ISDA Journal 30 (3) 2020, pp. 113-422
© Institute for the Study of Developing Areas ISSN 0971-2550.

FISCAL DECENTRALISATION IN KERALA AND LIMITS TO ADDITIONAL RESOURCE MOBILISATION

Anupama V* & Prabhakaran Nair V.R.**

Abstract

Under the fiscal decentralisation of Kerala, it was envisaged that a major part of the local level plans is to be financed by additional resources including financial institutions like co-operative and commercial banks. The need for additional funds from different sources for development projects under decentralised planning arises from the need for mobilising additional local resources besides state assistance transferred to local bodies in terms of Grant-in-aid. However, non-realisation of additional sources especially from financial institution led to the abandonment of a number of projects of local bodies every year. This paper tried to analyse this problem of lack of integration between the decentralised planning and rural credit delivery and points out that increasing the efficiency of rural credit delivery system has been an important area in the decentralised planning process at the local level in Kerala. In the context of failure of Local Self Government Institutions to tap additional resources under fiscal decentralisation, utmost care must be given to evolve suitable procedural and legal framework to increase the additional resource mobilisation from various sources including financial institutions.

***Key Words**:* Fiscal Decentralisation, Local Development Plans, Credit Planning

Introduction

Until 1996 Kerala was a state with a weak local government structure. However, the local bodies enjoyed higher fiscal autonomy than any other part of India, which is as high as 50 percent. Tax

**Assistant Professor, Department of Economics, SD College, Alappuzha & Doctoral Scholar, Kerala University Library, Thiruvananthapuram.*
*** Assistant Professor, Department of Economics, SD College, Alappuzha,Kerala*

and non-tax revenue together constituted 65 percent of the total receipts of Panchayats in Kerala between 1960-61 to 1993-94. Since the early 1980s the rate of growth of grants had exceeded the rate of growth of own resources. The own revenue of the Panchayats grew at a rate well below the rate of growth of expenditure, raising the ratio of expenditure to own revenue from 178.45 in 1980-81 to 225.5 in 1993-94 (Shaheena, 1998). Resource crunch had left many panchayats as negative fund panchayats. These panchayats divert the grants for purposes not envisaged by grants. The surplus from their own resources that the local bodies could set apart on new development work after meeting their establishment charges and other routine expenses have been very limited. The situation changed very dramatically after the devolution of the plan funds to the local bodies under fiscal decentralisation in Kerala known as People's Planning. The Peoples Planning Campaign emphasised that the local bodies should mobilise additional resources for financing the plan. They were to integrate their own surplus funds, if any, and funds from the State and Centrally sponsored schemes with a grant-in-aid while preparing the local plans (Kerala State Planning Board, KSPB, 2000) They were to mobilise additional resources in money, labour and kind from beneficiaries and the community. Thus, the major additional sources of funds identified are the following, surplus after meeting the non-plan expenditure (own funds), funds from the State and centrally sponsored schemes, voluntary contribution, beneficiary contribution, loans from co-operative institutions and loans from other financial institutions (Issac and Harilal, 1997) Additional resource mobilisation in the context of decentralised planning is conceived to be the sum of all the above-mentioned sources other than grants from the state-government. Thus, the term has a wider connotation than the conventional usage. Normally, the beneficiary contribution, voluntary contribution (labour) and the

credit made available to the beneficiaries are not included in the plan outlay. Institutional finance in the form of credit from co-operative and commercial banks constituted an important component of the resources that the local bodies were expected to mobilise in addition to the plan grants-in-aid.

