A STUDENTS' JOURNAL OF SHRI RAM COLLEGE OF COMMERCE

VOLUME 1 ISSUE 1 2016-17

STRIDES

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Volume 1 Issue 1 2016-17

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Principal's Message

The mission statement of the College, signifying the existence and its road map to the achievement of its vision, reads as:

"To achieve and sustain excellence in teaching and research, and enriching local, national and international communities through our research, the skills of alumni, and the publishing of academic and educational materials"

To achieve and promote excellence in publications and applied research, the College has taken the initiative to launch a new journal exclusively to publish students' research papers and articles. It will be an add-on to the enriched catalogue of College publications and academic literature.

The journal has provided an opportunity to the students of our college to focus on research at the undergraduate level. Since the students were not opened to the research methodologies at the undergraduate level, they were mentored by *experienced senior faculties* of our College. Simultaneously, their articles were also reviewed by the referees and tested for plagiarism before publication. After reporting all the suggestions recommended by the referees, the articles were revised and then finally published. The College is successfully releasing the foundation issue of the journal i.e. *STRIDES – A Students' Journal of Shri Ram College of Commerce, Volume 1, Issue 1, 2016-17* on the occasion of 91st Annual Day of College held on 13th April 2017. The Journal is released by Shri Prakash Javadekar, Honb'le Minister of Human Resource Development, Government of India.

The college has already applied for *International Standard Serial Number* (ISSN) for the Journal. The application for ISSN is still under process.

I would like to congratulate the students whose papers are published in the foundation issue of the journal and simultaneously, encourage all the students to contribute their research papers and articles for the successive issues of the Journal.

Best wishes for their future endeavor.

Dr. R.P. Rustagi
Principal (Officiating)

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Editor's Message

Shri Ram College of Commerce is well known for its academic excellence and dedicated approach towards dissemination of knowledge in the academic world. The College appreciates the role of research in education and is committed to developing an inclination towards research in both faculty and students. In this pursuit, the College has taken the initiative to launch a new Journal named 'STRIDES – A Students' Journal of Shri Ram College of Commerce' to encourage students to pursue research under the guidance of the faculty of Shri Ram College of Commerce.

It is an annual journal launched exclusively to publish academic research papers and articles by students on contemporary topics and issues in the area of commerce, economics, management, governance, policies etc.

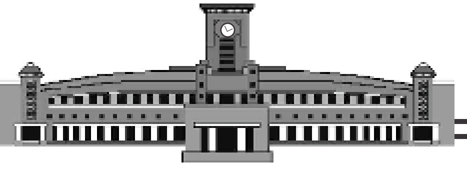
In order to maintain high standards of publication, a Committee on Publication Ethics (COPE) has been constituted. The COPE shall be the apex authority to take all decisions related to publication of research papers and articles in STRIDES. The decision of the COPE shall be final and binding.

To maintain the *academic standards, academic ethics* and *academic integrity*, a rigorous process of blind review of articles is followed after screening for plagiarism of each manuscript received by the college for publication. The research work published in STRIDES is original and not published or presented at any other public forum.

The foundation issue of the Journal i.e. *STRIDES – A Students' Journal of Shri Ram College of Commerce, Volume 1, Issue 1, 2016-17* is successfully released on 91st Annual Day held on 13th April 2017 by Shri Prakash Javadekar, Honb'le Minister of Human Resource Development, Government of India.

Successive issues of STRIDES will be released every year on the occasion of College Annual Day.

Dr. Santosh Kumari
Editor



STRIDES

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ARTICLES

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Is China heading towards the next financial crisis? A case study of the parallels between the pre-crisis US Economy and Chinese Economy

This paper analyses the recent trends in Chinese Economy of rising credit and increasing property prices which herald the possibility of a financial crisis in China. Though the conditions of rising housing prices and increased penetration of shadow banking activities, bear resemblance to those in the pre-crisis US economy, differences exist in the intensity and complexity of situations in the two economies. A comparative analysis of the parallel trends between the two reveal that the situation in pre-crisis US economy were far worse than in China at present, giving the Chinese authorities the scope to control prices in the real estate sector and rein the unregulated shadow banking activities. The authorities are not in a state of denial but acknowledge the worrying trends and have also come up with reforms and regulations in the concerned areas.

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INTRODUCTION

"A financial crisis is often an amalgam of events, including substantial changes in credit volume and

asset prices, severe disruptions in financial intermediation, notably the supply of external financing, large scale balance sheet problems, and the need for large scale government support." (Claessens & Kose, 2013)

The Financial Crisis of 2008, also known as the Sub-Prime Mortgage Crisis, had its genesis in the expansion of mortgage credit through the momentum of rising sub-prime housing prices. The cheap availability of high-risk mortgages, later repackaged into securitized asset pools and sold to investors, spurred the expansion of credit to home buyers and pushed the U.S economy into increased indebtedness. In the past years, China's economy has been under constant scrutiny around the world; the anxiety being triggered by a deceleration of growth in 2015 and further heightened by both, the inability of policymakers to tame the rapid credit growth and the presence of a supposed housing bubble in the country. The idea that the conditions in the economy have an eerie resemblance to those present in the pre-crisis period in U.S. has further exacerbated the worry and has many into believing that China is headed towards another financial crisis, which shall bring down the global growth.

Chinese Economy: The Current Scenario

From its independence in 1950 to the early 2000's, public sector investment and export had been the major drivers of China's economy. Investment in industrial production and export-oriented production of relatively cheaper goods propelled the country's economic growth enabling it to emerge as the world's second largest economy. After experiencing robust growth in what is being termed as "**30-year growth miracle**", China finally embraced the idea that capital investment and exports alone cannot sustain growth in the long run, thus prompting the country's transition to a consumption driven economy, with the focus of its five-year plans shifting to increasing domestic consumption, thriving on a rise in disposable income, and encouraging services innovation.

However, in the past years, the country's economy has seen rapid credit growth and the emergence of a supposed housing bubble. With the demand in the rest of the world slowing down, increased input credit is being used to propel the growth to unsustainable levels. Yet, as debt rose to 247% of GDP in 2015, the Chinese economy remained sluggish, rendering government's efforts to boost economy with fiscal stimulus precarious (Sun, 2016). This has prompted economists around the globe to reckon the events as the 'second coming' of the crisis. Between the pre-financial crisis and the current Chinese economy, a few parallels and divergences can be drawn on the following parameters in their respective roles:

1. Housing Bubble -The progenitor

In comparison to the initial U.S. real estate sector, the trends in real estate sector of China have not moved in tandem with average prices for new homes in Tier 1 cities, (consisting of affluent metropolises like Shanghai) rising by about 28 percent while the increase in Tier 2 and Tier 3 (less wealthy) cities has been 10 and 2 percent respectively, in the first eight months of 2016 (Einhorn, 2016).With the migrants moving to bigger cities in the prospect of better welfare and job opportunities, these cities are facing a tight supply while the smaller Tier 3 cities are confronted with a situation where the number of apartments is increasing without complementing buyers. Economist view the situation as a mismatch between supply and demand, whereby some cities need tightening while others having excessive inventory of unoccupied apartments need relaxation, rather than anticipating an impending bubble.

Yet, Chinese banks haven't resorted to the subprime loans that shook the foundations of the banking system in U.S back in 2008.Comparably, the level of household debt is far below than the levels in U.S in 2007 with the present level of average household savings almost double the debt. According to China Household Finance Survey, the average household debt in urban areas amount to only 11% of the home loan in 2012 (Sun, 2016).Chinese properties are purchased with significant down payments unlike the situation in U.S where the major propellant to buy the home was easy availability of credit. To add to that, the policy makers in the country have not only been alert to the hysteria revolving around rising housing prices but have also come up with timely reforms to rein the situation which include increasing the buying restrictions as well as the down payment requirements in premier cities.

Thus, the high savings rate, low leveraged households and the government's latest restrictions to curb the rising prices (which are yet to deliver the results) make the households or household debt an unlikely culprit in the prospective financial crisis, if any.

Though the households aren't guilty of unsustainable level of borrowings but the corporate sector of China is highly leveraged, specially the real estate sector. An important dimension in the China's rising mountain of debt is the shadow banking system which has seen rapid development in the country, discussed below.

2. Shadow Banking -The propeller

Shadow banks are financial firms that perform similar functions and assume similar risks as traditional banks but operate outside the realms of regulation, unlike traditional banking sector. While the housing and credit bubbles were growing in U.S.A., a series of factors had weakened the foundations of the financial system rendering it fragile. Policymakers did not recognize the increasingly important role played by financial institutions such as investment banks and hedge funds which formed the shadow banking system and unlike the deposit based banks, were not subject to strict regulations. As such, these institutions were able to mask the extent of their risk with the aid of complex off-balance sheet derivatives and securitizations while not possessing a sufficient financial cushion to absorb large loan defaults.

Banks in China are largely state controlled with the state providing them with guidance and direction through numerous regulations which have more often than not proved binding on their activities. People's Bank of China restricts the bank lending volumes by imposing caps which is not applicable to shadow banks. Similarly, non-bank channels have comparatively lower capital and liquidity requirements. While the state prohibits the banks to serve certain sectors like private and other small scale enterprises, the gap is conveniently filled by non-bank channels which fulfills the borrowing demands of these unserved segments. As observed by Elliott & Qiao, (2015), "*Perhaps two-thirds of the flow of business into shadow banking is effectively "**bank loans in disguise**," where bank is at the core of the transaction and takes the great bulk of the risks and rewards, but pays non-banks to participate in order to avoid regulatory constraints and costs*."

Though shadow banking system in China is growing rapidly but is yet to achieve the gargantuan size and doesn't entail products or scheme as complex or as convoluted as seen in U.S. during 2008. Amidst the housing and credit booms, the amount of financial agreements called mortgage-backed securities (MBS), which derived their value from mortgage payments and housing prices, greatly increased.As housing prices declined, major financial institutions that had borrowed and invested in MBS reported huge losses.Shadow banking in China is relatively simpler to understand mainly because it has so far abstained from making use of complex financial derivatives. China's shadow banking system operates as a parallel activity which complements the traditional banking sector, by catering to those segments which are out of the reach of conventional banks that operate within the boundaries of state controls.

This parallel banking activity with its comparative advantages is fast becoming popular and has emerged almost as important as the formal banking sector but lacks the safety net offered by the latter and hence adds risk to financial stability. The recent expansion of such less-regulated lending has made it tough for the government to contain the ballooning debt.

3. Wealth Management Products-The new "off-balance sheet" assets

One of the fastest growing products in and the biggest penetrator of Shadow Banking in the Chinese economy are the Wealth Management Products which have grown to a size of approximately 3.9 trillion dollars (Luo, 2016). WMPs are short term financial instruments issued directly by banks or third parties in China carrying fixed interest rate returns higher than that offered by bank deposits. However, unlike bank deposits, they do not have to fulfill capital adequacy or reserve requirements. The proceeds so generated are then invested in a wide variety of assets. WMPs are not inherently bad for they help to fill important gaps in the massive economy of China. They provide an alternative to depositors specially households to park their excess funds with higher returns and also fulfill the borrowing needs of many private and small scale enterprises, unserved by the state owned formal banking system.

However, these advantages come at certain costs. WMPs can be sold by banks either directly or through third parties known as channel firms and also by any NBFIs (Perry & Weltewitz, 2015). Though these products resemble mutual funds to some extent, a stark difference is that while mutual funds have a prospectus and subsequently, transparency, the depositors investing in WMPs do not have knowledge of the underlying assets as they believe in the bank implicitly associated with their issuance. Such belief lies in the state controlled bank and not in the product itself. Over the years, the WMPs have been increasingly used by banks to move their non-performing loans off the balance sheets and improve their performance metrics. Short term funds are being used to finance medium and long term projects specially housing development and coal mine having long gestation periods which leads to a huge asset/liability mismatch prompting further issues to keep the cash flows going Nunlist, 2016). The excessive use of WMPs increasingly driven by regulatory arbitrage specially when about 50% of the instruments are held by mass market individual investors has got the economists worried around the world.

The authorities have woken up to the rising shadow banking woes and have actively responded with restrictions and efforts to bring some shadow banking activities under regulation. The China Banking Regulatory Commission has formulated new rules to restrict small and medium tier banks and to limit the involvement of mass market investors in WMPs. The involvement of smaller banks and retail investors in WMPs that invest in equities will be forbidden. PBOC is working towards making these products more transparent by necessitating the banks to reveal the underlying assets and their associated risks at the same time counting them in their overall credit.

CONCLUSION

While the conditions in China are not unprecedented, the Financial Crisis of 2008 serving as a perfect example of how excessive and complex unregulated banking activities can bring down entire financial system thus harming not only the growth in the economy but also public trust. While the similitude of conditions in China of rising debt and mounting property prices, mirror those in U.S prior to the financial crisis in 2008, a closer look does reveal many differences. Rising to the alarm raised by experts, from around the world as well as in the country, the authorities have responded with appropriate policies and regulations in the concerned areas. Increasing demand for property in Tier I cities of China is being tackled by introducing buying restrictions like, cap on the number of houses that can be owned, rise in down payment requirements. Interest of retail investors is being prioritized while regulating Shadow Banking activities by prohibiting their participation in WMPs and making it compulsory for lenders to reveal the underlying assets. Be it the rising property prices or the mounting debt, the situation in China is a far cry from that in the pre-crisis US economy. This, combined with government reforms (which are yet to yield results) moderates the possibility of a financial crisis in China if not dispel it completely.

