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STRIDES - A STUDENTS' JOURNAL OF SHRI RAM COLLEGE OF COMMERCE
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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'.

ABOUT THE JOURNAL

It is a double blind reviewed bi-annual Journal launched exclusively to encourage students to pursue research on the contemporary topics and issues in the area of commerce, economics, management, governance, polices etc. The journal provides an opportunity to the students and faculty of Shri Ram College of Commerce to publish their academic research work.

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Shri Ram College of Commerce is committed to upholding the high academic standards. Therefore, the Committee on Publication Ethics (COPE) follows a 3-Stage Selection Process while approving a paper for publication in this Journal. The policy is as follows:

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Format

Format of the article on the front page should be:

1. Title
2. Name(s) of the student(s) and mentor along with their details
3. Abstract
4. Keywords

Abstract

The abstract should capture the essence of the article and entice the reader. It should typically be of 100 -150 words, and in Italics.

Font type and word limit

The research paper is to be typed on A-4 size paper with single line spacing. The complete length of the paper should not exceed 5000 words including endnotes and references. The font size should be 12 and font style should be Times New Roman.

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The Journal adheres to the APA (American Psychological Association) Referencing Style, Sixth Edition. Students must refer to the APA Referencing Guidelines to ensure conformance to this reference style. For further information you may visit the following link - http://www.apastyle.org

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Endnotes should be serially arranged at the end of the article well before the references and after conclusion.

Table, Figures, Graphs

The first letter of the caption for table, figure, graph, diagram, picture etc. should be in capital letter and the other words should be in small letter - e.g. Table-1: Demographic Data of Delhi, Figure-1: Pictorial Presentation of Population etc.

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Declaration

As part of the submission process, the student and mentor needs to declare that they are submitting original work for first publication in the Journal and that their work is not being considered for publication elsewhere and has not already been published elsewhere. Again, the paper should not have been presented in any seminar or conference. The scanned copy of duly signed declaration by the students and their respective mentors has to be emailed along with the research paper.

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Principal's Message

To achieve and promote excellence in research and publish quality academic as well as educational resources as guided by the Mission Statement of the College, Shri Ram College of Commerce had launched a Journal, "Strides- A Students' Journal of Shri Ram College of Commerce" on the occasion of 91st Annual Day of the College held on 13th April, 2017. The Journal was released by then the Hon'ble Union Minister of Human Resource Development, Shri Prakash Javadekar. The Journal publishes the research papers and articles written by students of the College under the mentorship of Faculty Members which go through an intense review mechanism before getting published.

Through the Journal, students get an excellent platform to enhance their research calibre, display their academic perspective, and practically apply their classroom learnings to real-world situations. The present Issue includes several multi-disciplinary and contemporary topics such as "Quantum computing: A futuristic frontier in the financial sector", "Unfolding the Global Hunger Index 2020", "Role of Monetary and Fiscal policies during Covid-19: India and Comparative Analysis", "An analysis of macroeconomic and bank-specific causes for burgeoning NPAs in India", "The political leaning paradox", and "Re-engineering climate change solutions through carbon credit trading".

I wholeheartedly congratulate the Editor, Strides, Dr. Rajeev Kumar and students whose research papers got published in Volume 4 Issue 1 & 2 of the Journal. Simultaneously, I encourage more students to contribute their research papers for the successive Issues.

My best wishes for your future endeavours!

Prof. Simrit Kaur
Principal

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 acknowledges and values the role of research in education and is firmly committed to develop and encourage an inclination towards research in both faculty and students. To reaffirm this ethos, 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 a bi-annual Journal launched exclusively to publish academic research papers and articles by the students on contemporary topics and issues in the area of commerce, economics, management, governance, policies etc.

In order to maintain high standards of publication, COPE (Committee on Publication Ethics) has been constituted. The COPE is the apex authority which authorises over all the decisions related to publication of research papers and articles in Strides. The recommendations and decision of COPE is final and binding.

To maintain high academic standards, academic ethics and academic integrity, a rigorous process of double-blind review of research papers is followed along with screening of plagiarism of each manuscript received by the COPE for publication. The research work published in Strides is absolutely original and not published or presented in any form at any other public forum.

The foundation issue of the Journal "Strides - A Students' Journal of Shri Ram College of Commerce, Volume 1, Issue 1, 2016-17" was successfully released on 91st Annual Day of SRCC held on 13th April, 2017 by Shri Prakash Javadekar, Honb'le Union Minister of Human Resource Development, Government of India. The successive issues of 'Strides - A Students' Journal of Shri Ram College of Commerce' have been released bi-annually. However, due to the COVID19 pandemic and ensuing lockdowns the current issue has been delayed.

I congratulate all the students whose research papers are published in this issue of Strides and express my sincere thanks to their mentors and referees.

Dr. Rajeev Kumar
Editor

STRIDES - A STUDENTS' JOURNAL OF SHRI RAM COLLEGE OF COMMERCE

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RESEARCH PAPERS

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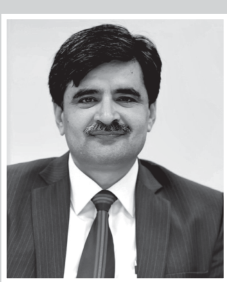

Mentor:
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Role of Monetary and Fiscal Policies during Covid-19: India and Comparative Analysis

ABSTRACT

This paper focuses on analysing the role played by Monetary and Fiscal policies during the pandemic caused by COVID-19. The paper highlights the impact of countrywide lockdown on different sectors of the Indian economy, ranging from agriculture to financial sector, and the corresponding monetary and fiscal measures adopted to avoid the disruptions in economic activities. Furthermore, the economic performance of the country is analysed during the financial year 2020-21, highlighting the V-shaped recovery, revenue and expenditure patterns, inflation and employment, and social infrastructure. Comparative analysis is done between India and three other countries, namely China, United Kingdom and United States of America, in terms of the policies and measures *adopted during the pandemic and how successful these have been in tackling the situation.*