Mobilisation and deployment of available economic resources according to the priorities laid down in the development plans under decentralised planning is vital for ensuring rapid and equitable development. Commercial bank credit is one such scarce economic resource. Therefore, credit planning as a part of resources planning assumes considerable importance in an economy where the economic activities are planned with the objective of attaining balanced development of different sectors and sections of society. The ongoing decentralised planning process in Kerala since 1997-98 has been given special emphasis to the preparation of viable projects that would meet the criteria laid down by financial institutions. Further, the transparent and participatory process of project formulation and implementation entails sufficient peer group pressure on the borrowers for compliance to the repayment commitment. Thus, it is argued that the decentralised planning presents a unique opportunity for the banks to enter into a partnership with local level planners to accelerate economic growth in the state without at all compromising their managerial functions and it is most feasible and appropriate to begin credit planning at the grass root level (Issac, 1999). In other words, it is of utmost importance that the credit plans of the banks are integrated with the plans of the local bodies, an objective, which can be realistically achieved if the bank personnel are also directly involved in the planning process. The need for borrowed funds from different sources for understanding development projects under decentralised planning arises from the need for mobilising additional local resources besides the state assistance transferred to local bodies in terms of Grant-in-aid. Thus, the borrowed funds from financial institutions, for the implementation of various farm and non-farm activities, becomes crucial under decentralised planning. A major part of the local level plans was envisaged from financial institutions like co-operative and commercial banks. However, the story of financing pattern of local bodies in Kerala shows that the realisation of additional sources especially credit from financial institutions is far from satisfactory (KSPB, 2005). Against this background, the present study specifically looks into the experience of decentralised planning in Kerala with regards to additional resource mobilisation. We specifically analyse the success in ensuring sufficient credit linkage for the local plans under fiscal decentralisation in Kerala. There are three questions that we are seeking to answer.

- What were the credit expectations under fiscal decentralisation in Kerala?
- To what extent they are realised?
- If not, what were the reasons for the failures for the credit planning mechanism in catering to the requirements of local development plans?

In the context of Kerala, it seems both relevant and pertinent to study the response of the rural credit delivery system and credit planning to the changes of decentralisation. In other words, it becomes necessary to understand the role of financial institutions in financing the real sector under decentralised planning. The present study is an effort in this direction. More clearly, this paper attempts to examine the role of credit planning in financing the plans under decentralisation process in Kerala so that, if needed, corrective measures could be taken in future. We undertake the analysis using the secondary data sources obtained from the Kerala State Planning Board.

The paper consists of 4 sections. Following the introduction

section, section 2 analyses the pattern of financing of local plans under decentralised planning in Kerala. In section 3 we empirically analyse the determinants of credit availability of grama panchayats in Kerala. Section 4 discusses the possible factors responsible for sharp divergence between credit expectation and realisation under fiscal decentralisation in Kerala. Section 5 gives the conclusions.

Analysis of Plan Financing of Local Self Government Institutions (LSGs) in Kerala

Pattern of Realised Plan Financing by the Local Bodies in Kerala

In this section we discuss the expenditure pattern of various sources of financing of local bodies, both tier-wise and total. In table 1the total realised outlay for various sources of the local body plans for various years is given. Over the period under consideration, the share of grant-in-aid in the overall outlay increased sharply for panchayats from 42.71 per cent in 1997-98 to 65.7 per cent in 2016-17. As in the case of grama panchayats, there was sharp increase in state assistance for block panchayats, district panchayats and for corporations though there is decline for some years (Table 1). Since our interest is on the additional resource mobilisation envisaged in the decentralised planning in Kerala, we shall now examine the pattern of additional resource mobilisation.

It is to be noted that in total realised outlay in 1997-98, the second largest contributor to the financing of plans is beneficiary contribution. However, its share declined drastically from 15.94 per cent to 1.20 percent between 1997-98 and 2016-17. It should be borne in mind that beneficiary contribution is prone to some exaggeration. Beneficiary contribution is the amount that would be paid into the account of the local body by the beneficiaries and the complementary net additional investment that the beneficiary would have to make to avail of the benefits of the scheme. During the first year of the decentralised planning, i.e., 1997-98, it would

Table1. Pattern of Realised Source wise Plan Financing (Expenditure) by the Local Bodies in Kerala (in per cent)

