India.

Dissecting India's Slowdown

A slowdown in consumption demand, decline in manufacturing, inability of the Insolvency and Bankruptcy Code (IBC) to resolve cases in a time-bound manner, and rising global trade tension and its adverse impact on exports are some of the factors affecting India's growth, analysts say.

Consumption:

"Private consumption, which contributes nearly 55-60 per cent to India's GDP, has been slowing down. While the reduced income growth of households has reduced urban consumption, drought / near-drought conditions in three of the past five years coupled with collapse of food prices has taken a heavy toll on rural consumption", said analysts at India Ratings and Research, Indian arm for Fitch Group. The private final consumption expenditure (PFCE) has slumped to 3.1 per cent in Q1FY20, the weakest level since Q3FY15.

A slowdown in the GDP growth for the fourth consecutive year, from 8.2 per cent in FY17 to around 6.5 per cent in FY20 (E), makes it a case of structural slowdown, they say.

"The increase in change in stock (in current prices) from Rs. 34,485 crores in Q1FY17 to Rs. 47,805 in Q1FY20 also indicates inventory build-up and hence reflects consumption slowdown", Soumya Kanti Ghosh, chief economist at State Bank of India, wrote in his weekly note, Ecowrap.

Ghosh further attributes the slowdown in the consumption sector to change in the consumption pattern.

"Inclination towards Herbal and Ayurveda oriented personal care products, presently being made in the unorganised segments, which are not formally captured by the data, could be one of the reasons for a downward bias in the data", he wrote in his note.

Savings:

Savings by household sector – which are used to extend loans for investment – have gone down from 35 per cent (FY12) to 17.2 per cent (FY18). Households, including MSMEs, make 23.6 per cent of the total savings in the GDP.

"Since households are the only net savers in the economy, their savings are major contributors towards investment. These savings have now reached to a level, which isn't adequate to fund the government borrowings... This will keep interest rates elevated", says Sunil Kumar Sinha, principal economist, India-Ra.

Investment:

Gross Fixed Capital Formation (GFCF), a metric to gauge investment in the economy, too has declined from 34.3 percent in 2011 to 28.8 percent in 2018, government data show. Similarly, in the private sector, it has declined from 26.9 percent in 2011 to 21.4 percent in 2018.

The household sector, which is the biggest contributor to the total capex in the economy, invests nearly 77 per cent in the real estate sector, which has lost steam since demonetization.

The Way Out?

Analysts say under the current macro environment, monetary policy seems to be less effective than fiscal policy as 'improper transmission mechanism' fails to pass on benefits to the real economy.

The Reserve Bank of India (RBI) highlighted a broad-based cyclical downturn in several sectors, including manufacturing, trade hotels, transport, communication and broadcasting, construction, and agriculture, and called for counter-cyclical actions in terms of monetary and fiscal policies, along with deep-seated reforms for the structural slowdown.

Further rate cuts, increase in fiscal spending, deviation from fiscal deficit target, and boost in consumption sentiment are some of the suggestions by analysts to arrest the downtrend. On its part, the RBI has cut the repo rate by 110 basis points so far in CY19 to 5.4 per cent – its lowest level since 2010.

"There are structural issues in land, labour, agricultural marketing and the likes, which need to be addressed", the central bank said in its Annual Report for 2018-19.

Loan Waivers

A sweeping wave of loan waivers for farmers in India has generated serious debates across the country on their economics and likely outcomes. To date, 12 states have announced loan waivers amounting to more than \$28 billion.

This cannot be a solution to India's ongoing agrarian crisis. Instead, the government must look for long-term answers. There is also the danger of intense competition among political parties promising loan waivers – projecting themselves as the protectors of farmers – becoming the norm in the days before each election. While loan waivers are desirable in some cases and necessary in the case of extreme indebtedness, they come with their own set of problems. There is the issue of moral hazard, which penalises the sincere and rule abiding farmer. It gives rise to a tendency to default on loans, especially if the loan waivers are not a one-time solution but keep recurring ever decade, which is the case this time with multiple loan waivers. It also has an impact on the banks, which are already stressed with large non-performing assets. However, the real problem with loan waivers is that they contribute little to providing a solution to the problem of declining farm prices, which are seen as the primary reason for worsening of the crisis.

The Centre announced marginal increase in the minimum support price (MSP) of paddy – by Rs. 65 per quintal – making it Rs.1,815 per quintal for the 2019-20 crop year. MSPs have been hiked for 14 major kharif crops.

Though the decision, taken by the Cabinet headed by Prime Minister Narendra Modi, is meant to help farmers at a time when there has been 33 per cent

deficiency in Southwest monsoon rains in June, the farmers' organisations have said that the meagre increase is a stab in the back of farmers.

Scientific Techniques

Fixing accountability at various levels and taking an integrated approach towards agriculture, livelihoods and environment is the key. Course curriculums and research priorities have to change. The agriculture-focused projects taken up during the last 20 years have been examined, the crop varieties released, and the recommendations made. Among the top 100 projects in terms of financial investment in agricultural institutions, very few stand to succeed and meet the needs of the farmers.

Knowledge about the Intellectual Property law (IPR) and biosafety implications of their work is sorely lacking in the scientific community. Innovations have become technology-oriented, rather than designed to solve existing problems of the farmer community.

Regulatory failures, illegal cultivation of GM crops and unlawful sale of herbicides / agrochemicals is rampant. All of these have to be mended.

We need to plan and conserve natural resources for agriculture as a long-term plan. We need a land use policy in this country. We need efficiency in our ways of resource use, not just economic but also ecological efficiency.