Keywords: Policy, Monetary, Fiscal, COVID-19, Lockdown, Economic Analysis

INTRODUCTION

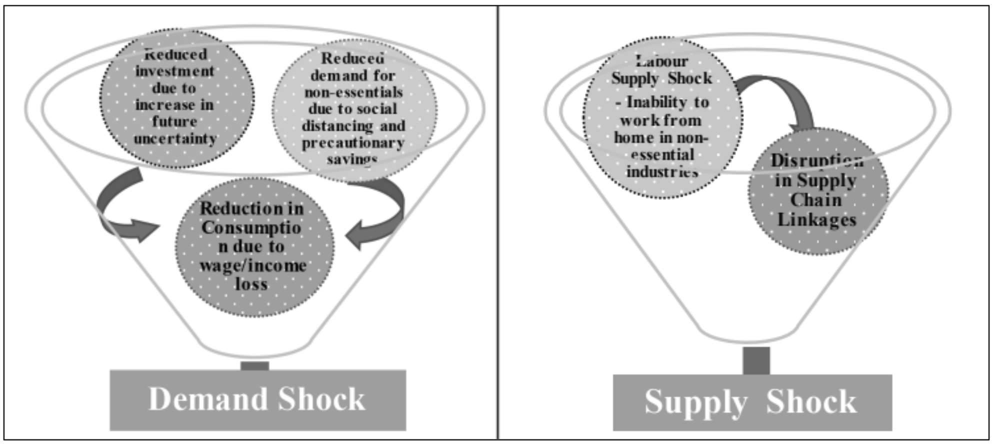
COVID-19 is a disease caused by a strain of coronavirus and was first identified in China (Wuhan City). It was reported to the WHO on 31 December 2019, and on 11 March 2020, the WHO announced the episode a worldwide pandemic. "A pandemic occurs when a disease that people are not immune to spreads across large regions". The virus is transferred via direct contact with the respiratory droplets of an infected person. People can likewise be infected from contacting surfaces polluted with the virus and touching their face (e.g., nose, mouth, eyes).

The first COVID-19 case in India was reported on 30 January 2020, after which the cases continuously increased in the country. On 24th March 2020, the Government of India announced 21 days nationwide lockdown, which was later stretched to June 2020 (RBI, Annual Report, dated Aug 25, 2020). Similar actions were taken by other countries in the world which fragmented the world economy into million pieces. During the covid-19 period both the private sector and public sector were struggling. Support from the government and the central bank of the country was the only option left with the economy.

During any crisis, two types of shocks operate in the economy: aggregate demand reductions and supply-side disruptions (as shown in figure 1). Corresponding to the shocks, macroeconomic policy responses are typically of two types: (i) Expansionary monetary policy and (ii) Expansionary fiscal policy.

Both Monetary and Fiscal policies have been used to regulate economic activity and accelerate growth during this economic slowdown. Fiscal policy refers to the use of government revenue and expenditure policies to influence the economic environment of a country, mainly macroeconomic conditions, including employment, inflation, aggregate demand for goods and services, and economic growth. On the other hand, Monetary policy refers to the steps undertaken by a nation's central bank (Reserve Bank of India in case of India) to manage money supply and achieve macroeconomic goals that promote sustainable economic growth. This is generally done with reduction in policy rates, reserve ratios and/or expansion of money supply

Figure 1: Twin Economic Shocks by the Pandemic



(Source: Economic Survey 2020-2021)

This paper tries to analyse the government's Fiscal policies and central bank's monetary policies during this pandemic year 2020 and how effective these measures were for the economic recovery, areas requiring immediate attention by the government and what else could have been stressed upon.

LITERATURE REVIEW

The literature reflects that the COVID-19 pandemic has brought in immeasurable macroeconomic uncertainty. Many have termed it as a humanitarian crisis and in fact, a World War III. Now, the nation is facing a mammoth task of saving both "lives" and "livelihood" of people.

(Arunika Agarwal, David E. Bloom, and Anita Shet, 2020) in their study suggest that the COVID-19 pandemic has posed multiple challenges before the Indian government- in terms of health and socio-economic effects- both direct and indirect. The degree of the impact will vary from temporary to long term. Under such a pandemic situation, the only promising thing that can provide immunity to the people and the economy is the safe and effective vaccine. Until this happens, there is a need to continue with wearing masks, social distancing, and washing hands, as well as focusing on ramping up public health infrastructure and reaching out to vulnerable populations, to help India get back on the road to improve its population health.

(Lekha Chakraborty and Emmanuel Thomas, 2020) points out that the macroeconomic uncertainty developed by COVID-19 is difficult to measure. The situation requires aggressive policy interventions in fields of health infrastructure, livelihood and humanitarian issues developing due to migration of workers. Although India has announced its measures, more fiscal and monetary policy measures are required to scale up the policy responses to "whatever it takes" level. Innovative sources of financing the deficit, including "money financing of fiscal programme"—a variant of helicopter money—can be a solution. Breaching the Fiscal Responsibility and Budget Management Act, 2003 by raising the threshold deficit– GDP ratio from 3% is significant, with a clear "excessive deficit procedure road map" as the post-COVID-19 exit strategy. The government as the employer of last resort with an effective rise in the existing wages could be an effective component of this policy.

(Maurice Kugler and Shakti Sinha, 2020) points out that the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) and supply of highly subsidized food grains during the period of lockdown have acted as saviour in keeping unemployment rates down and ensuring social stability. 36 million people were employed under MGNREGA in May 2020. This increased to 40 million in June 2020. However, MGNREGA has a limit of maximum 100 days guaranteed employment and it does not cover urban areas. Therefore, India needs to ramp up MGNREGA, introduce a guaranteed urban employment scheme, add a greater number of guaranteed employment days and increase further cash transfers to poor households for their better survival.

(N R Bhanumurthy and O.P.C. Muhammed Rafi, 2020) highlights that under the Atmanirbhar Bharat package, the monetary support is expected to be around 8% of GDP. Monetary policy transmission through rate cuts has improved substantially, though focus should be more on the credit channel, as it comes out to be more effective than the interest rate channel. Thus, the window of one-time restructuring of some stressed assets will aid the banking sector in enhancing credit flow. According to expert views, while these measures would try to boost the demand in the economy, there could still be some response delays from the supply side. This means that while both demand and supply will be lower than before the pandemic, Monetary and fiscal measures might succeed in stimulating demand more than the supply, and may lead to inflationary pressures in the economy.

RESEARCH METHODOLOGY

- Collection of secondary data on policies and measures through online websites, research articles, government publications, etc.
- Used the official Websites of RBI, Federal Reserve, IMF, World Bank, OECD, etc for collection of data on economic performance and growth in FY21.
- Analysis of Data – Compared the economic performance of India with that prevailing in other nations (China, UK, USA). We analysed the monetary and fiscal policies adopted by these governments, and studied their impact and role in economic revival.

OBJECTIVES OF RESEARCH STUDY

- To study the impact of pandemic on different sectors of the economy
- To analyse the role of Monetary and Fiscal policies in economic recovery and growth
- To study the comparative position and progress of India with China, UK and USA

SECTORAL IMPACT

We begin by looking at the impact of COVID-19 on various sectors of the economy, so as to build a better perspective in terms of affected areas and required policy stimulus.