Tiers	Period	State Assistance (Grant-in aid)	Own Funds	State Sponsored	Centrally Sponsored	Externally Aided	Loan from Co-operative Institutions	Loan from Financial Institutions	Voluntary contributions	Beneficiary contribution	Others	Total
Grama Panchayats	1997-98	42.71	6.36	3.24	2.39	-	1.99	8.87	4.35	27.39	2.70	100.00
	2003-04	74.52	6.35	1.83	5.56	0.096	0.69	0.35	0.54	5.53	4.54	100.00
	2008-09	54.63	16.61	0.48	1.23	0.06	0.10	0.80	0.08	5.35	20.66	100.0
	2016-17	65.7	8.9	0.30	2.24	0.26	0.39	0.80	0.05	1.99	19.37	100.00
Block Panchayats	1997-98	36.67	0.24	5.19	28.70	0.00	1.02	14.74	2.06	9.93	1.45	100.00
	2003-04	60.54	0.08	2.09	30.46	0.36	0.06	2.63	0.04	2.91	0.866	100.00
	2008-09	55.14	0.94	0.18	21.11	0.15	0.08	5.33	0.05	2.15	14.87	100.00
	2016-17	87.9	1.14	0.13	0.60	0.17	0.00	0.009	0.04	0.19	9.821	100.00
District Panchayats	1997-98	68.64	0.19	6.67	1.84	0.00	0.91	3.44	2.60	8.02	7.69	100.00
	2003-04	74.63	0.49	13.26	9.38	0.00	0.00	0.00	0.00	0.03	2.21	100.00
	2008-09	76.35	1.30	0.14	0.36	0.00	0.00	0.05	0.00	0.54	21.26	100.00
	2016-17	68.09	2.62	0.00	0.65	0.11	0.00	0.00	0.006	0.04	28.48	100.00
Municipalities	1997-98	38.33	14.29	3.26	3.29	0.00	1.00	14.55	5.35	17.19	2.74	100.00
	2003-04	80.60	8.05	2.07	7.15	0.08	0.00	0.43	0.15	1.04	0.43	100.00
	2008-09	73.40	3.58	0.08	0.63	0.01	0.48	0.27	0.01	0.87	20.67	100.00
	2016-17	75.86	4.84	0.20	0.74	0.16	0.00	0.10	0.96	0.24	17.8	100.00
Corporations	1997-98	42.58	23.72	4.48	6.49	0.00	0.31	5.10	3.09	9.53	4.70	100.00
	2003-04	83.12	16.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	100.00
	2008-09	75.36	4.20	0.00	0.00	0.00	0.00	0.00	0.182	0.86	19.76	100.00
	2016-17	80.95	0.62	0.0004	0.094	0.01	0.00	0.00	0.00	0.00	18.32	100.00
Total	1997-98	34.77	10.28	6.30	1.03	0.00	1.15	22.07	4.85	15.94	3.61	100.00
	2003-04	72.88	5.54	2.39	10.08	0.13	0.53	0.73	0.37	4.26	3.22	100.00
	2008-09	58.93	11.14	0.35	4.36	0.07	0.11	1.41	0.62	3.86	19.72	100.00
	2016-17	70.61	6.27	0.21	1.55	0.20	0.23	0.48	0.04	1.20	19.26	100.00

Source: Economic Review, Kerala State Planning Board (KSPB), Various Years

appear, that in many projects the gross investment of the beneficiary had been included as part of the project finance. The reduction in the beneficiary contribution is partly a reflection of the correction of this mistake thereafter. It is clear without doubt that in all tiers of local bodies the addition resource mobilisation has reduced drastically over the years (Table 1). As in the case of beneficiary contribution the additional resource mobilisation in terms of voluntary contribution was also declining over the years. For all tiers of local bodies, the voluntary contribution became insignificant in plan financing. It is seen that in 1997-98 the voluntary contribution which was the second largest category (15.94 per cent) has come down to a very low level 1.20 percent in 2016-17 (Table 1).

State Sponsored Schemes and Centrally sponsored Schemes are the two other additional financing sources for the local bodies. Both these schemes form relatively small part of the realised total expenditure of local plans except for centrally sponsored schemes of block panchayats. In the block panchayats the share of centrally sponsored schemes rose from 27.70in 1997-98 per cent to 30.46 per cent in 2003-04. However, State Sponsored Schemes continued to be low throughout. The erratic nature is partly due to the lack of clarity among the local bodies as to the probable amount they are to receive from these two sources, at the time of plan preparation. Now we turn to the additional resource category called Own Resources, which are a surplus from non-plan account of local bodies. Own Source is also called internal source. The share of own resources is relatively higher for the urban local bodies who have a relatively better resource position. In contrast the block and district panchayats do not have any revenue of their own and therefore the share of their internal funds in the plan outlay is negligible (Table 1).External aided fund is another category in the plan financing of local bodies which is again insignificant over the years.