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Structural Changes in The Russian Economy

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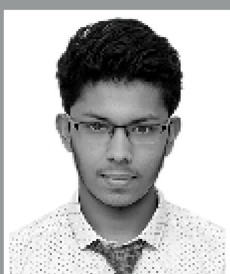

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The article critically examines the factors that've worked together to influence the interest rates (lending and borrowing) in Russia. The data set contains data from 2011-2015 on various economic parameters such as GDP, external debt, imports and exports etc. that have been analyzed to examine their influence on the movement of interest rates and the regression analysis has been performed for the same. Variation in movement of interest rates in an economy owes to its characteristic features and economic indicators. We also then discuss how the Russian economy has possibly set itself on the path of export intensive growth and its possible implications as well as the application of Policy Trilemma in Russian context.

INTRODUCTION

Russia is a major player in the oil market recording largest daily oil production for the past three years. Due to lack of diversification, Russia has become a commodity intensive economy with oil and natural gas driving its growth. Its revenues are majorly dependent on the oil exports. In 2015, the revenues from oil and gas made up to 44% of the federal budget. Also with the current oil rout, fiscal deficit and inflation have seen an upward movement in the Russian federation. Being heavily dependent on oil, the economy is exposed to the risks of crude-price dynamics as well as exchange rate movements. Since dollar is traditionally acceptable means of payment for oil related sales and purchases, Russia's export earnings have been exposed to the risk of fluctuations in dollar/ruble exchange rate. Therefore, the policy makers decided to reduce the dependency on dollar. With increased accumulation of USD denominated debt and growing foreign exchange reserves, the latter was used as a means to reduce the former.

Throughout this research we observe that various changes in the geopolitical factors and events related to the oil like the introduction of the shale technology by the USA have deeply impacted the Russian exports and revenues. Hence in order to reduce its dependency on a single currency, Russia decided to reduce its US dollar reserves and accepted local currency as a payment towards its exports. It repaid its US denominated external debt in staggering amounts using Non-residents deposits, entering into forward contracts of foreign currency swap (ROUBLE/USD) and foreign exchange reserves.

THE GAMEPLAN

Like any typical emerging market, consumption expenditure has played a central role in supporting the economic growth in Russia. But this consumption expenditure may not support growth forever due to lack of diversification in the economy and thereby leading to uncertainty in employment and incomes of the masses. So, it seems plausible to assume that policy makers might be looking for some reliable model of growth. After the collapse of Soviet Union in early 1990's due to increased government control in the economy (leading to rising fiscal deficit, skyrocketing inflation and stagnant wages), Russia adopted a conservative monetary and fiscal policy. With limited access to international financial markets, Russia focused on hard-to-provide incentives to international lenders in order to attract foreign capital. Reduction in fiscal deficit and debt repayment are often instrumental in attracting global finance. Inflow of capital would also provide the policy makers some room to do away with stringent austerity measures.

As far as an emerging market like Russia is concerned, an important task before government was to restructure the economy in order to provide it enough flexibility to switch between different growth models i.e. consumption driven and export driven.

To facilitate the growth of a vibrant export intensive sector, a series of measures were required. Increasing competitiveness of local currency and fulfilling the capital requirements of this sector were the most significant among them.These requirements were fulfilled by incentivizing global finance through debt repayment. Debt repayment would also reduce dollar dependency which was a much needed reform for this commodity based economy.

The Russian economy decided to reduce the dependency on dollar due to growing risks of a downturn in the ruble exchange rate because of renewed slump in global oil prices due to US oil production (shale technology) in 2013. Expectation that the US Fed's interest rates will rise further have led to strengthening of the US dollar against global currencies, which, together with the increase in supply and weak demand, was a factor underlying the fall in commodity prices in the global market which contributed towards Russia's falling export income. So the gateway of achieving this motive was paying off their exorbitant external debt.

The repayment of external debt involved huge amount of USD outflows. Its demand was met by-

1. Using non-resident deposits
2. Entering into foreign exchange swaps with NRI's
3. Using their foreign exchange reserves

Russian government set itself on a debt repaying spree. Debt liabilities of the government saw a considerable reduction by $11.1 billion and a substantial portion of this reduction came in the segment of foreign currency denominated securities. Banks' external liabilities also shrank by almost a quarter in the aftermath of liquidity flush in the banks. External debt of other sectors fell by $39.7 billion. Reduction in the share of short term liabilities and rise in the share of long term liabilities are indicative of the fact that the government is preparing itself to invest in long term projects probably infrastructure and manufacturing and fiscal deficit will probably see a rise along with a control over revenue expenditures of the government. This change could be attributed to Mr. Putin's call for further diversification of Russian economy in response to global oil crisis in 2014.

After repaying its external debt, the government increased its internal debt by issuing Treasury bills and also used its pension fundin order to arrange requisite funds to honor its liability to non-residents (swaps and deposits). It was the only source that could provide a huge sum of money at a short period of time. Large flow of people's funds into the banks and government treasuries through Treasury bills and pension fund savings led to a deep liquidity crunch in the domestic economy. Also, 2015 saw a slight reduction in consumer activity in the domestic foreign exchange cash market compared with 2014.

The amount of foreign exchange cash purchased by households from authorized banks fell by 48% compared with 2014, to $37.1 billion. Moreover, the amount of foreign exchange cash sold to banks dropped by 20%.

This crunch led to a shortfall in imports as well as consumption of goods and services leading to stagnancy in the economy with low demand and production. In order to provide the lost stimulus, the government released money into the economy through the budgetary policy. The Central Bank of Russia printed about one trillion rubles. This amount was larger than the debt on treasury bills. Hence, supply of money exceeded its demand resulting in high inflation. With this increased money supply, the already plummeting domestic demand, due to liquidity crunch, was further hit by rising inflation. Troubled demand in the home country was an added incentive for firms to export. Now, in order to export, firms would require global competitiveness for their products as well as capital to meet the rising expenditures associated with expanding their businesses. This created a sentiment in the corporate sector to repay its debt as repayment of external debt by corporate sector would enhance their profits and consequently their competitiveness and interest expenditures in foreign currency which were steadily depreciating tends to fade away with debt repayment. Also, the additional capital requirement was met by directing private fund towards export intensive sectors, through the investment banks, by reducing the deposit rates. Now, as the deposit rates were kept low by the Central Bank for a sustained time period, private fund started looking for other avenues of investment. Low deposit rates coupled with high lending rates turned the direction of local as well as global funds towards investment banks. With depreciating currency and government's push for exports, the export intensive sectors were expected to generate more than normal returns. Hence, the capital inflow in investment banks was concentrated in these sectors. This way exports were allowed to grow at the cost of private consumption expenditure. Rising government expenditure through monetary expansion and incentive structure created by the policy makers indicates that Russian federation is aiming to pursue an export led model of growth. This will provide the necessary boost to the domestic firms. The Russian economy is ostensibly restructuring itself by protecting domestic firms through ban on imports of some goods, restrictions on FDI and encouragement to FII. This movement from primarily a commodity driven to a more diversified economy is possibly the result of tattering government finances due to global oil rout. The intriguing fact is how monetary policy has been used to bring this so-called structural change.

The Russian model of growth has traditionally focused on oil exports coupled with conservative monetary and fiscal policies and strict austerity measures. But the recurrence of oil crisis and resulting implications on the economy have compelled the government to come up with a more concrete action plan to drive growth. A manufacturing revolution along with an export centered approach to growth sounds promising especially after witnessing the rapid growth emanating in East- Asian countries like China, Japan and South Korea due to exports. Probably this is the reason why Russian government is pouring enormous subsidies in auto manufacturing sector with firms executing the highest number of sales taking a major chunk of subsidies. This provision of subsidies makes the goods more competitive in the international market and allows them to produce enough surplus to export. In fact, subsidies provided by the government have been steadily rising over time. The government has planned on subsidizing auto industry, aerospace and textile industry. Growing subsidies will signal the investors about government's seriousness in developing infrastructure and boosting exports which will prevent capital outflows which have been plaguing Russian economy. Investor confidence is important in securing inflow of capital. In order to develop a vibrant manufacturing sector which will be expected to produce surpluses to export, it makes sense to provide subsidies, increase investments by attracting foreign capital and making necessary changes in monetary policy at times. Consequently, exchange rate will fluctuate. As the industries start growing and producing enough surplus, Russia may adopt a relatively stable exchange rate as China has done so that exporters are not in the dark about their earnings.

INTEREST RATE MODEL

$Y = 0.05264330099 - 1.54089e^{0.6} X_1 - 1.71451e^{0.7} X_2 + 6.93913e^{0.6} X_3$

Y: Lending Rates

X_1: Imports

X_2: External Debt

X_3: GDP

Regression Statistics	
Multiple R	0.959803689
R Square	0.921223122
Adjusted R Square	0.906452458
Standard Error	0.010602691
Observations	20

TOLERANCE = $1-R^2 = 1-0.9212 = 0.0788$

Thus, there is some multi-collinearity.

Here, lending rates have been regressed with respect to GDP, imports and external debt. The model depicts an inverse relationship between dependent variable i.e., lending rates and the two variables namely, external debt and imports and a positive relation between lending rates and GDP.

This is probably because the government reduced its external debt by paying off the creditors of USD denominated loans. Consequently, there was a liquidity crunch which compelled the CBR to print 1 Trillion Rubles. This led to soaring inflation expectations due to which CBR needed to increase lending rates and therefore negative relation between lending rates and external debt.

With depreciation of Ruble against USD, export sector was given further incentive to generate promising returns. This raised GDP. The government then raised lending rates in order to defer consumption expenditure and directed the resources in export sector. To execute this, lending rates were raised. Hence, GDP is positively related with lending rates.

The major proportion of imports in Russian economy comprised of machinery and other capital intensive goods which are essential to the process of production and thereby important for export intensive sectors. Since, Ruble has been steadily depreciating in the international currency market, these imports were getting costlier for the producers, thereby raising input prices and subsequently the cost of production could also rise because of this. So, to bring down the cost of capital lending rates needed to be reduced.

Note

1. Exports have been excluded from the model due to high correlation with the GDP, thus posing the problem of high multi-collinearity.

2. The following regression analysis is based on the data from the past five years. It may not give a holistic description of the relationship between the aforementioned variables.

THE POLICY TRILEMMA

The policy trilemma or the impossible trinity is a macroeconomic theory which states that out of the following three;

- Autonomous monetary policy
- Free mobility of capital
- Fixed exchange rate

A country can choose only two. Countries which have tried to achieve all three of them simultaneously have failed. If the monetary policy is autonomous and capital is freely mobile, then exchange rate ought to fluctuate. However, if the country fixes the exchange rate, then monetary policy will move in tandem with capital flows and won't cater to the need of domestic stability, inflation and unemployment. In other words, monetary policy will not be autonomous.

The concept of policy trilemma can offer some insight regarding Russia's choice of autonomous monetary policy and free capital mobility. Russia is still an emerging market where interest rates are used as an important tool to regulate money supply. When government is reluctant to spend aggressively, monetary policy can be used as a tool to provide the necessary stimulus. Control over monetary policy and banking system becomes all more important in an economy whose access to international financial markets is constrained. In the absence of competing financial instruments, capital provided by the banking system becomes all the more necessary for businesses in such circumstances. Hence, autonomy over monetary policy is needed.

1.Autonomous monetary policy

In Russia, the government adopted the autonomy in the formation of its monetary policy. In order to fulfill its purpose of reduced dependency on USD, it repaid its external debt. It was made possible by adjoining actions of issuing Treasury bills that raised enough funds for govt. functioning. The T- Bill issue was a success as the government reduced its deposit rates that incentivized people to transfer their funds from bank accounts to government securities. The government also increased its lending rates to defer the consumption demand of its people and channelize their funds for the production sector, thereby increasing productivity to revive its depressed economy and benefit from high returns in the export sector. Thus, in these ways the government used its autonomous monetary policy to fulfill its strategy of reduced dependency on the USD and reviving its economy from that shock.

2.Free movement of capital

Here the government also allowed the autonomy in the flow of capital in the economy. Free flow of capital means that the government removed capital controls on its financial transactions. The government required autonomy in this in order to effectively channelize the economy's funds to various sectors to ensure the working of above framework. All the actions right from using NRI deposits to issuing T-bills and increasing lending rates for investment in production sector and raising FII's, required government to remove capital controls in order to make these actions happen. Thus autonomy in the movement of capital was a pre-requisite of the government's action of reduced dependency on the USD.

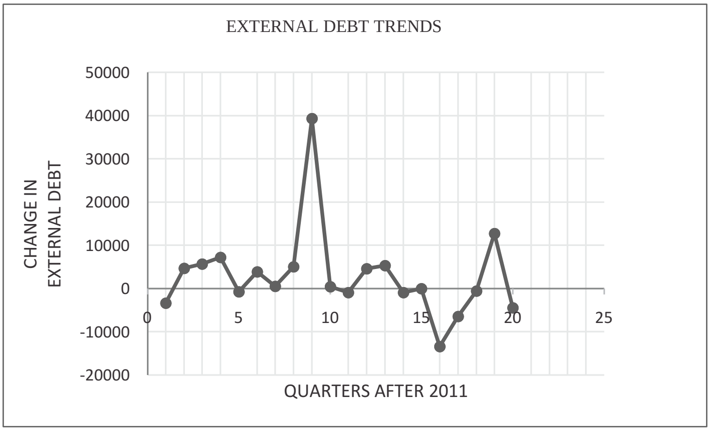
3.Fixed foreign exchange rate

However owing to the trilemma the government couldn't preserve autonomy in the foreign exchange rates. When the government repaid its external debt, due to constrained supply of USD in the market, USD/RUB fell. Also when the government, in order to regain liquidity, printed 1 trillion rubles and increased its public expenditure, the supply of ruble in the market increased as a result USD/RUB soared drastically. Thus these events prove that the government choosing autonomy in capital movements and monetary policy had to give up its autonomy in fixing its foreign exchange rates Movement in the foreign exchange ratesthus became an effect of government strategies using autonomy in other two areas.