Trade

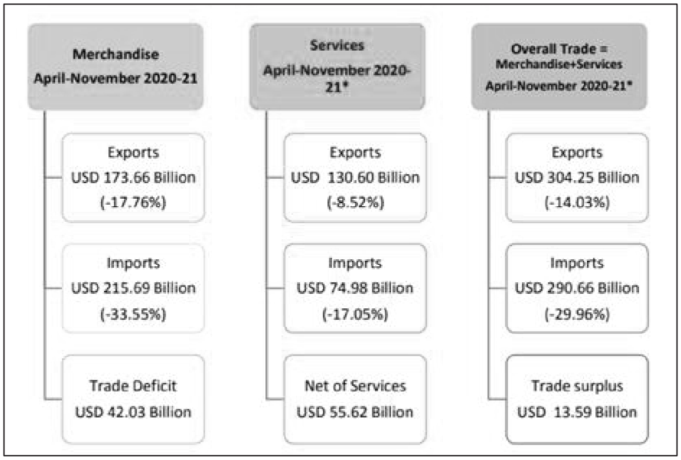
India's exports during March 2020 represented $21.4 billion, contacting a multi-year low (according to the Ministry of Commerce). As the lockdowns started in countries, worldwide demand fell sharply and trade contracts were cancelled as the supply chains were disturbed. In the shipping business, delivering lines needed to change ports of call due to restrictions from various countries, with additional stockpiling of compartments at few ports as neighborhood supply chains broke down around the world.

Table 1

Sectors	Contribution to India's exports	Risk
Materials, Clothing, and Transportation	18%	Highest
Fuels, Chemicals, Stone and Glass	40%	Moderate
Vegetables, plastic, rubber, animals, food products, etc	Low reliance on exports	Low

In the case of imports, the overall low costs of crude oil, India's biggest imported item, kept external fluctuations low. The economic impact during the pandemic has been from both demand and supply shocks.

Figure 2: India's Foreign Trade, April-November 2020-21



(Source: RBI, 15 December 2020)

Manufacturing

In many sectors, MSMEs were already facing a pre-lockdown decline in business because of economic stagnation and disruptions in market demand and global supply chains. With the onset of a pandemic, industries including electronics, automotive, pharmaceutical, and aircraft manufacturing faced raw material issues. As the lockdown began, semi and unskilled workers migrated back in large numbers to their hometowns.

The economy contracted by 7.5% in Q2 (July-September), as compared to a 23.9% fall in Q1 (April-June), exhibiting some recovery signs in the manufacturing sector. Furthermore, the easing of lockdown restrictions, along with the improvement in market sentiments, supported an increase in production activity. As per the Ministry of Statistics and Programme Implementation, the manufacturing sector recovered from a 39.3% contraction in the Q1 to a 0.6% growth in Q2.

Construction & Infrastructure

Before the pandemic, there was a fall in liquidity due to rising levels of NPAs in financial institutions and the NBFC crisis, and thus capital was not being readily available for all types and sizes of builders. Then, the restrictions that came with the lockdown prevented work on ongoing projects. These delays and disruptions increased costs and losses and brought the construction industry to a sudden halt. All construction activities and supply of raw materials were stopped and because of the uncertainty, workers migrated back to their hometowns.

In Q2, 2020 there was a 50.3% drop in demand and overall, the industry is likely to shrink by 14.9% in 2020 as compared to 2019 (Construction Week Online, 09 Sep 2020). The S&P BSE India Infrastructure index lost almost 35% value between Jan-March 2020 and the effect still continues. A big push to this sector is likely to come from the government through its mega projects lined up in the National Infrastructure Plan, along with the Affordable Rental Housing Complex (ARHC) scheme of the Pradhan Mantri Aawas Yojana – Urban. In this way, the housing construction industry will attract a significant portion of government investment.

Service Sector

The service sector contributes about 55% of India's economy and nearly 1/3rd of its jobs. Reductions in both inflows and activities were observed as lockdown restrictions stifled demand and forced companies to cease operations. According to the Purchasing Managers Index-Services (Nikkei/IHS), India's services improved only at 34.2 points in July'20 from 33.7 in June'20. Even after easing restrictions, people still remain cautious about discretionary spending as well as health and safety.

-Restaurants

The National Restaurant Association of India (NRAI) had advised its members to shut down operations from March 2020. As per a CRISIL report, "India's organized dine-in restaurants are on course for a 40-50% cut in revenue this fiscal because of the disruptions caused by COVID-19 pandemic, which have led to outlet closures, job cuts and trickle-down effect on the food supply chain."

-Hotels

Tourism constitutes about 10% of India's GDP. The topmost concern post-Covid-19 will be on the health and safety issues of the hotel. "According to JLL's Hotel Momentum India (HMI) report, the Revenue Per Available Room (RevPAR) across markets has fallen 52.8 year-on-year in the January to September 2020 period."

-Public Transport

Public transport has not witnessed a good recovery, thus reducing government revenue collections. This is because COVID-19 may have a long-term impact on people's travel behaviour, as now the preferred mode of transport will be influenced by safety concerns, and hence public transport would be the least preferred mode.

-Retail & Ecommerce

The major segments of E-commerce are healthcare segment (31%), the food and beverage sector (19%), and the household and personal care products (50%). In the current pandemic scenario, consumers mostly preferred the online mode of shopping. Daily essentials categories saw a massive increase in searches (200%), whereas Lifestyles sales witnessed a fall between 15%-30% because of an increase in consumer price sensitivity. The digital world also got a big push as a result of E-commerce, even small retail stores are now using online payment apps like Phone pay and Paytm.

-Education

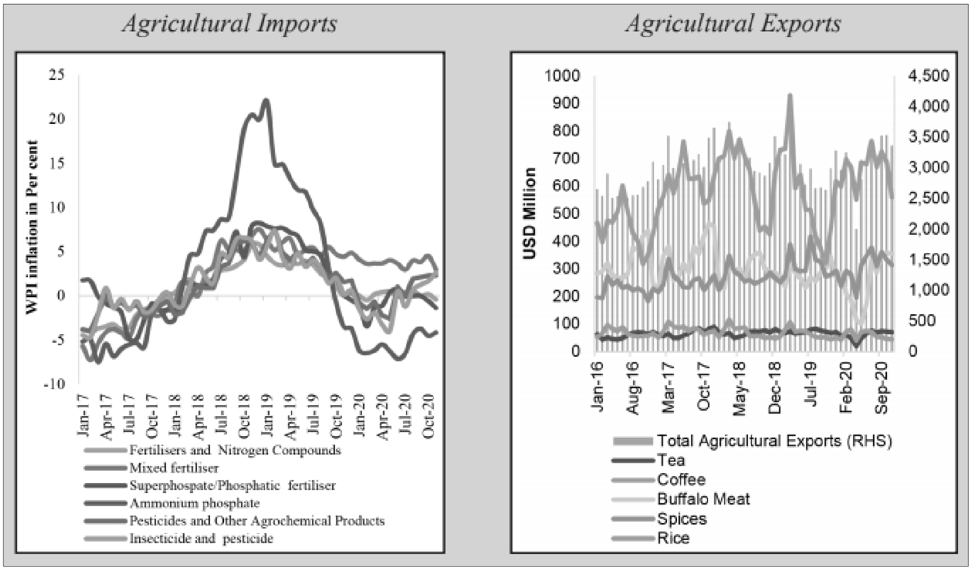
The education sector saw a drastic change in terms of digital education., with the schools and colleges conducting their routine classes digitally from homes. Even services like fee payments, online exams, college library, etc were online during this pandemic. Thus, this crisis has also brought to light the need of investing in technologies, cyber security, and e-governance.