Among all additional resources the most significant are the resources from cooperative banks and financial institutions. Our emphasis in this paper is on credit from these two sources. First, these two sources are exogenous to the plan financing of local bodies. Second, envisaging credit links under decentralised planning requires integration between physical planning and financial planning at the plan formulation level. Let us take up the expected contribution from the co-operatives and other financial institutions in the financing of local plans. Regarding these two additional sources, the first point to be noted is that there is relatively low share of cooperative credit in the outlay of local plans. In 1997-98 the expected credit from the co-operatives in total outlay of all local bodies was only 1.15 per cent of the plan realised outlay. Over the years this share was not only erratically fluctuating but also came down in recent years with 0.23 per cent in 2016-17 (Table 1). Despite the wide network of primary credit societies covering all the panchayats in Kerala, there was no concerted attempt to tap this source of finance. The co-operatives play a much larger role than commercial banks in catering to the needs of agricultural and small-scale industries sector. The expected credit from the co-operative sector remains insignificant irrespective of all local tiers throughout the history of decentralised planning starting from 1997-98. Second point is regarding sources from financial institutions (banks). It is interesting to note that in all tiers of local bodies, the share of credit from banks is quite remarkable in 1997-98, given the fact that it is the first year of decentralised planning. However, enthusiasm is lost when we see that across all tiers of local bodies, the credit from financial institutions met with drastic decline to reach abysmal levels in 2016-17. This decline across all tiers is reflected in the reduction in credit from financial institutions in all local bodies from 22.07 per cent in 1997-98 to 0.48 per cent in 2016-17 (Table 1).In the

next section we try to analyse the realised pattern of expenditure in comparison with allocation.

Allocation and Realisation of various Sources of Plan Financing of LSGIs

Having analysed the realised pattern of sources of finance for local plans in total and for different tiers of local bodies, we now turn to discuss the performance of realised amount in comparison to allocation done at the time of plan formulation. We specifically argue that the additional resource mobilisation especially credit cooperatives and other financial institutions becomes difficult for local bodies since it requires concerted efforts from the local bodies to tap these resources. Additional resources like voluntary contribution, beneficiary contribution, funds from financial resources are difficult to mobilise. In the context of local development plans, we argue that no legal and procedure framework has so far been evolved to ensure the participation of financial institutions in financing projects. This is reflected in the realisation of various sources of plan financing as shown in table 2.

From table 2 it is evident that the real problem related to additional financial sources from cooperatives and financial institutions is the realisation. Mobilisation of resources from financial institutions for local plans for the public involves various legal and procedural issues and delays unless this integration is done on the basis of well-defined arrangements. However, given the problems of indivisibility of projects and beneficiaries and also the issues of collateral involved in development plans under fiscal decentralisation in Kerala, one may expect poor realisation of credit from cooperatives and financial institutions. It is seen that the realisation of credit from both cooperatives and financial institutions as a percentage of allocation amount reduced to 3.25 per cent and 5.98 per cent respectively in 2016-17 from 7.50 per cent and 20.91 per cent in 2008-09

Table 2.
Allocated and Realised (expenditure) Source wise Plan Financing of LSGIs in Kerala

Sources	2008-09			2016-17		
	Allocation (in Crores)	Expenditure (in Crores)	Expenditure as % of Allocation	Allocation (in Crores)	Expenditure (in Crores)	Expenditure as % of Allocation
Grant-in-aid	1966.94	1441.43	73.28	6629.98	4237.68	63.92
Own Fund	736.24	272.42	37	1048.52	340.46	32.47
State Sponsored	68.1	8.51	12.5	234.74	11.63	4.95
Centrally Sponsored	442.55	106.53	24.07	593.09	83.98	14.16
Loan from Cooperatives	36.38	2.73	7.50	132.99	4.32	3.25
Loans from Financial Institutions	7.7	1.61	20.91	183.67	10.98	5.98
Externally aided	186.31	34.5	18.52	512.49	26.08	5.09
Voluntary Contribution	9.6	1.52	15.83	29.71	2.25	7.53
Beneficiary Contribution	244.62	94.46	38.61	364.09	65.13	17.89
Others	1129.97	482.38	42.69	2820.42	1045.1	37.05
Total	4828.41	2446.09	50.66	12549.7	5827.61	46.44

Source: Economic Review, 2009 and 2017,Kerala State Planning Board (KSPB),

(Table 2). The conclusion is that there needs attention on how to ensure the credit links of the envisaged allocation under local plans. In the succeeding sessions we undertake discussion towards this aspect.