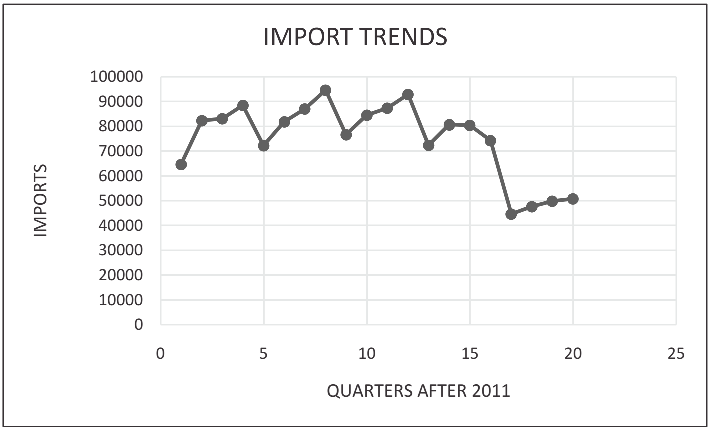
CONCLUSION

The time period of 1970's and 1980's was a period in which Asian countries exported to grow. This rapid growth was made possible by increased consumption demand for cheap foreign goods from industrial countries like America and countries in European Union. As these countries sustained massive current account deficits due to rising imports, they had to borrow in order to finance these deficits. These borrowings were financed by savings of households from the same developing countries which were exporting to pursue growth. This created massive trade imbalances with developing countries having trade surpluses and the developed ones running deficits. Thus, the exporting countries were becoming increasingly dependent on industrial countries to absorb the surplus produced by them. In this process, the developing economies created producer biased economies which led to difficulties in creating sustained domestic demand. Hence, the dependence on foreign demand continued to increase. Now, as the industrial countries are turning more towards protectionism and are facing stagnancy, the path to be followed by export dependent nations is becoming more and more uncertain as their source of demand seems to be fading. In such a world, export led growth is a distant possibility not only due to stagnancy in industrial economies and their push towards domestic production but also due to potential competition between emerging markets to export their goods. If the competition to export rises to unsustainable levels, the global prices would come down threatening the export earnings of these countries.

DATA AND TRENDS

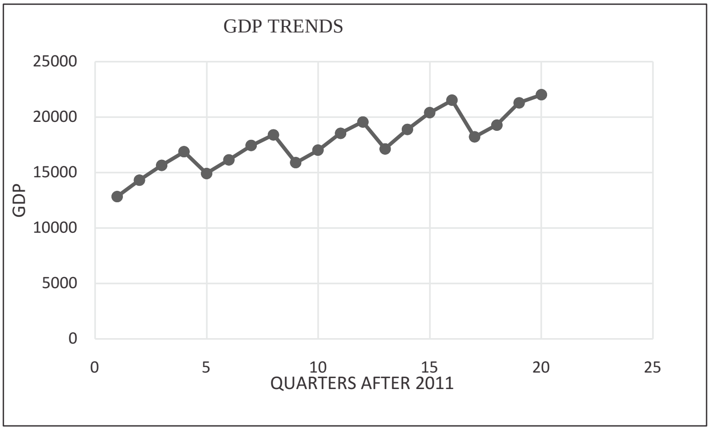


The above graph shows the payments and receipts in form of external debt in the past 5 years. Here the peak shows the government's action of raising debt through NRI deposits. The government accumulated those deposits throughout 2014 and finally paid its US denominated debt in 2015



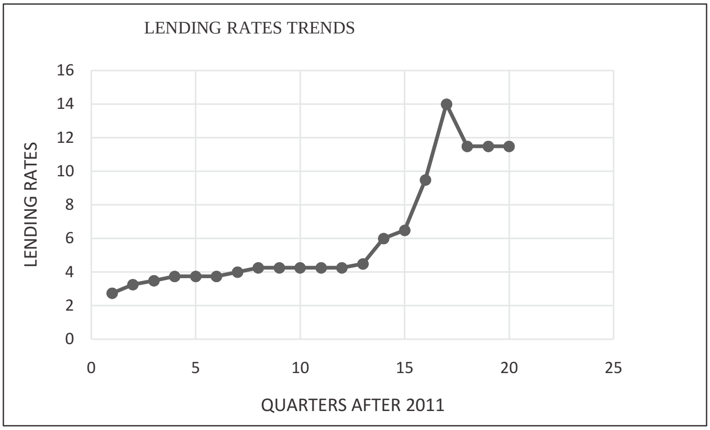
SOURCE: WORLD BANK

The above graph shows the imports by Russia in the past five years. It depicts a seasonal trend as there is dip in imports in Q1 every year. However in 2015 due to liquidity crunch owing to debt repayment led to a 42% fall in imports.



SOURCE: IMF

The above graph depicts absolute GDP over the past 5 years. It shows a seasonal trend owing to reduced demand for oil in summer season especially in Q4's every year. Also the GDP shows strengthening trend over the years. This may be due to increase in income owing to rising government expenditure, exports and investment. Exports that showed promising returns attracted massive investment that led to increased production in the economy.



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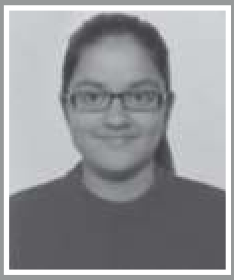

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Aftermath of Demonetization in India

The paper looks at the post-demonetization effect in India from an analytical perspective. Hailed as a "radical step" in the annals of the country's economic and monetary history, demonetization is believed to have changed the future economic path of the country. In this paper, certain key economic indicators are identified and the ex-post effect of demonetization on such variables is examined. The analytical study reveals that the stated objectives like eradicating black money and counterfeit currency have been poorly targeted. Moreover, the informal sector has paid a heavy price for the radical experiment, whose effects have been aggravated by procedural and structural lags in its implementation.

INTRODUCTION

Demonetization is defined as the act of stripping a currency unit of its status as legal tender backed by the government of a country. The act of demonetization is necessary whenever there is a change of national currency. (Investopedia, 2016)

In India, demonetization first took place in **1946**, when the pre-independence British Government promulgated an ordinance to phase out the then high-denomination currency. However, the high-denomination bank notes of Rs.1000, Rs.5000, and Rs.10000 were reintroduced in **1954**, only to be demonetised in 1978 again. The current

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demonetization announced on 8 November 2016 is therefore the third in row of its kind that focussed on the withdrawal of the legal tender status of Rs.500 and Rs.1000 with the stated objective of curbing the proliferation of fake currencies and wiping out unaccounted and tax-evaded money stored in such high-value. From an economic perspective, it is important to note that the denomination-wise distribution of the currency held by the public largely determines the impact of demonetization. In this regard, Rajakumar (2016) notes that while in 1978 the per capita income was 1.49 times of the value of the lowest denomination note that was denotified, the corresponding ratio for 2016 is 186.5. As such, the demonetization of 2016 is being studied as a 'historically unprecedented monetary shock' that is said to have affected critical economic indicators.

REVIEW OF LITERATURE

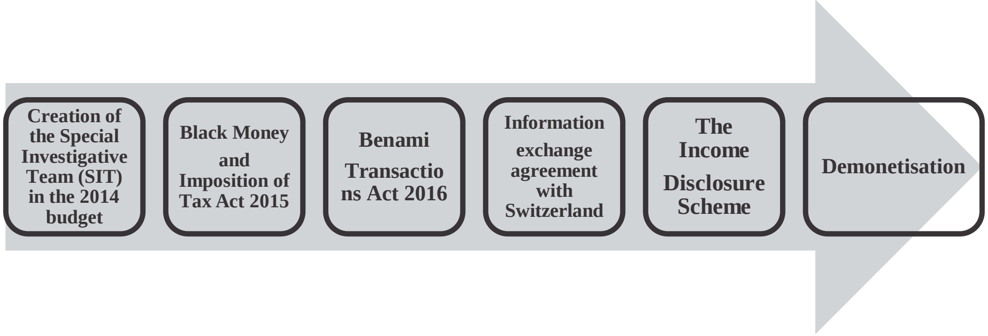
Sutherland (2000) summarises the main arguments of Chapter 2 of the OECD Economic Survey of the Russian Federation 1999-2000, links demonetization to problems in the fiscal system, bankruptcy, and corporate governance and agrees that combating demonetization will require a comprehensive set of policy measures. Similarly, **Dasgupta (2016)** has used the IS-LM macroeconomic model and carried out a theoretical analysis of demonetization with the help of mathematical and econometric techniques, and has come to a conclusion that none of the important economic variables are likely to move in a healthy direction. Quite apart from the rich techniques he presents in support of his arguments, it must be noted that the tools of analysis employed are not relevant for the long run. Interestingly further, **Rao (2016),** in her research with National Institute of Public Finance and Policy, New Delhi argued that the cash that would be extinguished would be “black money” and bases the argument on impressions rather than facts. **Kohli (2016)** has already presented an analysis of the demonetization exercise by an analytical study of various reports and past statistics ,and argued that the extent of circulation of counterfeit notes in the Indian economy is exaggerated ;the claims of unearthing large amounts of black money is unfounded and based on a poorly informed view of what constitutes black money; no improvement in government finances may be expected due to demonetization; it is unlikely that interest rates in the economy may fall as a consequence of demonetization; and the movement into a less-cash economy may neither lead to the shrinkage of the shadow economy nor reduce corruption, and, instead, may open up new spaces of surveillance and assaults on the personal freedoms of citizens.

DEMONETIZATION IN INDIA: THE AFTERMATH

The two largest denomination notes of Rs. 500 and Rs. 1000 ceased to be the legal tender in India, thereby, rendering 86 percent of the cash invalid. Also termed as '**reverse helicopter drop policy' or 'helicopter hoover'**, the act gave a whole new expression to unconventional monetary policy. (Economic Survey 2016-17)

The step was however a part of a series of earlier efforts to sabotage the war against counterfeit currency, black money and corruption. They have been listed below:

Figure 1. Pre-Demonetization efforts to curb black money and corruption



Broadly, the effect of demonetization has been sketched out schematically below:

Table 1: Effects of Demonetization on select economic indicators

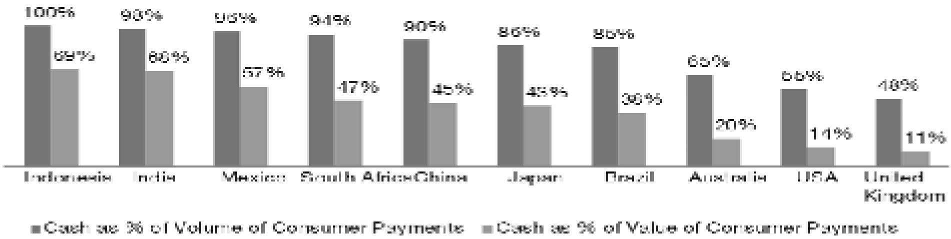
Economic Indicators/Sectors	**Effects**
Gross Domestic Product	A reduction in demand (especially in cash-intensive sectors) and supply (reduced liquidity, working capital) along with growing uncertainties will cause an adverse impact on GDP in the short-run.
Tax collection	While the income taxes rose because of increased disclosure, the growth in excise and service tax collections has moderated, in a reflection of the slowing economic activity.
Agriculture	Agriculture, being a cash-intensive sector, has faced disruptions, breaks in supply chains, increased wastage and lower revenues. Moreover, the formal financing in this sector is significantly from cooperative

	banks, which have been barred from exchange-deposit of demonetized currency.
Tax evasions	Demonetization affects the stock of unaccounted and tax-evaded cash, but not necessarily any flow or generation process of such cash.
Uncertainty	Uncertainty increased, as firms and households were sceptical about the economic impact and implications for future policy.
Real Estate and Property	While the Real Estate Regulatory Act and Benami Properties Act would improve transparency, it is too early to say that 'demonetization' has eliminated black money from a sector that has the reputation of being a 'safe haven' for black money.

Banking Sector: While some claim that the sudden surge in bank deposits is impressive and will spur investment, it must be noted that this demand for bank deposits is artificially induced, which means that the economy is not witnessing a new equilibrium. Therefore, if the withdrawal limits are further raised/ removed, the rush back to cash can be a possibility, leading to lower liquidity in the system, thereby causing an increase in the interest rates and cost of investments. Probably this is the reason why government campaigns are emphasising digital payments, so that the banks remain flushed with liquidity.

Digitalisation in wake of demonetization: As the process continued, the whole exercise started revolving around 'cashless economy 'and the earlier rhetoric of 'black income' started fading. It cannot be denied that digitalisation can create tremendous impetus for financial inclusion in the long run. Moreover, a recent report (Visa, 2016) states that for a total investment of about INR 60000 crores over 5 years towards creating a digital payments ecosystem, India could reduce its cost from the present levels of 1.7% to 1.3% of GDP. However to reap these benefits, the serious impediments such as financial illiteracy, faltering rural connectivity, higher concentration of ATMs and PoS terminals in large towns and infrastructural issues ought to be taken into account.