Agriculture

As the GOI announced nationwide lockdown in March 2020, the economy came to a halt, but still, the food prices stabilized for most of the agricultural goods; though delivery channels were impacted. By June, the goods started arriving at mandis at rates as before. The economy didn't face any shortage of food grains, fruits, and vegetables, and thus there wasn't panic among consumers to stock these commodities in large quantities.

The Finance Minister announced a 1.7 trillion package, so as to protect the sections more prone to adverse effects of the Corona pandemic, especially the farmers. This was done through direct bank transfers of Rs2000 to accounts of farmers as part of the PM-KISAN scheme.

Figure 3: Impact of COVID-19 on Agriculture and Related Activities



(Source: Economic Survey 2020-21)

Healthcare

"In terms of access and quality of health services, India was ranked 145 out of 195 countries in a Lancet study published in 2018" (Indian Express). The Indian Healthcare sector includes hospitals, diagnostic centers, medical practitioners, medical tourism, health insurance, medical equipment, and wellness chains.

-Medical Tourism

Approximately, medical tourism forms 35% of private hospitals' revenue. "India witnessed a footfall of 0.697 million foreign patients on a medical visa in 2019 which accounts for 6.9% of total foreign tourist arrivals and USD 3 billion markets for India" (Financial Express). But in the post-covid era, the sector came to a standstill, which made the private hospital business highly financially unstable. This happened because of the travel breakdown in the world, a record decline in airline demand, closure and shut down of medical tourism agencies, widespread financial hardships among many industry key players and no foreseen resolution to COVID-19 fears.

-Medical Equipment Industry

During the pre-covid phase, India was highly dependent on imports from China, America, and other countries for the supply of medical equipment. The GOI through its flagship initiative 'Aatma Nirbhar Bharat' relied heavily on domestic manufacturers to meet the demand. Before the outbreak, only 20 domestic firms were manufacturing 62 lakhs PPE kits per year, but within 2-3 months, the number of manufacturers listed with AIMED (Association of Indian Medical Device Industry) increased to 140 with 25.55 crores annual capacity. Similarly, as of October 2020, the number of Indian ventilator manufacturers went up from 8 to 17, mask manufacturers from 30 to 108, swab manufactures from zero to five, and sanitizer manufacturers from 35 to 49 and RT PCR kit manufacturer from 0 to 8.

-Health Insurance

The Health Insurance industry has witnessed massive growth and shifts towards digitalization. In the first half of 2020-21, for the first time in the last 20 years, health insurance became the most important part for non-life insurers in terms of premiums collected with a y-o-y development of 15.8%. "According to the General Industry Council, health insurance accounted for 29.7% of premiums collected by non-life insurers in the first half of 2020-21" (Live Mint).

-Pharmaceutical Companies

"*The Indian pharmaceutical industry is the world's 3rd largest drug producer by volume and the country's market manufactures* 60% *of vaccines globally*" *(Europeanpharmaceuticalreview.com)*.

Indian manufacturers rely heavily on APIs (Active Pharmaceutical Ingredients) from China**.** Due to Covid-19, the supply chain disruptions restricted the supply of APIs for the Indian pharma companies and on the other hand, export restrictions disrupted the sales of Indian medicines. Currently, the government of India is taking steps in direction of domestic production of APIs to reduce its dependence.

Finance sector

-Banking

If we talk about digitalization then it would not be wrong to say, 'Covid-19 is an opportunity in disguise for the Indian banking sector'. Due to lockdown, it became difficult for customers to visit bank branches physically, which is likely to result in a more permanent shift in customer preferences for digital channels of banking.

Besides this, the moratorium period announced by RBI would probably result in an increase in NPAs of Indian banks. Retail and commercial banking also experienced a sharp decline in revenues due to disruptions in demand.

-Mutual Funds

Between December 2019 and April 2020, the share of *individual investors* in mutual fund assets continuously decreased, while the industry witnessed a continuous increase in the share of *institutional investors* in mutual fund assets. With the abrupt closure of Franklin Templeton's six debt funds, the distrust of investors grew up about the way forward. Thus, the mutual fund market fall was like a financial cyclone that waved away the faith and stability of Indian investors, despite miscellaneous liquidity measures taken by the Government of India.

-Insurance

In the first half of the financial year 2020-21, Health Insurance experienced a positive y-o-y growth of 16% followed by fire and liability insurance. Whereas Motor, Crop, and Personal accidents experienced negative y-o-y growth.

Also, the Insurance Regulatory and Development Authority of India (IRDAI) has designed two standardized Covid-19 health insurance policies that have to mandatorily be offered by companies.

-Stock Market

On Monday, 23 March 2020, before the nationwide lockdown was imposed, the Bombay Stock Exchange Sensex had closed at 25,981 (23/03/20) points. But now, with the pandemic still raging, the Sensex hit 49,000 (11/01/21) points — an all-time high. The jump by the Sensex was matched by the National Stock Exchange's NIFTY 50, which rose from 7945 (23/03/20) to 14,400 (11/01/21) points, its highest-ever figure too.

The Indian stock market crashed in the initial period of the lockdown but it is rightly said that 'Stock prices try to discount the future' which means stock markets are forward-looking. So, one of the reasons why the Indian stock market index hit an all-time high can be because of the optimism about the arrival of Covid-19 vaccines and positively improved testing and treatment options.

MONETARY POLICY HIGHLIGHTS

Q1: April-June

Volatility could be seen in financial markets with panic sell-offs by Foreign Portfolio Investors (FPIs) resulting in wealth destruction in equity markets and currencies experiencing severe depreciation pressure on a daily basis. After assessing the macroeconomic situation, the Monetary Policy Committee (MPC) decided to bring down the repo rate from 5.15% to 4.40% by 75 basis points (March 27, 2020) and maintain the 4% medium-term target for CPI inflation in targeted range of -/+ 2%. The cash reserve ratio (CRR) was reduced to 3% by 100 basis points. "The repo rate was further reduced from 4.40% to 4.0% by 40 bps (May 22, 2020). The Bank Rate was reduced from 4.65% to 4.25% and reverse repo rate from 3.75% to 3.35%".

Along with existing policies, RBI announced following additional measures:

- **Improvement in market functioning:** A refinance facility of 15,000 crore was announced by the RBI to Small Industries Development Bank of India (SIDBI) at RBI's policy repo rate for a period of 90 days. With respect to the condition for investments by FPIs, that in any event 75% of allocated limits should be invested within 3 months, however an extra 3 months' time will currently be permitted to satisfy this necessity.