The Prospective Response

One way to gauge the response of the government and its commitment to agriculture is by examining the budget allocations for agriculture. While the budget of the ministry of agriculture increased almost 10 times from Rs. 2,167 crores in 2003-04 to Rs. 21,609 crores in 2013-14 during the UPA years, the allocation in the first full budget of the NDA government declined by one fourth to Rs. 16,646.35 crores in 2015-16. It increased to Rs. 20,400 crores in 2016-17, which remained lower than the budgeted allocation for 2013-14. In normal course, governments would increase budgeted expenditure on agriculture, particularly in drought years, but the two budgets after the droughts clearly showed the present government's lack of concern for agriculture.

While the budget allocations did show a jump in 2017-18 and 2018-19, much of this was due to smart accounting where the amount spent on interest subsidy, which was earlier reflected in the budget of the finance ministry was brought into the budget of the agriculture ministry. Excluding the interest subsidy component, the overall budget for agriculture increased by 26% per annum during the UPA years but only 8.7% per annum under the NDA-II government. It is also important to note that except in 2016-17, in none of the years has the actual expenditure been close to the budget allocation. The marginal increase in the agricultural budget in recent years has largely been on subsidy on interest and on insurance premium. But this increase has come at the cost of a decline in investment in agriculture. Real investment in agriculture

declined by one percentage point per annum during the first four years of the Modi government.

While the government continued to reduce public investment in agriculture alongside the marginal increases in overall agricultural budgets, the cut in some of the vital schemes such as Rashtriya Krishi Vikas Yojana (RKVY) also had adverse effects on the farm sector.

In the context of the increased protests by the farmers and resulting politicisation of the farmer's crisis, the response has largely been of three kinds: loan waivers, MSP increases and some form of direct income transfers, which have now found favour with political parties and have also been implemented in several states. The total amount of loan waiver announced so far is almost Rs. 1,90,000 crores, with promises of more after the Lok Sabha elections.

While there is some justification for providing relief to farmers unable to pay their debt due to unforeseen circumstances, such as a failure of the monsoon or a collapse in prices, loan waivers have now become the dominant way of addressing the agrarian crisis. The last big loan waiver was in 2008 when the UPA government announced a national loan waiver with loans worth Rs. 70,000 crores being waived. Given the extent of indebtedness and the crisis in agriculture following the drought and price collapse after 2014, there was some justification for these interventions.

Even the attempts to increase the MSPs are unlikely to help raise market prices of crops in rural areas. The idea of providing a fixed mark-up over the cost of cultivation has been quite dominant for some time now. This was one among the many recommendations made by the Farmers commission chaired by M. S. Swaminathan. An MSP at 50% over costs was also promised by political parties, including the BJP, which took advantage of the agrarian unrest during the run up to the 2014 election. But the BJP's actions once it assumed power were contrary to its promises. The government raised MSPs only notionally, and it used administrative measures to reduce procurement. The bonus that was given by the state governments was also discontinued. But the government finally had to respond to the pressure to raise MSPs by announcing increases in the 2018-19 budgets. The MSP for paddy was increased by Rs. 200, from Rs. 1,550 to Rs. 1,750, and the MSP for kharif was increased by 13% over the previous year. The MSP increase for other crops varied between 3.7% for moong to 45% for Niger seed. The MSP makes a significant difference for paddy and wheat for which there is a proper procurement and distribution mechanism in the form of the Public Distribution System (PDS) but not as much for the other crops, where there is almost negligible procurement. Even for paddy and wheat, the impact has been muted since the market prices were higher than the announced MSP.

Government Initiatives to Address Development Issues

Agriculture

Issues:

- GDP contribution of agriculture continues to decline from 18% in 2015 to 16% in 2017.
- Rice represents 40% of food production in India but is estimated to see a drop of about 6-10% in yield by 2030.
- India is home to 25% of the global undernourished population.

Initiative:

The seven-year National Development Agenda 2017-2024 sets goals to boost productivity by promoting crop diversification, reducing the strain on natural resources, and increasing small-holder farmer profitability with the goal of ensuring food security.

Education and Employment

Issues:

- In 2015, India's national literacy rate of 72% was well below the world average of 86%.
- India's total workforce rose to 520 million in 2017. Yet, only 5% of all workers have received skilled training.

Initiative:

The 2016 National Education Plan sets a national literacy goal of 90% and prioritises raising the gross enrolment ratio in higher education from 24% to 30% by 2020-2021. Skills training will be incorporated into 25% of schools by 2020.

Gender Equality

Issues:

- Maximising women's economic contributions could increase India's GDP by USD 2.9 trillion by 2025.
- Nearly 50% of women do not have access to finance and 60% have no valuable assets in their name.
- 92% of women in Delhi have reported experiencing sexual or physical violence in public.

Initiative:

In his 72nd Independence Day speech, Prime Minister Modi recognised the need to address women's rights, sexual assault, and the benefits of mobilising the female workforce. Programmes such as Start-up India and the PMMY aim to promote female entrepreneurship.

Healthcare

Issues:

- India loses 11% of GDP per year due to public health issues, with 6% specifically related to poor sanitation.
- In 2016, the average life expectancy was 68.5 years compared to the global average of 72 years.

Initiative:

- India announced a plan to provide free health insurance of up to USD 7,800 for 100 million poor households in 2018.
- The country also plans to open 150,000 new medical centres to improve accessibility to health care services. Universal immunisation and decrease in maternal mortality are also priority areas India is focusing on.

Poverty and Livelihood

Issues:

- India's Gini coefficient was 0.83 in 2017, which puts India among countries with high income inequality.
- Home to nearly 18% of the world's population, India also has the largest number of people living below the international poverty line of USD 1.90 a day.

Initiative:

- The Indian government is focusing on increasing the number of highly skilled and paid jobs and doubling farmer incomes by 2022.
- India's Housing for All policy aims to construct 50 million homes by 2022.