Figure 2: The Persistence of Cash in Consumer Transactions



Source:(PricewaterhouseCoopers 2016)

Analysing the impact of demonetization on '**black money and corruption'** is of paramount importance. Wanchoo (1971) depicted the phenomenon (of black economy) as "cancerous growth in the country's economy which, if not checked in time, will surely lead to its ruination".

As illustrated by 'White Paper on Black Money '(2012), tackling **black money**[2] requires an amalgam of conscientious efforts- rigorous investigation into local and foreign holdings of assets, appropriate legislative framework, information exchange agreements between countries, maintaining tax payer confidence, effective administration and judicial machinery. The paper also shows that, on an average, the amount of cash seized during raids by income tax authorities is 4.88% of total undisclosed income admitted in those cases. Thus, if it is assumed that demonetization imposed a 40% loss (40% discount on laundering the money) upon the holders of unaccounted wealth, it would imply a loss of about 2% of unaccounted wealth (which is a small fraction of cash component of **black wealth**)

According to Ministry of Finance, in addition to wealth earned through illegal means, the term black money would include legal income that is concealed from public authorities

to evade payment of taxes (income tax, excise duty, sales tax, stamp duty, etc);

> to evade payment of other statutory contributions;

> to evade compliance with the provisions of industrial laws such as the Industrial Dispute Act 1947, Minimum Wages Act 1948, Payment of Bonus Act 1936, Factories Act 1948, and Contract Labour (Regulation and Abolition) Act 1970; and / or

> To evade compliance with other laws and administrative procedures.

Extracts from Interviews Post Demonetization

BARBARA HARRIS-WHITE

Currency notes move in and out of this black cash sub-sector and Rs 2,000 notes are less bulky than the now illegal lower denominations, so they are easier to hoard and transport. Laws exist to curb black money, of course, but they have been poorly and selectively enforced.The new denomination cannot be a 'frontal assault' on the black economy as claimed.

ARUN KUMAR

Of Rs 13 lakh crore, at least half would be used in businesses: petrol stations, railway stations, airports, etc. What may be held in households may be only 5-6 lakh crore [rupees]. Now, assuming that the top 3 percent of the population owns much of the black wealth, that would amount to only Rs 1.5 lakh held per person. So the immobilised cache of black money is just Rs 2-3 lakh crore.

PRABHAT PATNAIK

Since there is no distinction between black money held as part of business and white money held as part of business, many of those engaged in black business would like to get others engaged in white business to change money for them. And they would, therefore, backdate bills and apparently purchase from them, etc. Millions of such transactions would be happening and if they do, no tax authority will be able to catch these transactions.

CONCLUSION

While it may be too early to assess the **long-term** impact of demonetization, it has surely imposed a punitive cost on terrorist funding and cash component of black assets in the **short run .**But ,at what price?

Demonetization has not only imposed enormous social and economic costs in the short run but has also failed in disincentivizing future black income generation .To nip the hydra of corruption,black money and counterfeit currency in the bud,consistent efforts are needed to expand formalization and improve compliance.The event of the scale of demonetization not only impacts the functioning and progress of the country but also alters the pyschological and behavioral understanding and usage of the massses with respect to an asset like cash. As such, the overall long-term economic and pyschological impact of demonetization needs to be seen.

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The Ripple Effect of a Strike

Though every strike or lockout that is initiated by labour employees directly affects the industry's production capacity, the ripple effect of such a movement is cosmic and engulfs several entities. Since it is quite difficult to quantify the real impact of such a movement, it often escapes the human eye. A strike has a multiplier effect and not only does it harm but also benefits several parties. Through this article, I am trying to throw light on the ripple effect which is caused by a strike and thus, highlight the magnitude of its effect on various entities.

INTRODUCTION

Whenever the labour union of an industry goes on a strike, the media houses majorly highlight only two things:

Firstly, the losses suffered by the firm under strike and secondly, how justified was the labour union's reason to go on a strike? What they fail to bring out, is the effect on various other parties who are indirectly affected in a significant manner. Thus, its ripple effect often goes unnoticed.

A lockout not only affects the production and profitability of the industry whose labours are on a strike but it also has a significant impact on other firms who are linked to the firm under strike, directly and indirectly. With the help of few instances in this paper, I will try to explain the ripple effect of such a

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situation and highlight the intensity with which others are affected.

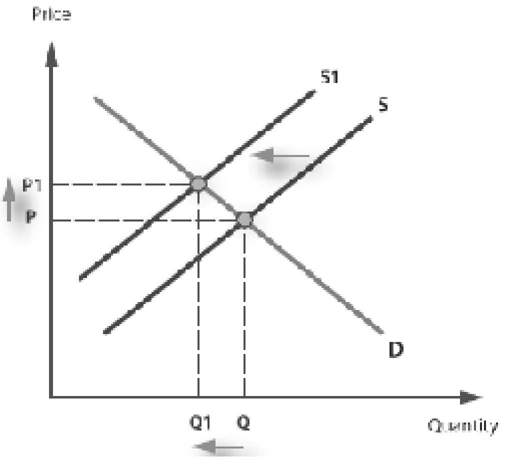
THE RIPPLE EFFECT

A dispute between the workmen and employers is a common sight in today's world. But it largely depends on the employer's abilities- whether he is able to resolve disputes at a nascent stage or whether he lets them grow into a lockout. In the 21st century, India has seen a lot of technological advancements but the human resource still plays an irreplaceable role in every industry. In return, it becomes the prime responsibility of the employer to ensure compliance to all the labour laws, assure regular payment of wages and provide a conducive working environment. If at any point of time, any one of these are not met, the employees resort to a labour strike. A strike is a mass refusal of employees to work, initiated as a response to the non addressal of employee grievances.

Since the workers suspend the operations of the firm, the production at the factory stops. As a result of which, the firm runs down its inventories and cuts down the inflow of raw materials. This leads to a noteworthy drop in the sales revenue. The firms often opt to hire temporary or contract labourers to replace the employees on strike and try to reduce the impact of such a strike. This in turn increases the operating cost of the product and reduces the profitability of the firm.

Such a movement also has several non economic impacts on the firm. This revolt against the management of the firm, may involve loss of goodwill which may, in the long run, affect the brand value of the firm. It also strains the employer- employee relationship and hampers teamwork. This often leads to a decline in the share price of the company and reduces its market value. In June 1998, a strike by the United Auto Workers(UAW) of General Motors halted production for approximately 8 weeks, having a catastrophic impact on GM's sales. Compared to the corresponding months in 1997, GM's U.S. sales fell 38% in July, 1998 and 37% in August, 1998.

The more essential the good is, the more difficult it is to find its substitutes. A reduction in the supply of the product manufactured by the firm, pushes its price in the market.



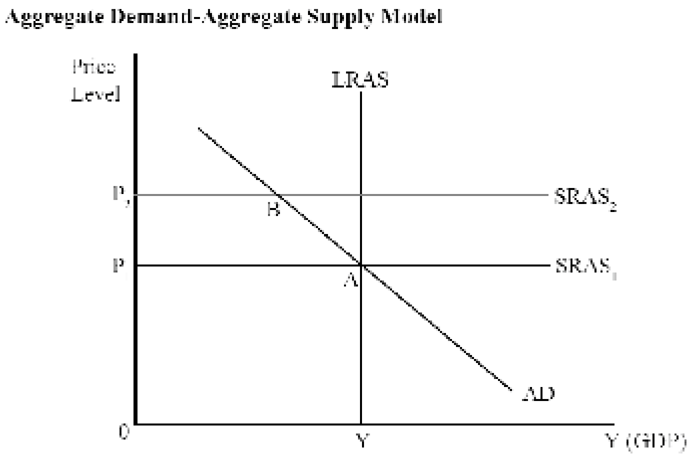
Since the production is halted, the firm under strike holds its purchase of raw materials and unfinished goods which in turn reduces the sales of suppliers to the firm. This reduces their profitability, forcing them to reduce the number of employees and cut down other factory expenditures. Subsequently, it reduces the real income of these employees. For e.g. the earnings of steel companies lowered in the third quarter because the GM strike brought demand for steel down (Reuters-New York, 1998).

The employer does not remunerate the employees on strike. The employees not only lose their wages, but are also at a risk of losing other benefits and perquisites such as medical insurance, holiday and sick pay. If the strike lasts for long, the employees go through severe hardships and struggle to make their both ends meet. This reduces their purchasing power and forces them to reduce their demand for various goods and services. Because of this leftward shift in the demand curve, the prices of various consumer goods and services may tend to decrease slightly.

A fall in the production and sales of the firm under strike, reduces its market share and allows its competitors to capitalize this opportunity and capture the market. The 1998 strike in GM, reduced its U.S. market share from 31% to about 21% in July and August 1998 (*Reuters-Detroit, 1998*).

In macroeconomics terms, such a strike not only affects individual enterprises but the economy of the country as a whole. The total output of the country falls with a decrease in production and sales of the firm under strike. This further reduces the GDP growth of the country.

As the supply decreases, the price of the product increases causing widespread inflation and making imports cheaper and exports more expensive for foreign consumers. This increases the imports and reduces the exports, which in turn increases the trade deficit of the country.



Foreign Investors normally try to stay aloof from a country where the annual loss of working hours is quite high because of such strikes. This decreases the country's investment reputation and reduces the Foreign Direct Investment (FDI). A reduction in foreign investment, reduces the prospects of development and decrease in rate of unemployment.

CONCLUSION

"It takes but one person, one moment, one conviction,
to start a ripple of change."
-Donna Brazile

Irrespective of the validity of its reason, a strike can widen the horizon of its impact to areas beyond our imaginations. Whenever there is a strike by a political party to serve its own purpose, there are millions of people whose business gets affected and thousands of poor who sleep with an empty stomach.

Therefore, before resorting to such an action, its gains should be weighed against its losses. And if one does it honestly, one will then realize that these strikes have a catastrophic impact on several lives.

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PIIGS: Same Same Yet Different

"Eurozone 'piigs' are leading us all to slaughter"[1]

The global financial crisis of 2008, along with causing a massive financial turmoil in economies around the world, added a new country acronym to our alphabet soup- PIIGS. It represents the countries at the epicentre of the European Debt Crisis- Portugal, Italy, Ireland, Greece and Spain. Infamous for the substantial instability of their economies, these countries have become a serious concern within the European Union and the rest of the world. The article traces the diverse causes of financial turmoil in these nations amidst a monetarily unified Europe.

INTRODUCTION

PIIGS- an acronym with reference to a dirty farm animal; is used to refer to five Eurozone nations that witnessed severe economic downturn post the global financial crisis of 2008: Portugal, Italy, Ireland, Greece and Spain. Yoked under one currency, these countries were unable to adopt an independent monetary policy and have experienced high budget deficit, alarming debt to GDP ratio, sluggish growth, high rates of unemployment and intervention by financial institutions since then. The financial instability of these

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[1] www.telegraph.co.uk (Warner 2010)

countries has become one of the greatest economic threats and has brought into the question the efficacy of monetary integration without fiscal integration in the European Union. The article aims to throw light on the commonalities and differences in the causes of economic turmoil in these countries and the viability of the Eurozone as a monetary union.

REVIEW OF LITERATURE

Bali and Demir (2015) focus on the causes of the Global Financial Crisis and the difference in the extent of its impact on BRICS and PIIGS countries. They compare the performance of the countries using economic indicators like GDP growth rate, inflation rate and unemployment rate and highlight that BRICS showed resilience due to high growth rates, better governance and high domestic demand whereas the PIIGS nations fell into recession due to failed regulation. Brazys and Hardiman (2014) trace back the evolution of the acronym 'PIGS'. They employ various statistical models and conclude that the acronym had an adverse impact on investor sentiment and Irish Bond market. Teague (2013) gives a brief synopsis of the social, economic, and political factors which caused the financial adversity in these countries and expanded the Debt-GDP ratio. Fernandes and Mota (2011) use a detailed statistical analysis of fiscal factors and indicators to compare the PIGS (excluding Italy) and non-PIGS members and conclude that the asymmetry in the tax and government expenditure in PIGS and the neglect of rules inscribed in Maastricht Treaty by both led to the European debt crisis. Blackwell (2011) explains the state of banking in Ireland before 2008 and concludes that the bursting of the real estate bubble affected the banking cycle which led to the Irish banking crisis.

THE CURIOUS CASE OF PIIGS

The monetary integration sans fiscal integration within the European Union has become the cause of financial instability and economic divergence within the continent. A common currency facilitated easy availability and mobility of low cost finance. This resulted in high borrowing and lending within the countries and financial institutions. Each member state enjoyed autonomy in framing its own tax and public pension rules resulting in reckless public expenditure. This resulted in a series of financial imbalances across Euroland and these countries succumbed easily to the financial crisis in 2008. Though, the financial health of these countries is nearly identical, each of these countries had a different cause which made them vulnerable to the ripple effects of the global financial crisis.

The mismanagement of structural and cohesion funds, risky credit, extravagant salaries of top bureaucrats and redundancy of the public sector caught Portugal in a debt trap and sent the economy into recession[2]. In Italy, the global recession stagnated the banking and financial sector resulting in a lack of money and credit in the economy and loss of investor confidence. Many companies terminated their operations and there was large scale retrenchment causing widespread unemployment[3]. The 'Celtic Tiger' Ireland- brought its economic prosperity to a halt, not through overspending but as an outcome of the state guaranteeing the six main Irish banks, which had financed a property bubble. When the housing bubble burst in 2007, the budget deficit ballooned and unemployment was up by over 10 per cent[4]. Greece has been the worst performer amongst its peers with highest debt to GDP ratio of nearly 176 per cent[5] (2015). The Greek economy was primarily dependent on tourism and shipping, both of which were hard hit after the global recession. To keep the economy functioning, the government borrowed beyond its means, spent heavily, maintained negligible tax rates and falsified public financial data which caused the government debt to soar[6]. On the contrary, the high tax rates in Spain helped it to maintain relatively lower levels of public debt. But, the popping of the real estate bubble in 2008 increased its debts significantly and downgraded its credit rating[7].