- **Aiding exports and imports:** The maximum reasonable time of preshipment and post-shipment export credit endorsed by banks was increased from the current 1 year to 1 year and 3 months, so as to ease difficulties faced by exporters. Similarly, to provide more flexibility to importers, time for payment for imports was increased from half a year to one year from the shipment date (for exports or imports made before or up to July 31, 2020).

- **Addressing state governments' financial constraints:** Guidelines were relaxed on withdrawal from the Consolidated Sinking Fund (CSF) of State Governments to empower the states to fulfil nearly 45% of the retrieval of their borrowings from the market, due in 2020-21.

Q2: July-September

Rising cases of COVID-19 infections during July in major economies depressed signs of revival. This necessitated another set of regulatory policy to Inject more liquidity and ease financial stress.

- **Additional Liquidity Facility to Banks for Housing Sector:** "Rs 65,000 crores were allotted to National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), National Housing Bank (NHB) and EXIM Bank". An Additional Standing Liquidity Facility (ASLF) of 5,000 crore was provided to NHB to support Housing Finance Companies (HFCs) under the predominant conditions and enlarge the progression of money to the sector.

- **Advancing loans against Gold Ornaments and Jewellery:** According to the guidelines, advances endorsed against gold ornaments and jewellery for non-agricultural purposes could not surpass 75% of the estimation of these adornments and gems. In order to mitigate COVID-19 impact on family units, business people and small businesses, it was decided to increase this loan to value ratio (LTV) from 75% to 90%.

- **Reviewing Guidelines for PSL:** The Priority Sector Lending (PSL) guidelines were reviewed after discussions and consultations with all stakeholders, aimed at encouraging and supporting friendly lending policies to help accomplish Sustainable Development Goals (SDGs).

Q3: October-December

Looking at the evolving macroeconomic situation, the Monetary Policy Committee decided to keep the repo rate and the reverse repo rate unchanged at 4% and 3.35% respectively. The liquidity measures undertaken include:

- **Open Market operations (OMOs) in State Developments Loans (SDLs):** SDLs, along with T-bills, government securities and oil bonds, are eligible collateral for Liquidity Adjustment Facility (LAF). It was decided to undertake OMOs in SDLs to improve liquidity and facilitate efficient pricing.

- **Liquidity Management for Regional Rural Banks (RRBs):** The RRBs weren't allowed for the use of RBI's liquidity facility. However, two new measures were proposed to address these issues: "to extend the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) to RRBs, and to permit the RRBs to step in the Call/Notice money market".

- **Dividend Distribution Policy for NBFCs:** There were no provisions with regard to distribution of dividend by NBFCs, unlike banks. Considering their significance and interlinkages in the financial system, it was decided to formulate guidelines on dividend distribution by NBFCs, as per a matrix of parameters, subject to a set of generic conditions.

Analysis Note: In order to boost investments in the economy, interest rates have to be lower, and expanding the money supply solves the purpose, avoiding the costs of borrowings at the time of recession and a cash crunch. On 27th March, RBI governor Shaktikanta Das said "monetary policy needs to proactively arrest any deterioration in aggregate demand, and create enabling conditions for businesses to normalise production and supply chains".

The measures have been undertaken in the hope to push investors to make use of this opportunity to access capital at lower costs. States too have been incentivised to channel their drawing provisions with the RBI, as they are much cheaper than market loans. Monetary policy has an important role in flattening the recession curve by ensuring easy and sufficient liquidity in the economy, so that people have money to spend even if they are unemployed.

FISCAL POLICY MEASURES

The policy measures so far have been on pushing up demand and easing supply constraints, especially of essential goods. The Finance Minister announced Atmanirbhar Bharat Abhiyan packages targeted at the most vulnerable sections of the economy. The total amount of the package announced is roughly to be Rs 20 trillion (or roughly 10% of GDP). Following are some of the highlights of the fiscal programme (Source: Economic Survey 2020-2021):

- Rs 3 lakh crore collateral free loans with 100% credit guarantee cover extended to standard businesses/MSMEs
- 83% of PDS population to be covered under One Nation One Ration Card scheme by August 2020 for national portability of PDS benefits (100% by March 2021)
- LTC Cash Voucher Scheme and Special Festival Advance Scheme provided to government employees.
- Rs 18,000 crore additional outlay provided for PM Awaas Yojana – Urban
- Additional outlay of Rs 10,000 crore provided for PM Garib Kalyan Rozgar Yojana to provide rural employment

A careful analysis reveals that the actual amount of fiscal stimulus offered by the government has been around 2-3% of GDP (Sengupta and Vardhan, 2020). Various sectors have been demanding additional fiscal stimulus; thus, the welfare spending should be increased by 5% of GDP or more. For the revival of the economy, damage on households and firms has to be reduced with unemployment benefits, income support, businesses subsidies, etc. (Ila Patnaik and Rajeswari Sengupta, 7 September 2020)

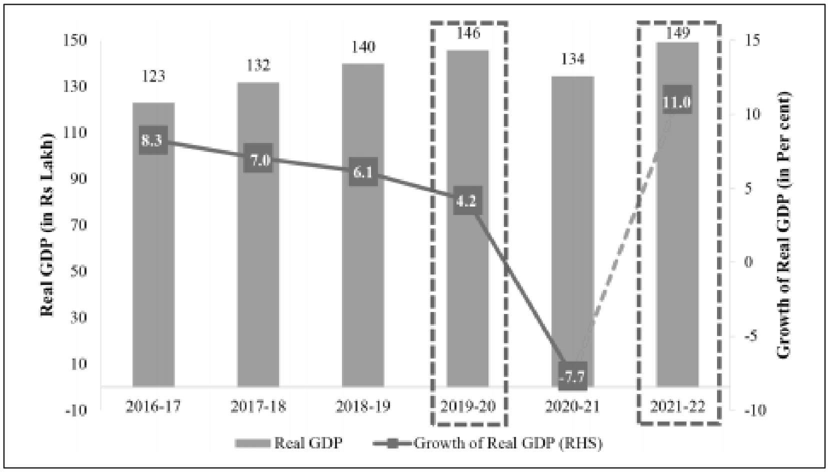
The borrowing capacity of the states was increased from 3% to 5% of Gross State Domestic Product (GSDP), as a part of the Atmanirbhar package. However, increase in government spending will also lead to large fiscal deficits than planned. Such additional spending can be financed from revenues generated through disinvestments; however, the government hasn't succeeded in it till date. If the government resorts to borrowing, then the interest payments will be higher resulting in higher debts. Thus, looking at the present fiscal scenario and necessity of spending, the government should take the steps accordingly.

ANALYSIS OF ECONOMIC PERFORMANCE

V-shaped economic recovery

Because of the severe lockdown forced during March-April, 2020, the Indian economy saw a sharp withdrawal of 23.9% in Q1 and 7.5% in Q2 of FY 2020-21. From that point forward, a few indicators have exhibited a V-shaped recovery, with the support of fiscal and monetary support and structural reforms. Overall movement of high frequency indicators indicate a fast pickup in Q2 and developing movement to levels before pandemic in Q3. As mobility in India improved, indicators like GST collections, E-way charges, rail cargo, and power utilisation arrived at pre-pandemic levels as well as outperformed earlier year levels.

Figure 4: Projections of Real GDP (2021-22)

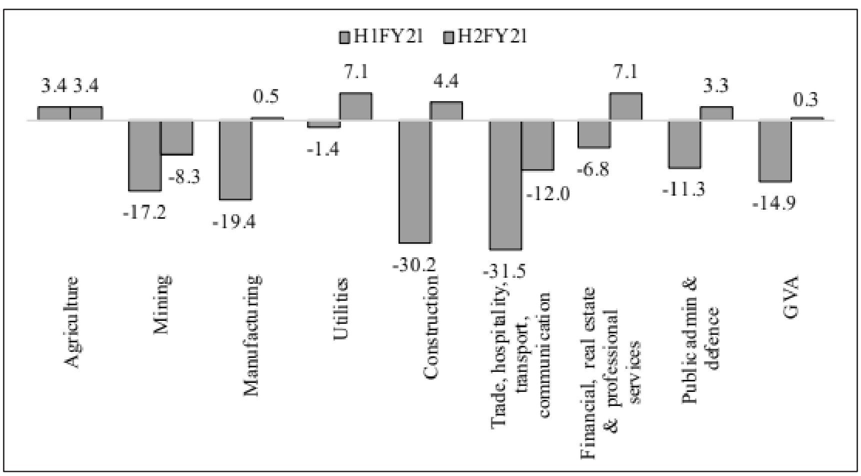


(Source: NSO and Survey Calculations)

On demand side, the greatest development driver is probably going to be Government expenditure (GFCE), with its share increasing from 12% FY20 to 14% in FY21. Private spending is likewise expected to improve essentially. "Gross Fixed Capital Formation (measure of Investment) is also expected to recover significantly with a mild contraction of 0.8% in the second half against a sharp 29% fall in first half FY21. Net Exports turned positive in the first half of the year with a larger fall in imports of 29.1% as compared to contraction in exports of 10.7%, however with gradual revival, net exports are expected to be in the negative figures in the second half."

On the supply side, Gross Value Added growth is fixed at -7.2% in FY21 as compared to 3.9% in FY20. Just Agriculture added to positive growth (increase in GDP share from 17.8% in FY20 to 19.9% FY21), while Service and Industry added to the fall in GDP (by 9.6% and 8.8%). Following figure shows the contribution of sectors constituting GVA and their V-shaped recovery path FY 2020-21.

Figure 5: V-shaped Recovery in sectors constituting GVA (2020-21)



(Source: NSO)

The above examination shows that the economy was unfavourably affected by the emergency in Q1 of FY 2020-21, but with slow opening, increased demand during festive seasons and backing of full-scale monetary strategies, the economy consistently bounced back to pre-pandemic levels and developing assembly with earlier year's movement levels.

Revenue and Expenditure

Government faced a setback in revenue collection because of the setbacks to economic activity and additional expenditure requirements by the government to relieve the aftermath of the pandemic on vulnerable people, businesses, and the economy in general. "The target for gross market borrowings of the Central Government was revised from the Budget estimate of INR 7.8 lakh crore to INR 12 lakh crore for FY21."

"Pressing on the accelerator while the brakes are clamped only wastes scarce fuel". With this thought process government of India's focus during the early days of the crisis was "not to waste precious fiscal resources in trying to pump up discretionary consumption". Instead, the emphasis was on guaranteeing accessibility of basics, including direct benefit transfers, emergency credits, and world's biggest food subsidy programme covering 80.96 crore recipients. As the economy opened up, India sloped up its spending stressing on stimulating more consumption and spending.

Additionally, as per reports, "Capital expenditure during the last three months of 2020 recorded an unprecedented YoY growth of 129% in October, 249% in November and 62% in December. The monthly GST collections also crossed the 1 lakh core mark consecutively for the last 3 months, reaching a new high."

Inflation and employment

Major driver of inflation in 2020 were high food prices. However, it came back in the RBI's favourable range of 4 -/+ 2% to reach 4.6% in December 2020 from 6.9% in November 2020. After consistently rising for 6 months since Q1 of FY21, headline inflation also came in range substantially by December. Core inflation stayed high on a yearly basis but eased eventually.

On top of the changing labour market drifts, the nation saw about 29 Central Labour laws being mixed and rearranged into 4 labour codes, accommodating the lowest pay permitted by law prerequisite and government assistance needs of the unorganized labourers inside the system of enactment.

"These are:

(i) Code on Wages (2019)
(ii) Industrial Relations Code (2020)
(iii) Occupational Safety, Health and Working Conditions Code (2020)

(iv) Code on Social Security (2020)"

Rural demand has been pushed up by the government's stress on rural infrastructure and economy and creation of durable assets through MGNREGS. Rural digitalisation and financial inclusion have also been stressed upon. Initiatives to promote skill development and entrepreneurship via packages like Aatmanirbhar Bharat Rojgar Yojana (for the self-employed and migrant workers) & Pradhan Mantri Rojgar Protsahan Yojana (with the target to encourage employers for formation of more work opportunities), have further empowered the economy to combat the COVID-19 impacts.

Social Infrastructure

"Provision for INR 4.31 lakh crore was made for the social sector including PMGKY, Anna Yojana, housing, and health (including R & D Grant for COVID-19 Suraksha), EPF support to worker & employers, street vendors, etc."

COVID-19 Emergency Response and Health Systems Preparedness Package of INR 15000 crore was announced and implemented with an aim to deliver a combination of emergency response and health system capacity-building efforts.

- Availability of necessary medicines, sanitizers, masks and PPE Kits were ensured by the government.

- "The 'PMGKP Insurance Scheme for Health Workers Fighting COVID-19' was announced on 30th March 2020 (provides an insurance cover of INR 50 lakh to healthcare providers, including community health workers)."

Under Education, PM e-VIDYA, "a comprehensive initiative to unify all efforts related to digital/on-air education to enable multi-mode and equitable access to education for students and teachers", was launched. This includes "One nation-one digital education infrastructure, one class-one TV channel through Swayam Prabha TV Channels, Swayam MOOCs for open schools, and pre-service education (1.5 crore students are enrolled under Swayam MOOCs)."

COMPARATIVE ANALYSIS

After understanding the Monetary and Fiscal measures adopted in India and their role in the economic recovery from the pandemic, we now move on to the comparative analysis between India and three other nations, namely, China, United Kingdom, and United States of America.