To set these countries on the path to economic recovery, the European Central Bank, the International Monetary Fund and the European Commission have brought into action multiple financial assistance programmes. The bailout packages were contingent on harsh austerity measures which invited massive social unrest and political instability in these economies. Structural problems such as high labour cost, stringent labour laws and, lack of public support made it difficult to turn their economies around and improve productivity. A bulk of their trade was also concentrated towards each other which created a domino effect and brought them down together. Since 2012, the growth rate of Spain, Portugal and Ireland has significantly improved and they are showing signs of revival but Greece and Italy still face a troubled future and struggle to fight their way out of the debt trap.

CONCLUSION

It is evident that the PIIGS countries constantly neglected alarming factors such as over-borrowing,huge amount investment in the real estate sector and enormous

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[2] (Teague 2013)
[3] (Teague 2013)
[4] (Blackwell 2010)
[5] Source: World Bank & Eurostat Data (2015)
[6] (Bali & Demyr 2015)
[7] (Teague 2013)

government expenditure and the crisis was an outcome of failed regulation. If each of these countries was not bound by a single currency and had an autonomous monetary policy, they would have responded in a better way via domestically set short term interest rates and fluctuations in the interest rates. The crisis also called for a more federal European Union with fiscal powers to avoid such instances in future. The result of the crisis was a financial awakening around the globe which led to the introduction of more comprehensive, rigid policies and greater vigilance by the institutions around the world.

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Internal Migration in India: Causes and Consequences

For the past few decades, there has been rapid increase in population, with population growth being more dramatic in the cities of developing countries. Proportion of total population living in urban areas is expected to increase to 66 per cent by 2050, with the largest urban growth taking place in India, China and Nigeria. By 2050, India is projected to add 404 million urban dwellers, China 292 million and Nigeria 212 million. The article analyzes the contribution of internal migration to the urban population boom and further looks into the causes and their theoretical justification. With facts and figures from the Indian context, the article also examines the consequence of internal migration in social and economic terms and tries to suggest some policy measures.

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INTRODUCTION

Internal migration refers to people within a country moving to another location within its borders. Migration can be within state or interstate. Rural to Urban migration are the most significant; urban-

urban and rural-rural migration also exists. The contribution of migration towards urban growth remains significant varying from 20% to 60% of recorded urban population growth. The share of migration (in urban growth) is expected to rise, with net migration accelerating for the past decade. Better economic conditions and a more secure environment remains the primary motive for migration, however several other social factors also exists.

MIGRATION: CAUSES

There is a clear link between urbanization and development. Urbanized cities provide cost advantage through agglomeration of economies and industrial district formation. Rapid development creates employment opportunity and lead to rise in wages. The main reason for migration among males is lack of proper employment in rural areas, which makes people to migrate to urban areas for better employment. The Harris-Todaro migration model, explains rural-urban migration as an economically rational process even when high urban unemployment exists. The Todaro model postulates that migration proceeds in response to urban-rural differences in expected income rather than actual earnings. Consequently, in deciding to migrate, the individual must balance the probabilities and risks of being unemployed or underemployed for a considerable period against the positive urban-rural wage differential. The informal sector refers to those workers who are self employed or work under small enterprises that are not under government regulation. Employees working in the informal sector can be classified either as wage workers which includes crop-harvesting, cleaning and any other unprotected occupation or as non-wage workers which includes street vending, sewing, artistry and small farming. The informal sector plays a major role in the generation of employment in urban area and is, hence, a major absorbent of the migrant population. In India, the urban informal sector comprises 65.5% of employment in Bengaluru, 61.4% in Delhi and 53.8% in Mumbai. The motivation for these unskilled migrants therefore is, often to obtain sufficient income for survival through informal work rather than getting formal jobs in cities. Biswajit Banerjee's analysis in '*Rural to Urban Migration and the Urban Labour Market: A Case Study of Delhi*' suggests that a large number of informal-sector workers who had migrated to the city were attracted by the informal rather than the formal sector. Further, only a small minority of informal-sector workers was actively looking for jobs in the formal sectors, and only 5% to 15% of rural migrants had moved to the formal sector in a year's time. For informal jobs, duration of unemployment following migration is usually very short. Within one week, 64% of new arrivals had found job, and the average waiting time to obtain a first job was 17 days. The Economics Survey 2016-17 data clearly suggests a net outflow of migrants from less affluent states to more affluent ones. The top migrant outflow-inflow states routes are Uttar Pradesh to Delhi, Bihar to Delhi, and Uttar Pradesh to Maharashtra. Figure 1 maps the largest inter-state migration route using Ministry of Railways' data on unreserved passenger traffic for the years 2011-16.

Figure1. Top Inter-State Migration Routes

Migration is also viewed as an important income-diversification and risk-coping strategy by some, especially relevant in agricultural based economies where rural distress is common. Better educational and healthcare facilities, the lust of city life, social engagements etc. are some other contributing factors.

The Economic Survey 2016-17 carries a statistical analysis of the data based on the gravity model of trade and migration. The analysis suggests that distance has strong negative effect on labor flows. Further estimate suggests that on average flows within states are around four times the flows across states. An interesting observation made is that language is not a significant barrier to the migration flows, which is in contrast to migrant flows across countries.

MIGRATION: CONSEQUENCES

With such unprecedented scale of migration and acute concentration of people it becomes very difficult for cities to cope environmentally, economically and politically. In fact, according to UN estimates slum settlements represents one third of the urban population in developing countries. According to the Bruickner and Lall (2015), developing countries must prepare to house an additional 2.7 billion people between now and 2050, as migrants move in unprecedented numbers from rural areas to pursue their hopes and aspirations in cities. Increase in crimes, pollution and congestion, overload of housing and social service have been contributing to the decline in quality of urban life. Often the most crowded cities are also the most polluted ones.

Migrant workers are cheap source of labor, helping in production of low cost goods for domestic market and exports. The informal sector, where most of the migrants are employed goes completely unregulated. In terms of employment, construction is the largest employment sector in India after agriculture. Most of the employees in construction are migrants. There are 20 million domestic workers, mostly migrants from rural India. Workers have no social security, compensation for injuries, access to drinking water and health care. They are victims of constant verbal and sexual abuse and work without any grievance mechanisms. The Government of India made an enactment in 1979 of the "Inter-state Migrant Workmen (Regulation of Employment and Conditions of Service) Act 1979", but its exists more on paper than in reality.

Rural-Urban migration also leaves the rural area devoid of necessary human capital, worsening of rural-urban divide. However, there are significant remittances from the migrants to their place of origin. According to Economic Survey (2017), domestic remittances serve 10 per cent of households in rural India and finance over 30 per cent of household consumption in remittance-receiving households. Domestic remittances market in India is estimated to exceed Rs. 15 lakh crores. A study by '*urbz.net – a thinktank on urban planning and development*' suggests that families and clans with one foot in the village and other in city have done more to urbanize rural India than any rural development policy. These migrants are also responsible for construction of urban-style homes and other infrastructure being financed with remittances from cities.

CONCLUSION

Based on long-term trends, continued urbanization and rural-urban migration are probably inevitable. The Economic Survey 2016-17, under its heading 'Eight interesting facts about India' highlights that new estimates based on railway passenger traffic data reveal annual work-related migration of about 9 million people for the period 2011-2016, almost double what the 2011 Census suggests. Inter-state labor mobility averaged 5-6 million people between 2001 and 2011. Migration is now largely being viewed as a circulatory loop movement between rural and urban area rather than being stringently classified as temporary or permanent.

The usual policy response to rural-urban migration is expansion of employment opportunities in rural areas through rural development policies. But as policymakers point out this can be counterproductive as well. Rural development leads to increase in rural consumption which is being satisfied by products manufactured in the urban agglomerates. The growth of manufacturing creates new employment opportunities which may further fuel in more migrants. Rural-Urban migration policies require an appropriate rural-urban economic balance. Expansion of small-scale labor intensive industries, provision of family planning and rural health services, decentralizing authority to cities and neighborhoods are some of the policies that can be pursued. Providing temporary accommodation, basic amenities and safety nets to migrants are policies that need further attention in urban areas. More studies on the cost-benefit audit and the socio-economic impact of migration also need to be carried out taking into account measurable and difficult to measure or qualitative variables.

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Bolstering Talent Acquisition- Concept of Employer Branding

To sustain competitive edge in today's rapidly changing environment, organisations are looking beyond perishable product wars and financial asset management, and are instead leveraging synergies to create people based advantage through employer branding. To retain and attract the millenniums, it is important to gain insights about their requirements and become an employer of choice. Identifying strategies to address this skill shortage has become imperative. For marketers, the impact of potential skill shortages poses a significant strategic challenge. The essence of this holistic concept lies in improving employee experience by aligning the brand ethos with employees' personal objectives. In context of the above discussion, this study aims to discover the importance of employer branding, constituents, drivers and ways to infuse employer branding in organisations. This premise has its implications for HR practitioners and strategists.

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INTRODUCTION

Residing in a fast-paced global business environment with rampant technological advancement and demographic changes, relationship between people and companies has altered. Running an organisation is no more about just innovation and salesmanship, because real success originates from attracting and engaging passionately skilled workforce. With the continued influx of opportunities in the world market, employer brand as a tactical HR tool has gained immense importance. According to Aaker (1991), an established brand is a critical means for distinguishing products and creating a competitive advantage for organizations. Employer brand management functions as a means of communicating the values into the everyday work of the employees. Conglomerates are using it to solidify themselves and to tap the tremendous growth potential available. Employer brand nurtures company stature for fairness and opportunity for all and motivates employees.

REVIEW OF LITERATURE

There are a plethora of theories discussing corporate image and reputation. The definition of employer branding has evolved over time and it is evident that it is not just about hiring campaigns. The term was first coined in 1990 by Tim Ambler and Simon Barrow as the creation and communication of an organization's culture as an employer in the marketplace. They describe employer brand as the package of functional, economic and psychological benefits provided by employment, and identified with the employing company.

Kimpakor and Dimmit (2007) opined that functional benefits refer to the learning development or career advancement opportunities available in the company; economical refer to the rewards packages available for employees while psychological entails employee's feelings of belonging and recognition to the company. (Adapted from Employer Branding: The Perspective of Hotel Management in the Thai Luxury Hotel Industry. Australasian Marketing Journal, 15 (3): pp. 49-69).

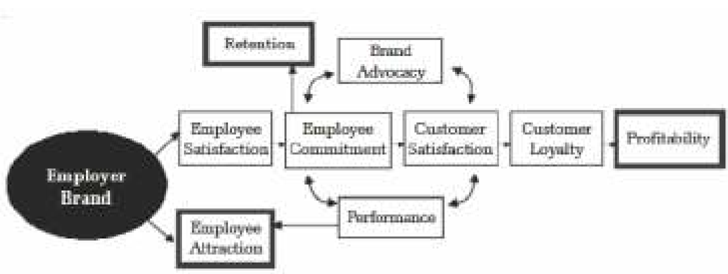

Figure 8: Employer Branding and Talent-Relationship-Management: Improving the Organizational Recruitment Approach (Katoen and Macioschek, 2007, cited in Gaddam, 2008, p. 47)

The new age workplace consists of workers representing three generations namely –Baby boomers, Generation X and Generation Y. Researchers are paying special attention to understand expectations and characteristics of generation Y because of the fast-moving economic environment and the tightening of skilled labour markets with downsizing and outsourcing. According to Berthon et al (2005), there are five steps in developing a strong employer brand: " understanding the organisation; creating compelling brand promise; developing standards to measure the fulfilment of the brand promise; 'ruthlessly aligning' all HR practices to reinforce the brand promise" (adapted from 'Captivating Company: Dimensions of Attractiveness in Employer Branding'. International Journal of Advertising, 24(2): pp.4).

It conveys the totality of organisation's values, attitudes, systems and employee relationship including shared goals for success, productivity, and satisfaction on both personal and professional levels. Moroko and Uncles (2008) claim there are similarities between employer branding and other types of branding, namely product branding and corporate branding and they characterize successful brands by attractiveness and accuracy, which is also applicable on successful employer brands.

EMPLOYER BRANDING: DIMENSIONS AND DRIVERS

The employer brand consists of a set of intangible attributes and qualities that appeal to people who will thrive and perform their best in its culture. Building an effective employer brand begins with creating and defining the company's employer value proposition, which includes employment offerings and associations that characterise an employer and at the same time differentiates it from competitors. Employer brand is mainly underpinned by this proposition which is also the 'legitimate description of the deal' made with the employee and employee experience which is the 'reality of the deal delivery'.

A strong employer brand is characterized by being known and noticeable, relevant and differentiated from its competitors. Between the employer and the employee, there is a psychological contract where the expectations regarding obligations for both parties are settled, for instance the employer is supposed to offer and provide training and development, in exchange for the employee's performance. **Fulfilment of psychological contract, alignment of the promise of performance and brand experience are established as drivers of employer brand success**.