The following table contains the key measures (Fiscal and monetary) taken by the authorities and the overall performance of the GDP for all three countries.

Table 2

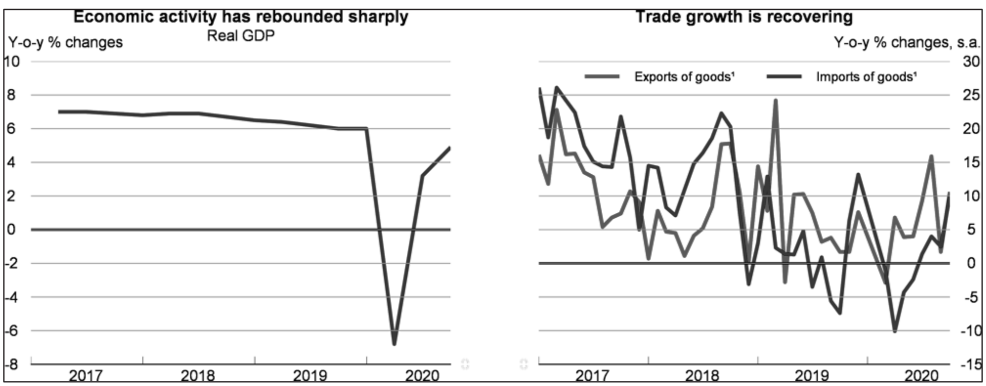
Basis	China	United Kingdom	United States of America
GDP performance in 2020	**Q1:** (-) 6.8% **Q2:** (-) 3.2% **Q3:** (+) 4.9% **Q4:** (+) 6.5% **Overall growth:**(+) 2.3%	**Q1:** (-) 2.5% **Q2:** (-) 19.8% **Q3:** (+) 15.5% **Q4:** (+) 1% **Overall growth:(-)**10%	**Q1:** (-) 5% **Q2:** (-) 31.4% **Q3:** (+) 33.4% **Q4:** (+) 4% **Overall growth:**(-) 3.5%
Fiscal Responses	An estimated $ 0.74 trillion (4.7% of GDP) of fiscal measures have been announced. **Key measures include:** **1.** Increased spending on prevention and control **2.** Production of medical equipment **3.** Disbursement of unemployment insurance **4.** Tax relief & waived social security contributions **5.** Additional public sector investments	**Tax and spending measures include:** **1.** Additional funding for NHS, public services, and charities ($ 66.86 billion) **2.** Measures to support businesses ($ 39.98 billion), **3.** Strengthening the social safety net to support vulnerable people ($ 11.03 billion) **4.** Various Bank loan schemes for the SMEs **5.** Provision to firms $ 1378.57 per furloughed employee retained **6.** Businesses required to shut down due to localized lockdowns will receive up to $ 2067.86 every three weeks	**Key measures include:** **1.** Direct stimulus payments of $600 to individuals **2.** Using $44 billion from the Disaster Relief Fund to provide extra unemployment benefits **3.** Continuing student loan payment relief and Deferring collections of employee social security payroll taxes **4.** US $ 2.3 trillion (11% of GDP) Coronavirus Aid, Relief and Economy Security Act ("CARES Act") **5.** US $ 8.3 billion Coronavirus Preparedness and Response Supplemental Appropriations Act for Virus testing, transfers to states
Monetary and Macro Responses	**Key measures include:** **1.** Liquidity injection via OpenMarket Operations **2.** Expansion of relending and re discounting facilities by $ 0.28 trillion to support manufacturers of medical supplies and daily necessities **3.** Reduction in the interest rates by 50 bps(re-lending) and 25 bps (re-discounting), **4.** Reduction of the 7-day and 14-day reverse repo rates by 30 bps **5.** Reduction of the interest on excess reserves from 72 to 35 bps **6.** Expansion of policy banks' credit line to private firms and MSEs ($ 54.19 billion)	**Key measures include:** **1.** Reducing Bank Rate by 65 bps to 0.1% **2.** Expanding the central bank's holding of UK government bonds and non-financial corporate bonds by $ 620.36 billion **3.** Introducing a new Term Funding Scheme to reinforce the transmission of the rate cut, with additional incentives for lending to the real economy, and especially SMEs **4.** Launching the joint HM Treasury-makes $ 454.93 bn of loans and guarantees available to businesses	**Key measures include:** **1.** Federal funds rate lowered by 150 bp to 0-0.25 bp **2.** Lowered cost of discount window lending, extended maturity of FX operations, temporary repo facility for international monetary authorities **3.** Primary Dealer Credit Facility to finance Fed's 24 primary dealers collateralized by a wide range of investment-grade securities **4.** Assistance to borrowers, providing mortgage forbearance for 12 months, and waiving related late fees

ANALYSIS

-China

China implemented strict measures to control the COVID-19 spread and it appears to be successful in most of the country. Investment has been a major growth driver in 2020. Consumption is still on a sluggish recovery path due to the lack of recovery in employment and falling household incomes. Fiscal policies continue to support growth for SMEs, Infrastructure, and other sectors, while monetary policy has become more neutral as recovery is gaining momentum.

Figure 6: China, Economic activity and trade (in nominal terms)

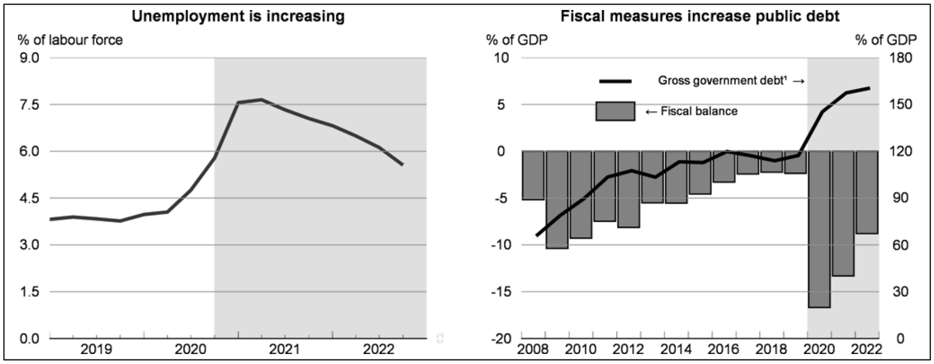


(Source: CEIC)

-United Kingdom

Daily confirmed cases of COVID-19 reached new records after the summer of 2020, as propagation increased and more people were tested compared with the first wave. In comparison to the April peaks, COVID-19-related cases and deaths are considerably lower, however pressure on the healthcare system has been on a rise. The government has extended and adjusted the economic support measures put in place early on in the crisis and introduced new measures. Monetary policy has played its accommodative role, easing financial stress and supporting demand in the economy.