Employer attractiveness drivers are divided into four groups namely employer reputation and image, characteristics of job, wage plan and opportunity for enhancement, company culture and social environment. To maintain reputation and image, the enthusiastic top management should provide attractive products and services. Job characteristics refer to the opportunity to execute sophisticated tasks, receive professional training and diversified job assignments. The attributes of wage and opportunity for advancement are securing a good reference for a prospective career, receiving an attractive wage and support for further training. Social environment and company culture include good work-life balance and a management that supports and offers a dynamic working environment.

According to Backhaus and Tikoo (2004) employer brand image is divided into functional and symbolic benefits. Functional benefits describe components that are objectively desirable, such as economical benefits whereas symbolic benefits are related to the subjective perceptions and are identified as associations, ideas and feelings like entrepreneurship, cooperation and innovativeness. Remuneration and advancement, employee autonomy, clarity of internal and external communication, good ethics, safe employment, job characteristics, employer reputation, involvement and commitment of employees and the managing board are some of the driving constituents of employer branding.

- **Improvement Drivers**- Rewards and Recognition, Career Opportunities, Work life balance, Brand power etc
- **Sustain Drivers**- Health and well being, supervision, learning development, collaboration and performance management etc

To infuse employer branding in an organisation, organisations must adapt to changing employee perceptions and should take cue from the already successful employer brands.

Some of the Best Employers in India (As per Economic Times Survey 2016)	Services/Benefits offered to employees
Google India	Spa, massage chairs, couches and treadmills located around work-stations. Engagement sessions like Thank God It's Friday held with the co founders. Cafeteria remains open all day all night. Flexibility in work hours, maternity and paternity leaves, space created in office for pets etc

American Express India	They focus on fitness training and mental health and have a self-paced fun and interactive learning module that lasts for 45 minutes. Recently they launched programme related to parental healthcare. Cross functional opportunities like short break for employees to pursue entrepreneurship.
Oberoi Group	They conduct 'culture audit', based on 9 people-oriented practices (hiring, inspiring, speaking, listening, developing, thanking, caring, celebrating and sharing). An Associate Appreciation Week is held every year. Forums like GM's address, departmental meetings, job chats and employee engagement surveys open for all employees. Care programs like employee concierge service, employee children summer camps, fitness programs at work etc

A successful employer branding strategy depends on the consistency between the internal values and the external image. This strategy needs to have its starting point within the firm and should create a trustworthy employer brand; the company needs to communicate its core values. These fundamental values to be conveyed are built upon openness, honesty, respect. Firms undertake a range of activities and processes to sustain the employer brand promise, including brand management and differentiation, image management, internal marketing, cross-functional knowledge sharing. Hence the employer brand promise is the lens through which employees evaluate their employer brand experience.

The implicit question behind the study is about what creates a good or a bad employer position. In addition to the most widely used organizational ratings for measuring reputation, the Reputation Quotient-model measures reputation from a multi-stakeholders perception and after validating the outcomes of different desk-research and pilot-studies, Fombrun et al. (2000) appointed six factors that measure the positive reception of one's reputation, namely Emotional Appeal, Products and Services, Vision and Leadership, Workplace Environment, Social and Environmental Responsibility, and Financial Performance. Although the specific attributes that appeal to each organisation differs from each other, but the categories of attribute are almost identical. There are three dominant conceptual streams that measure reputation: ***social expectations, corporate personality and level of honesty of a company***.

CONCLUSION

Currently, organizations fight the war for talents because of increased pressure for speed and innovation. For engaging the workforce, a company needs to nurture a culture that reinforces itself as the employee's preference over its competitors. This employer brand is created when an innovative employer with novel work practices and forward-thinking values is encouraging towards colleagues, thereby providing a conducive environment for personal growth. With multi-dimensional literature available, this investment in human capital is a distinguishing and relevant opportunity for an organisation to develop a USP for employee satisfaction resulting in retention, productivity and efficiency. Inspiration can be taken from some of the best ranked employers in the country, thus involving employees at all levels in the development of the brand so that it accurately reflects both the realities and aspirations of the business and its workforce.

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The Effect of Demonetisation on Inflation in India

This article throws light on the divulgation of demonetisation and its impact on inflation. The key motive behind demonetisation was to control the huge amount of black money in the economy. The government's tough decision impacted the trend of inflation in the country which has been analysed for the financial year 2016-17.

Key words: Inflation, Demonetisation, Indian economy

INTRODUCTION

Investopedia defines demonetization as the act of stripping a currency unit of its status as legal tender. On November 8, 2016 the sudden announcement by the Prime minister to scrap out the validity of Rs. 500 and Rs. 1000 currency note as a legal tender surprised the whole economy with several reasons being given for the same. Post demonetisation, speculations were made by economists like Amartya Sen, Arvind Virmani, Dr. Manmohan Singh, Kaushik Basu and many more on the growth of the Indian economy. After almost four months of the episode of demonetisation, it is possible to look at some facts and figures and analyse whether the *rationale* for this

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step was fulfilled or not. A major impact of demonetisation was forecasted to be on the inflation rate which hits the economy very drastically if it goes beyond a set limit.

DEMONETISATION AND INFLATION

There has been an exorbitant fall in the Consumer Price Index (CPI) since August 2013 from 10.62% to unpredictably low of 3.17% in January 2017(WebTeam, 2017). The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services (Times, 2017). In India, inflation is measured using CPI. The percentage change in this index over a period of time gives the amount of inflation over that specific period, i.e. the increase in prices of a representative basket of goods consumed.

The financial disruption caused by demonetisation on November 8, 2016 was not the only reason for the declining inflation rate. Inflation in FY2016-17 has been characterized by two discrete features; the Consumer Price Index (CPI), which averaged 4.9 per cent during April-December 2016, has exhibited a downward trend since July when it became clear that kharif agricultural production in general, and pulses in particular would be bountiful. The decline in CPI inflation which reached 3.4 percent at end-December was substantially due to decline in pulses price. The second distinctive feature has been the reversal of Wholesale Price Index(WPI) inflation, from a trough of (-) 5.1 percent in August 2015 to 3.4 percent at end-December 2016, on the back of rising international oil prices. (Affairs, et al., 2016-17).

With the rupee remaining relatively stable, the debt market reacted positively to the demonetisation move. Improvement in government finances due to shift of the black economy to white—increased tax compliance and better revenues for government— is another positive aspect. However, few sectors like the real estate sector, which is the biggest receiver of black money, may take a massive hit. The short-term impact on the sector could be very serious. The number of transactions and prices in residential and land markets may see a substantial downward trend. Also, India's stock market faced a downfall by 0.93 percent as stated in the Economic Survey (16-17).According to the Indian Monetary Fund (IMF) forecast, India's growth would come down to 6.6% in FY 2016-17 as compared to 7.6% growth in FY 15-16, due to the “temporary monetary disruption” caused by demonetisation. However, demonetisation would have only short term impact on the economy and it would bounce back to its expected growth of more than 8% in the next few years. (IMF Country Report No. 16/76)

Therefore demonetisation can be one of the factors for the inordinate reduction in the inflation rate but it should not be misinterpreted as the sole reason for the reduction. Central government and RBI's efforts to keep check on the inflation post demonetisation are clearly visible through RBI's decision to keep an unchanged repo rate at6.25% for the last quarter of the year citing inflation concerns (manojit & saha, 2017).

CONCLUSION

The Financial Year 2017-18 will be a crucial phase in the growth of the Indian economy with many radical policy changes being implemented. The long term benefits of demonetisation are predicted to be beneficial for the Indian economy. The temporary instability caused in the economy due to the sudden removal of 86% of cash from the economy, proves to be a boon or a bane in the arena of the economic health is definitely going to be highly debatable. However, it is to be seen how the general public and the government deals with the transition in the long run.

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Demographic Dividend of India- Is it Just a Mirage?

This article primarily talks about the concept of demographic transition, the demographic dividend and highlights major challenges that India faces in terms of utilising this dividend –lopsided development in states, gender disparities, jobless growth and poor infrastructure, by challenging the various assertions made by the Economic Survey 2016-17 which paints a rosy picture of a grim situation.

INTRODUCTION

Time and again there has been emphasis on how big a demographic dividend India is likely to generate in the coming decades, and the advantages that we possess in terms of a young entrepreneurial force, employability and growth vis-à-vis developed economies. It is however a grim reality that most of these fall short and we need strong institutional reforms in order to be able to capitalise on a young working age (WA) population. This article primarily focuses on India's demographic dividend (DD) and it's realities in an era of capitalism and neo-liberal reforms that have been introduced post 1990s.

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WHAT IS DEMOGRAPHIC DIVIDEND?

In order to understand DD one needs to know the Theory of Demographic Transition. Every economy passes through three stages of population shift. The first stage is marked by a very high fertility rate[1] (TFR) and fall in mortality rate[2] (TDR) which leads to large number of 'young' people below the age of 15 years- thereby creating a high dependency ratio[3](DR). In the second stage there is a fall in the TFR but the rate of population increase will still exceed the TDR by a considerable margin. Therefore, there will be a fall in DR relative to the first phase. The third phase results in a fall in the TFR to the extent that it would become approximately equal to the TDR, and this would result in a high old age population. The demographic bonus or gift therefore refers to the second phase of the age structure transition, and the proportion of working age population in the total population is presumed to be the highest during this period. (James, 2008)

Chandrashekhar (2006) considers that DD overturns the perception of large populations being a liability; rather being assets for the economy. In stark contrast, Coale and Hoover (1958)bring out the detrimental effect of demographic factors like size, age structure and growth rate of population on economic growth.

IN CONTEXT OF INDIA

The Economic Survey 2016-17 (ES hereafter) highlights that while China and Russia are likely to see a fall in their working age populations by 20% over the next three decades, India is going to see a rise of over 30%. Some of the suggested benefits of this DD include a greater entrepreneurial population which tends to save more and creates favourable competitiveness effects, a larger fiscal base and fewer dependents for the economy and the government to support[4].

There are, however, certain flaws associated with these propositions. The ES fails to mention where this demographic gift will get absorbed. An entrepreneurial environment requires ease of doing business, something which India has consistently not fared well in. Also, if we were to look at GDP estimates, around 60% of income comes from the services sector which employs only 1 million of the 415

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1 Total Fertility Rate- It refers to the no. of children born alive to a woman during her lifetime if she were to pass through her childbearing years.

2 Total Death Rate-It refers to the no. of deaths per year per thousand.

3 Dependency Ratio- The ratio of the non-working population (i.e below 14 years and above 65) to the working population.

4 Economic Survey 2016-17- page:30

million working age persons, thereby perpetuating jobless growth[5]. The total employment falls short of even the annual increment in the youth workforce[6].

The ES is very optimistic about saving habits of young individuals in the economy. However, saving habits would be deeply influenced by old-age requirements, and anticipations of illnesses, and supplementing these savings with appropriate means of channelizing them in the financial and money markets is quintessential.

Another point of contention is the hypothesis that there will be fewer dependents for the economy and government to support. The ES doesn't mention or account for the shifts in job structures in the economy and whether the predicted WA population increase will really be able to generate enough income to support the dependents. This approach of taking the ratio of WA to non- working age(NWA) population to measure DD is flawed as it doesn't account for the job composition and income contributions of these people to the nation's economy.

Another peculiarity is that it has been projected that India will have a prolonged WA to NWA ratio for much longer than countries like China and Brazil. However, whether this prolonged demographic boon will actually benefit us is another question that remains unanswered. China's high growth in 1980s indeed took place due to DD through public investments in health and education. The outcomes of investments in human capital in the two nations however, vary significantly. As per the latest data pertaining to the year 2013-14 released by the Health Ministry, Indians spend 8 times more on private hospitals as compared to government hospitals. Out of a total of Rs.4.5 lakh crores on healthcare expenditure, Rs.3.06 lakh crore rupees came from households, and the remaining was from the government. Public spending is therefore, abysmally low, around 29% of total health financing, or 1% of GDP.

The ES, to a certain degree, rightly delineates the heterogeneity in the demographic profile of various states in India, and the respective WA population evolution. It predicts peninsular states to have a lower level of WA ratio as compared to hinterland states (UP, Bihar, MP Rajasthan) thereby concluding that these relatively poorer states will be characterised by a young and dynamic population such that income levels across states converge. The sad fact is, it is these hinterland states which are primarily known their for poor HDI indicators, low standards of education and

[5] This term was coined by Nick Pherna in 1990s. It primarily points towards a macroeconomic situation wherein the country is progressing in terms of National Income and related macroeconomic indicators, but not able to create more jobs for the citizens, thereby maintaining or decreasing its level of employment.

[6] The “Demographic Dividend” and Young India's Economic Future- Chandrashekhar, Ghosh and Roy Choudhury

extremely bad state of public health facilities. Any optimism regarding these states requires tough institutional reforms at the state level, which requires rising above mere politicisation of these issues on paper and pushing forth large investments in human capital in these states. It is not just numbers that matter, the quality of workforce is equally important. Skilled workforce requires consistent efforts to improve primary, secondary and tertiary levels of education, and investment in public health facilities[7]. Furthermore, there is no mention of how gender-wise DD could be realised. It is true that WA population will increase, but will it be gender balanced? For centuries our patriarchal society has seen a gap in participation of men and women in the labour market. Not just that, the opportunities in terms of education and healthcare accessibility have always been differential for men and women. For instance, as per Census 2011 estimates, total literacy rates (LR)[8] 80.9% and 64.6% for men and women respectively. A large percentage of this gap comes from the states which are blessed with DD (For instance, in MP, the LRs for males and females are 80% and 60% respectively, and for UP the rates are 79.24% and 59.26%) which seems like a contradiction w.r.t the assertions made by ES 2016-17. Similarly, UNICEF data pertaining to 2012 suggests that Maternal Mortality Ratio (MMR)[9] was 178 deaths per 100000 live births, and that India contributes to 20% of global deaths relatable to childbirth and pregnancies. Bihar, UP, MP and Rajasthan- all four have MMR way higher than the national average (Bihar- 219, UP-292, Rajasthan-255, MP-230).

It is a well-known fact that the betterment of any nation requires participation of women in the workforce, which will not only increase their contributions to the economy's growth but enable them to participate in household level decision making resulting in economy wide positive externalities which can hardly be quantified in cardinal terms.

CONCLUSION

India has a promising DD indeed. But we can reap the fruits of this dividend only when we have the necessary infrastructural prerequisites like quality education- at primary, secondary and tertiary levels, strong public healthcare system, and skill

[7] A skilled and healthy workforce is quintessential towards the prolonged and sustainable growth of a nation, in economic as well as social terms. It is therefore, imperative for the government to invest in social capital to lay the foundation for skilled human resources in the economy.

[8] LR- The no. of persons above the age of 7 who can read and write with understanding in any language.

[9] MMR- It refers to the no. of deaths of mothers per 100000 live births.

development to increase employability. This requires sincere efforts by various government departments and agencies to formulate a comprehensive (as well as sustainable action plan) that addresses these issues at a grassroots level**.**

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UBI: Old Wine in a Fancy Bottle

The entire concept of UBI has gained a lot of stars and stares in the last few months. What runs in every mind is whether this acclaimed to be a new system is actually new or just and old thought put forward in fancy words and promises. On the face of it, the current designs of UBI haven't catered to the actual problem of poverty in the way they should, rather it only proportions additional expenditure on solving it. The question is whether it actually provides an add on benefit or is it a compressed form of whole gamut of welfares provided by the government. What one needs to ponder over is whether it's really needed now and would it reap the benefits as projected.

INTRODUCTION

The idea of Universal Basic Income (UBI) has been gaining glory globally. It is a form of **social security** in which all citizens or residents of a country regularly receive an unconditional sum of money, either from a government or some other public institution, in addition to any income received from elsewhere.

According to a recent Media reports, the government of India's flagship economic survey is likely to endorse UBI, setting the platform for its introduction into the system. Basically, UBI is being discussed as a solution to two problems; unemployment due to automation and poverty caused by extreme inequality and precarity.

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BEYOND THE DEFINITION

According to common belief, it'll solve the first problem by decoupling subsistence from jobs and thereby helping humans to realise their true potential. It'll also solve the second by providing monetary resources to fulfil basic human needs. However, things are not all gold and glitter.

The debate on UBI in India has gained enough light but what has not received adequate attention is why now and what are the 'add on benefits' if any.

Most importantly, it signals towards killing the incentive to work among individuals. The idea of 'something for nothing' doesn't go well with opponents of the idea, who fear a population that would become idle, signalling the end of high-functioning capitalism.

Also, the cost and expenses relating to UBI aren't coordinating with the benefits the public would rope in. Basically, if UBI is only about reducing poverty and curbing unemployment, then there's a lot the government could do at the fraction of its cost.

When talking of add on benefits, there are two conditions that need to be fulfilled for it to pass as a redistributive policy which it is believed to be. Firstly, it must come by taxing the rich, and the already provided benefits to the poor must not be taken away. Only such a policy would provide the aimed for income cushion. However, by far whatever designs for the said policy have been presented haven't been able to successfully cater to the said conditions.

In India, UBI is certainly not an add on benefit. It is more about giving cash under one umbrella, replacing what is already given to the poor (in cash and kind) via different channels. The only riding thought behind the entire policy is the age old conclusion stating "giving cash to the poor is better than the general notion of traditional welfare". As a matter of fact, in 2008, Arvind Subramanian, along with other economists talked about directly distributing in cash the huge amounts spent on subsidies to the poor. Henceforth, it's clear that UBI is nothing but old wine of direct cash transfer put in a new fancy bottle. The age old argument of replacing PDS with direct cash transfer is now coming with the tag of UBI wherein neither the substance is altered nor the motive.

Considering the enormous funds required to fund such a policy, the argument of increasing tax revenue is under scrutiny. However, given the narrow tax base of India and the hostile mindset of people towards mooching tax from the wealthy, this option doesn't stand a chance. So, the only way to make it a success would be to first, reduce the coverage of people under UBI and second, to reduce the amount being promised. Logically, this hampers the universal" and "basic" part of universal basic income. Incase the thought of rolling back the already provided benefits is cropped up, the citation of benefits provided by PDS, Mid day meal scheme, and MNREGS are infinite.

There's no denying to the fact that UBI appropriately fits into the current system by compressing all benefits into one umbrella, but the question arises, why now?

Perhaps doing away with PDS and state procurement of grains would pave the way for India in submitting to the age old pressure of developed nations. However, we can't forget this system would be a kickback for the grain producing farmers. When argued about the efficiency of such systems, one must not forget that these are rights based social entitlements with specified outcomes- not accidental.

CONCLUSION

To conclude, the final question is whether UBI aims at reducing poverty? if yes, then there's a lot mort ht can be done like timely release of funds for MGNREGS and enforcing wage laws. However, if these tried and tested ways of reducing poverty are looked over for UBI, a huge scepticism is around the corner.

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Spectrum of Indian Politics

Politics evokes strong emotions; some people like politics, while some others do not. But, politics cannot be wished away. Politics and economics are two most powerful factors influencing the lives of the societies and their members.

During last few centuries, the focus of political discourse has been the individual and their welfare. Apart from the ruler, the ruled also attracted the attention of political thinkers. Those who advocated change in political discourse to bring in the people in the centre-stage got to be called the 'Left', and they dubbed the traditionalists as the 'Right'. The 'Left' occupied primary space in the political discourse during the last century.

When Soviet Union and China abandoned their socialist economic systems and adopted the path of free enterprise to boost their economies, a realisation dawned on human mind that in spite of their extensive articulation, the rigid ideologies have limits on their ability to encompass all parameters of human and social reality. Some people went to the extent of saying that the “Left' may be highlighters of social problems, but, they cannot solve them; it is the “Right” which uses human talent, energies and innovativeness to build solutions to the problems.

Political ideologies can be understood in a better way by looking at certain distinctions between political terms that reflect upon some basic thoughts. Let us take , for example, **Individualism and Collectivism**.

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While Collectivism believes that the collective grouping of the people, be it a State or a community, is supreme, the individual in this thinking is primarily an instrument to serve the collective goals. On the other hand, Individualism believes that the individual occupies the primary position in the society and must be the main focus of all policy-making so that individual dignity is preserved at all times and the individual energy and talent are allowed to be unleashed to reach their highest point; it is this individual freedom, whether in economics or in politics or in culture, which allows human excellence and which brings progress in the society too.

However, the excessive emphasis on either of the two – collectivism or individualism -leads to suppression, turmoil and conflict in the society and hence the need for a balance between collectivism and individualism was also realised.

Another set of terms whose distinction needs to be understood is – **Liberalism and Socialism.**

Liberalism is a political philosophy based on the ideals of liberty and equality (the basic principles of Democracy) that grew out of the enlightenment. Classical liberalism emphasizes the role of liberty, sometimes even at the expense of social justice; and social liberalism stresses the importance of social equality, sometimes at the expense of favoring classical conservative 'big government' and 'state control' over classical liberalism. Conservatism is any political philosophy that favors tradition and order, the principles of Monarchies and Aristocracies. It can generally be understood as being in opposition to philosophy of classical liberalism and social liberalism. (DeMichele, 2017).

In the Indian context however, the political philosophies are interpreted in a bit more complicated way. From economic policy point of view, the liberalism group may believe in free markets and minimum intervention by state. It favours freedoms to people so that all resources must be owned by the people who exploit them to enrich themselves and the society. The liberalism views with favour abundant freedoms in all aspects of an individual's life.

On the other hand, the socialism group suggests that state represents the collective will of the people and must have substantial or total control over the life of the society; there should be state intervention, like a father, the government has to guide its child, the people, and thus it insists on keeping a check on all aspects of society's life - the education, culture and economic life.

Another set of terms to deserve analysis would be **secularism** and **communalism**.

This area of political discourse evokes maximum emotion and tension. While all agree that secularism is good and communalism is bad, the controversies start emerging when one tries to define the two terms for what they imply and also try to identify different people or groups for their inclinations.

While communalism can be easily defined as the practice of ill-will against another religious community or working exclusively for one's own religious community, the term 'secularism' creates some problems.

One view is that 'secularism' means that the State does not have any religion and that it does not support any one religion and that it does not interfere in the religious life of any community. On this view, some objections are raised through the argument that if a religious practice in a community is itself objectionable from the larger social viewpoint, should that not be curbed through state intervention. How can secularism be construed to mean that there can be no state intervention at all in the internal functioning of a religious community, whether it is the majority community or the minority community.

The other meaning of 'secularism' is that every body must respect the religious feelings of people belonging to other communities. In support of this view, the argument is that a society or country cannot remain secular if her people are not secular in their outlook. A nation full of communal people cannot hope to become a truly secular nation.

Another view on secularism is simply that the religious institutions of a society must not influence the functioning of the state; the religious institutions are supposed to remain engaged in their particular area of activity while the worldly activities are controlled by the worldly institutions.

All parties in India try to project themselves as the representatives of the best values that can be imagined and the opponents are dubbed as repositories of the worst.

The Congress party has the legacy of freedom struggle to its credit and therefore represented all the good values that can be visualized in any social set-up – freedom, liberalism, mixed economy with a pro-poor tilt. In the course of post-independence era, its aura started waning and it got mired in the allegations of corruption and family-servility.

The Bharatiya Janata Party, the Jana Sangh in its original incarnation, evolved as a party with a deep nationalist bent of mind and emotion of promoting and preserving the *Hindu-ness* of India's social fabric. It got its voice heard among many sections of the people because of the grievances in the minds of many Hindus that their worries have been ignored by the liberal-secular political class, a sentiment that was echoed by many Hindu leaders. In course of time, the BJP has attempted to widen its social base by shrugging off the tag of being a party of middle-class Hindu traders and professionals and by extending its reach to the deprived sections of the society.

The two biggest political parties of the country, the Bhartiya Janta Party (BJP) and The Indian National Congress (INC) don't sit ideologically on any of the extreme ends of the political spectrum though. They both have a claim of pan-India presence and a policy-mix with an all-India perspective.

The communist parties in India are a representation of the international communist movement which caught the imagination of young minds during the early decades of the last century. Having been once perceived as the instruments of radical socio-economic changes, what left political formations wish to be seen as, they too drifted into the quagmire of power-politics. Their ability to build such systems which could solve major problems of human society came under question. The abandoning of the socialist economic system by the USSR and China during the last decades of the last century came as a big setback to the communist movement the world over. In India, they have not been able to expand beyond their red fortresses and have rather shrunk to remain confined to a few areas of strong influence.

At one time, the socialist movement was very strong in India during the early decades of the post-independence era under the awesome leadership of Jai Prakash Narain and Ram Manohar Lohia. There were the Praja Socialist Party and the Samyukta Socialist Party with tall leaders like George Fernandes and Raj Narain. Slowly, the movement weakened and got nearly merged with the efforts of Chaudary Charan Singh to organize intermediary castes into a strong political force.

Smaller regional parties like the DMK, the TDP, Shiv Sena and Akali Dal are also continuing to exist because they cater to the socio-political needs of the local communities in their region. Where national parties are weak in their organization, the regional parties fill the gap. These regional parties cater not to any hard political ideologies but to the sensitivities and aspirations of the local people. And so, all of them align with one or the other all-India parties like the Congress or the BJP to make their national presence felt.

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The Trump Card

Americans this election season made a lot of room by consistently breaking through glass ceiling and hitting rock bottom, some people also went ahead and called it the season finale of the United States of America but no American or citizen for that matter could restrain themselves from calling it what it most likely appeared to be – "A Catastrophe". The US Presidential Elections was more of a farce than a serious manifestation of the most prominent event a country can possibly hold. It is both extremely hysterical and at the same time supremely saddening to see what elections have come to.

INTRODUCTION

For the American population, Obama leaving the presidential throne is like telling their kids that Santa Claus is dead - It is the end of an era! Donald trump on the other hand, the newly sworn in president has without a shadow of doubt created the greatest media frenzy of any major candidate running for President in the history of The United States. His proposed policies are not only inconsistent with his campaign of Making America Great Again but also highlight boldly his questionable track record of business and perceptible string of outbursts.

It started off as a candidate contesting to gain popularity and that's how the American population conceived it. But much to everyone's bewilderment, Trump came out as a front runner in the campaign and soon enough topped the charts to be named as

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the President of one of the most influential countries.

Why Trump's policies need patrolling?

Looking into some of Trump's propositions will give us a better insight on the whole subject: Eminent experts and economists have pointed out the horror that is associated with deportation of immigrants for the American Economy. Immigration has constantly been an important source of labour force growth. Lesser labour force straight out means reduction in productivity which would immediately swoop down the GDP by 1.4%. But that does not seem to be the opinion of the Honourable President of the United States, who feels America can be rebuilt solely by American hands and mind. He endeavours to build a border wall to keep away the Mexicans who come pouring into America, forgetting the cost of building this wall is too much for the economy of America to bear, of course however it still does not match his monthly expenditure on family trips which amounted to $11.3 million.