Figure 7: United Kingdom, Unemployment and fiscal measures

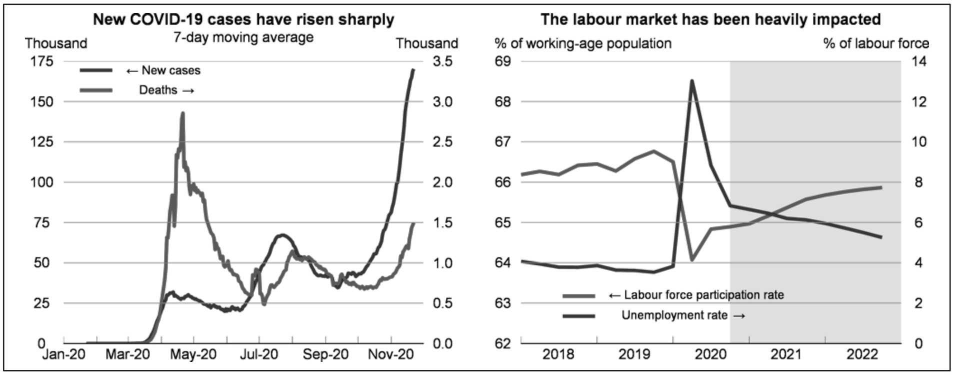


(Source: OECD Economic Outlook)

-United States of America

Monetary and Fiscal policies provided substantial support to the economy from the onset of the crisis. A broad and effective vaccine rollout will allow an ease in restrictions and strengthen confidence by the second half of 2021. Sectors Including the transportation and service sector continues to be impacted majorly by the pandemic. Financial assistance to state and local governments, to cushion the spending, due to fall in tax receipts should be maintained and support for unemployed people, now at risk of dropping out of the labour force, needs to be continued.

Figure 8: United States, COVID-19 and labour market



(Source: OECD Economic Outlook)

CONCLUSION

The Indian economy is slowly recovering from one of the world's tightest lockdowns and the deepest GDP contraction. While agriculture performed well from favourable weather conditions, the manufacturing and service sector are still gaining momentum. As per survey reports, COVID-19 disruptions led to shut down of 78% MSMEs, with earnings impacted by 20-50%, facing the maximum heat due to liquidity crunch. In terms of social indicators, rise in the unemployment rate from job losses, and rise in inequality in response to protracted school closures and reliance on online learning could be seen.

The rate of economic revival, as proxied by high-frequency mobility data and more traditional real economy indicators, has shown improvements. Some industries, including capital goods production have contracted, while others including four-wheelers are taking advantage of shifts in consumer preferences as they are deemed safer than public transport. Another bright side is that financial markets have been recovering since the March-April trough. Following a projected GDP contraction of 10% in FY'20 and the lingering scars to the economy, Economic Survey predicted a 'V-shaped' economic recovery, with GDP growth seen at 11% for FY'21 and it may take almost two years for GDP to get back to pre-pandemic levels. As per the IMF projections, India will enter an impressive growth rate of 11.5% in FY'21, the only country to enter a double-digit growth amidst this pandemic, whereas S&P projected a growth rebound to 10%.

Government policies should focus on sustainability and efficiency. Workers, particularly in the informal sector, should be protected through welfare instruments. Better targeting of tax expenditures and subsidies would lead to better utilisation of resources. Additionally, it is important to ease the mobility of labour, capital, technology and talent towards their most productive use. Furthermore, promotion of trade and foreign investment, by simplifying tariffs and liberalising trade in services, would increase competition on the Indian market and boost economic growth.

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HISTORY OF THE JOURNAL

The idea to launch this Journal was discussed in December 2016 by the former Officiating Principal, **Dr. R. P. Rustagi** with **Dr. Santosh Kumari,** the Editor of the Journal. Since the idea appealed to **Dr. Santosh Kumari**, she took the initiative to contribute to SRCC by creating this new academic research Journal and took the responsibility for its Creation, Registration, License and ISSN (International Standard Serial Number) etc. along with *Editorship*. Therefore, **Dr. Santosh Kumari, Assistant Professor in the Department of Commerce, Shri Ram College of Commerce** was appointed as the Editor of the Journal vide. Office Order – SRCC/AD-158/2017 dated March 14, 2017. She meticulously worked hard in creating the concept and developing the structure of the Journal. She introduced the concept of COPE (Committee On Publication Ethics) to maintain the high academic standards of publication.

On behalf of SRCC, **Dr. Santosh Kumari** made every effort in seeking License from Deputy Commissioner of Police (Licensing), Delhi to register the Journal at "The Registrar of Newspapers for India, Ministry of Information and Broadcasting, Government of India". The paper work for seeking license started under the former Officiating Principal, **Dr. R.P. Rustagi** on March 27, 2017. The foundation Issue of the Journal "**Strides – A Students' Journal of Shri Ram College of Commerce, Volume 1, Issue 1, 2016-17**" was successfully released on the 91st Annual Day of SRCC held on April 13, 2017 by **Shri Prakash Javadekar, Honb'le Union Minister of Human Resource Development, Government of India**. The title of the Journal got verified and approved by the Registrar of Newspapers for India, Ministry of Information and Broadcasting, Government of India on April 21, 2017. On September 1, 2017, **Prof. Simrit Kaur** joined SRCC as Principal and signed each and every legal document required for further processing and supported **Dr. Santosh Kumari**.

On December 18, 2017, the College got the license "**License No. - DCP / LIC No. F. 2 (S / 37) Press / 2017"** to publish 'Strides – A Students' Journal of Shri Ram College of Commerce'. Due to change of Printing Press, the License got updated on March 09, 2018. On April 26, 2018, the SRCC Staff Council unanimously appointed **Dr. Santosh Kumari as the 'Editor of Strides**' for the next two academic years.

On April 27, 2018 (The Foundation Day of the College), **Dr. Santosh Kumari** submitted the application for the registration of the Journal. On May 04, 2018, the SRCC received the '**Certificate of Registration**' for ***"Strides – A Students' Journal of Shri Ram College of Commerce"*** and got the **Registration No. DELENG/2018/75093** dated May 04, 2018. ***On behalf of Shri Ram College of Commerce, it was a moment of pride for Dr. Santosh Kumari to receive the 'Certificate of Registration' on May 04, 2018 at the Office of Registrar of Newspapers for India, Ministry of Information and Broadcasting, Government of India (website - www.rni.nic.in).***

On May 07, 2018, **Dr. Santosh Kumari** submitted the application for seeking ISSN (International Standard Serial Number) at "ISSN National Centre – India, National Science Library, NISCAIR (National Institute of Science Communication and Information Resources). Weblink - http://nsl.niscair.res.in/ISSNPROCESS/issn.jsp". Finally, the College received the International Standard Serial Number "**ISSN 2581-4931 (Print)**" **on June 01, 2018.**

We are proud that this journal is an add-on to the enriched catalogue of SRCC's publications and academic literature.

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