The reality-TV host-turned President also gained fame for having merely pandered to the very base, which included a significant racist element that helped launch his campaign.

This was the fear factor that began with Mexicans and other Latin American immigrants which was enough to send chills through other communities, particularly those of Muslim origin, who have faced repeated incidents of discrimination.

We're left to ponder that considering how flagrantly ill-advised Trump's immigration stance is, even from the perspective of helping the disaffected workers he promises to represent then why is he still sticking to it?

All we can say is that in this case, politics trumps economics, in spades.

Mexico Not His Only Foe

Tracing back to his opening salvo for the 2016 election we can recall a harsh, broad-brush attack on Mexico in which he mentioned the country 13 times, saying those who cross the southern border are " bringing drugs, they're bringing crime - they're rapists."

For a president who fancies himself a dealmaker, such brutish language is hardly an adequate starting point for good relations with a long-time neighbouring ally 'that hasnt always been so friendly.

His list of racist digs does not end there, in an interview earlier during his campaign

Donald Trump said mosques need to be 'watched and studied' because he believes they may spread hateful views. Besides the failed policy of immigration it's a good thing Trump seeks to build infrastructure- more highways, roadways, airports as it has been widely accepted by Americans who regard it as much needed, at least gives the people of America more ways to flee..

His inappropriate takes on various sections of the community also extends to his vicious jeers on women. With every debate peppered and every report brimming with controversial sexist remarks and allegations, Trump's attitude towards women has been awfully derogatory. To him it's always been an offhand remark, but there's major collective shudder that was surfing all across the internet.

MODI VS TRUMP

The discussion about the tiger and the white lion that have taken the world by a storm cannot be skipped. There comes in an obvious need to sketch a comparison between the two and much to our relief our Indian prime minister comes out a winner in every domain. Narendra Modi has risen from the ashes and proved to the entire world how a tea-maker can reach impalpable heights, whereas Trump had it easy due to his inherited wealth. It is also not a secret that Trump's straight forwardness has landed him in a soup more times than one. On the other hand the art of diplomacy imperative for every politician was developed by Modi over the course of his tenure which is one of the many things admirable about him. Even though they have both been constantly assigned to guilt over holding an Anti-Muslim image, Modi continues to uphold his campaign which highlights a vision that pledges to march all sections of society towards success and empowerment together. This is not deemed to be the belief of the American white lion who primarily wants to keep away immigrants, Muslims, and Mexicans amongst others that he disapproves of.

Having said that, it's undeniable that both these men are strong enough to shake the world up with the potential and power they possess. It's a boon for us that both of them up till now seem to have built a reliable alliance. The Modi cabinet can tap this opportunity to their advantage and build a fruitful relationship with the US because it's only customary that two great powers can refurbish the world by leaps and bounds.

Our Indian government is very well aware that like other major powers, we will have to behave as watchdogs to closely invigilate how the Obama legacy morphs into Trump's inheritance and comprehend the degree of continuity that will be carried on in past set policies between the two countries. The areas worthy of attention would be bilateral, regional as well as global issues.

At the bilateral level, it has been confirmed by some members of the Trump team, that India will remain an important strategic partner of the US, and the ties established during the Obama reign with the establishment of the Indian-specific law to uplift defence corporation would be further nurtured.

However the policy of the H1-B Visas has stirred up anxiety amongst the Indians as it would mean a major setback for the Indian Information Technology industry, 60% of whose $108 billion exports go to the US. Companies like Infosys, Wipro and TCS would be on the suffering end.

We cannot however not look at the bright side of this and how India can actually cherry pick policies and benefit out of this whole scenario. With the US turning bitter for most of East Asia, West Asia, Latin America and to some extent the Europe too, it would make India a side beneficiary of increased attention.

Speaking globally, US's close relations with Russia and the cordial alliance is very likely to suit India since we can then maintain terms with both. Also a US-Russia détente would by default mean decreasing Russia's dependence on Beijing and any policy that confronts China's expansion can never be unpropitious for India.

CONCLUSION

The good that came from it was that the technology giants Apple, Google and Microsoft all banded together against these atrocities launched in the name of policies. The young generation, as we know is hugely influenced by these leading companies and follow in their footsteps majorly, so when these giants condemned Trump's policies of immigration bans arguing that they inflict significant harm on the American Business and 200 companies listed in the Fortune 500 companies claimed that they represent a significant departure from the principles of fairness and predictability that have governed the immigration system of the United States for more than 50 years now, it instilled a sense of wrong and right in not just the average American population but created a buzz across the world letting people understand the gravity of this. It came as a relief that we still have people who would take a stand in the face of utmost inhuman and illogical behaviour from people we least expect it from.

Relatively it not just affects the United States of America to have a president like that but reflects the poor condition of the state of affairs of the whole world and what humanity has stooped down to. So we stand here feeling only too wretched .To wrap this up I would just like to say Sorry ISIS, you lost the title of being the number one enemy of USA.

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TO BE OR NOT TO BE?

One fine day, India, with its large, energetic population jumps into the 'startup bandwagon'. "Startups" become the new buzzword for the decade. Dreams of heading a start-up gleam in million pairs of eyes.

This revolution has a colossal impact on the lives and practices of customers—a fact that torments established brands and exposes them to the novel 'Startup ways' of doing things. It forces them to change their methodologies of thinking. But over the past few years, everyone seems to get a bit lost in innovation.

The paper brings into light the major differences between a startup and a brand. It then adopts a comparative scenario analysis of the two situations, one where brands do not think like startups and the other where they do. Finally, the paper suggests the best way to drive innovation in the discursive frame of business to adapt to the ever-changing business environment.

This paper hence, tries to answer the poignant question: Is 'thinking like a startup' the best thing that can happen to a business? Is it the time TO BE, OR NOT TO BE?

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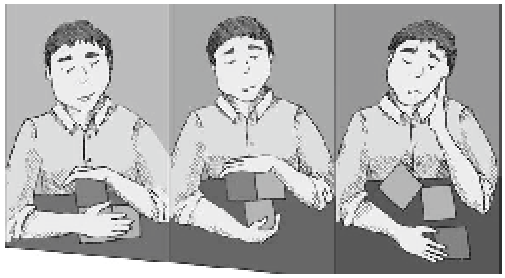
CURRENT SCENARIO ANALYSIS



"To be or not to be?" (Hamlet, Act 3, Scene 1)

If Shakespeare would have travelled to the present era in a time capsule, I am sure he would have admired his works even more; given that they have surpassed the pangs of time and have held relevance in the modern times as well!

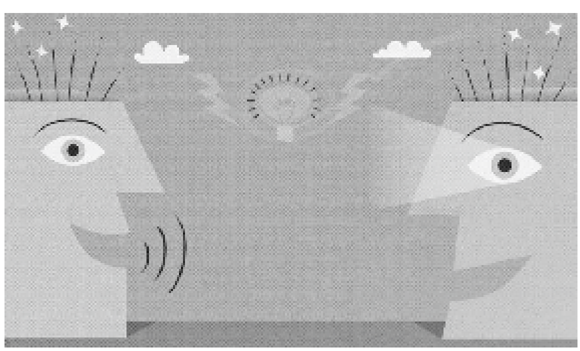
"The number of startups increasing—from 3,100 startups in 2014 to a projection of more than 11,500 by 2020, was certainly not a passing trend. It was a *revolution*. And it was going to change the way the markets were working in India." (Sikka, 2015)

Never before in India's economic history had '*entrepreneurship*' been brought to the limelight by the incumbent Government and policy makers. With schemes like 'Start-Up India, Stand-Up India' and with numerous benefits accruing to start-ups, we are witnesses to the booming start-up growth in the country.

This upsurge made even the conventional business rethink on the ways they adopt to carry out operations. The startup bubble soon enforced the '*think like a startup*' idea in the air.

But the question still remains: Is it the right time to think like a startup? Is it necessary or is it just a passing fashion?

Startup versus Brands



In an article named, "Why thinking like a startup won't work", Dianne Wilkins very clearly highlights a very crucial point which shall be the basis of my assessment. He says that brands and startups have dissimilar '*strategies of innovation*', and the reason for this is entrenched in basic business sense: **'*organizations are good at what they're built to do*'.**

Clearly, Startups are supposed to be *"disruptive"*, they need to bring about a breakthrough with the products and services they offer. They need a distinctive set of traits: they should have minimal formal processes, must be driven by revenues, should respond quickly to the dynamic business environment, be consumer-centric and must have a healthy dose of paranoia.

On the other hand, brands are built to be *"sustainable"* and *"transformative"*, which means their idea of innovation lies in the gradual improvement of product experiences, while gaining the attention and grip for their brands along the way.

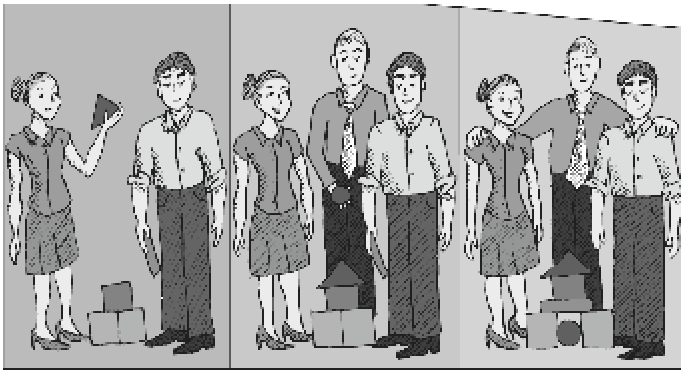
These characteristics and habits that are necessary for a startup can actually reduce a company's likelihood for success as it further grows and expands. '*Startup-savvy*' businesspersons often make numerous quick-decision mistakes that influence lucrativeness and repute, they may have a vision but no on full proof plan to implement it, and the *"seat-of-the-pants"(Alampi, 2013)* style of management that worked well in the early stages will never withstand itself in a conventional company.

"Thinking like a startup is the worst thing you can do for your business" (Alampi, 2013)

The article clearly refutes the need to think like a startup for the very reason that both these kinds of organizations are built on contrasting genes. They are built to serve different motives and both evaluate their performances on different scales and parameters. Adoption of cross organizational cultures and methods shall only result in utter chaos and mismatches. This just reaffirms the proverbial adage, *"We should not try to put square pegs in round holes"*.

Is thinking like a startup really bad?

Startups are dedicated to innovate, to create something original under situations of extreme uncertainty and ambiguity. 'Thinking like a startup' inherently means getting the idea out fast, challenging it, refining it, and then trying it again.



"We don't just need change; we need breakthrough, paradigm-shifting, transformative, disruptive ideas." (Mathews, 2012)

Here's how a typical 'startup culture' looks like:

1. The only thing CONSTANT in a Startup is CHANGE:

Thinking like a startup helps us to think ambitiously about transformation. It necessitates and rewards novelty and originality. It causes us to constantly reevaluate our organization, purpose, and drive: not against what it is or what it has been, but against what it needs to become.

2. Startup is a platform, a springboard:

A Startup acts as a rostrum for those who want to absorb and advance knowledge, more often than not, validating their ideas!

3. Startups set an agenda for action:

Whether beginning new initiatives or addressing existing ones, the startup mentality challenges us to test and validate our assumptions. It keeps us on the path to constant and motivated action.

4. Many Startup bubbles make a culture:

Embracing startup culture is embracing a forward-thinking and future-oriented perspective. It binds us together. It reinforces a new culture in the conventional societal and organizational set-up.

5. Ideas don't work for you, unless you work for the idea:

Ideas are the easy slice. Coming up with them doesn't make one an visionary or a game-changer or an agent of change. True entrepreneurs work towards its implementation. They take ownership of the concept, believe in it, advocate for it, fight for it, shape it, breathe life into it, and turn it into a reality. They take responsibility to see it through till the end**.**

Ideally, the question should NOT be "Should brands think like startups?" but instead "How can brands and startups innovate together?"

Here's how the blend of the two shall work:

1. Fail Fast, Fail Smart:

They shall try, they shall fail, they then shall introspect, innovate, and improve and then they shall try again; building failures into an ongoing process.

2. Change direction if that leads to the destination:

Realizing when they need to pivot their idea in a new direction will be as critical as they cultivating innovation. They would hence, not get stuck following Plan A but shall get to a plan that works.

3. Plant many seeds:

They shall try out different methods, work on varied ideas and nurture the one that seems most promising.

4. "Seize the White Space"(Mathews, 2012):

"What hasn't been done before?"

"What all opportunities exist to help people in new ways?"

They shall force themselves to think, *"What can we create today that will be essential tomorrow?"*and then tap into the first-mover advantage that shall accrue to the entity.

A trail to a novel revolution

Steve Jobs expounded, we need to endeavor to *"dent the universe"*, *"build the impossible"*, and offer *"insanely great"* services, products, and spaces.

Instead of trying to outdo disruptive startup innovations or emulating startups in order to be innovative by association, agencies need to 'open' their business, structures and thoughts to plot an enthusiastic service to help the duo: Startups and the established brands to leverage everyone's core competencies.

In the new *innovation ecosystem*, each party's role should be as tangible and concrete as the goals they set collectively.

"Startups will drive innovation; brands will bring their reputation, reach, marketing power and influence in their industries; and VCs will be the selectors of the right talent and promising young companies to work with." (Wilkins, 2015)

"Now is the time to *"zoom out"* rather than *"zoom in*." Let's not pigeonhole ourselves into finite roles." (Mathews, 2015) By ensuring that innovation flows progressively and stays energized by the fortes of each group, we can attain a whole new trail to a novel revolution— and eventually change consumers' lives like never before.

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