Factors Influencing Credit Mobilisation by Grama Panchayats: Empirical Analysis

In this section we have made an attempt to examine the factors that might have influenced the per capita credit of the local body plans. We have used the dependent and independent variables for our exercise from the following data sources.

1. *Dependent variable: Credit from Cooperatives and Financial Institutions*: Data on estimated credit resource mobilisation for2016-17 compiled from the appendices of the local plans submitted by the local bodies to the Kerala State Planning Board (KSPB, 2017).
2. *Non-plan own resources*: Fifth State Finance Commission for the year 2016-17
3. *Indicators of Development:* Data on various indicators of development at the panchayat level are taken from the following sources.
   - 2011 Census: Organised sector employment (Industrial labour Force)
   - Agricultural Development Index proxied by area under cultivation of important crops like paddy, coconut, arecanut, rubber, pepper, cardamom, tea and coffee.
   - The Fifth State Finance Commission: Length of metalled roads in each grama panchayat

We worked out per capita credit in the local plans of the Grama Panchayats and regression was run using an Ordinary Least Square

Semi-log function *ln* CREDIT = $\alpha + \beta_1$ ORG_EMPLOY +β_2 MET_SQKM + β_3AGRI_DEVINDEX + β_4 OWNRESOURCES + β_5 Dummy +u. The logarithm of credit is taken as dependent variable. The data fully available for 685Grama Panchayats were included in the study. The results are given in Table 3. Regional dummies were used to represent the regional characteristics. The dependent variable is institutional credit (cooperatives and financial institutions) mobilised by grama panchayats in the year 2016-17.

Table 3: Regression of Institutional Credit (ln CREDIT) on Predictors 2016-17

Items	1997-98	
	Coefficient	Level of significance
Constant	3.780	0.000
ORG_EMPLOY **	0.023	0.118
MET_SQKM ***	-0.031	0.008^
AGRI_DEVINDEX****	0.365	0.449
OWNRESOURCES	0.003	0.212
Dummy for Thiruvananthapuram, Kollam, Alappuzha region	0.048	0.034^
Dummy for Ernakulam, Thrissur	-0.335	0.022^^
Dummy for Pathanamthitta, Kottayam, Idukki	-0.391	0.012^
Adjusted R^2	0.141	

*Notes: *Total Population in Grama Panchayat*

***Proportion of Organised Sector Employment to total Employment*

****Metalled road per SQ KM*

*****Agricultural Development Index

^ Significant at 1 % level

^^Significant at 5 % level

Regional dummies representing four different regions are used to capture the geographical and historical factors. The three regions of Travancore, Cochin and Malabar have different historical background.

These historical differences extend to the contemporary period in the form of differences in socio-economic structure and political character. Then the Travancore region is further divided into southern coastal districts of Thiruvananthapuram, Kollam and Alappuzha and south-central districts of Pathanamthitta, Kottayam and Idukki. The adjusted R^2 is very low, indicating that there are factors other than the above-mentioned, which influence the contribution from the financial institutions. Table 3 reveals that there is a significant positive relation to the proportion of industrial labour force. But the relationship is not statistically significant. Contrary to the expectations, there is negative association between road length and expected loans disbursement, during the period of analysis. It is to be noted that there is no significant relation between agricultural development and institutional credit. Southern coastal districts had been able to tap more resources through institutional credit than the Malabar area in the year 2016-17. As it is evident that the economic factors like industrial development or agricultural development do not exert any influence on credit availability, one may argue that there are factors other than economic factors that decide the credit availability for local plans.

In the foregoing sections we examined the financing pattern of the local plans that were formulated in Kerala. We also attempted to empirically examine the possible factors determining the per capital credit availability of local plans. We concluded that the actual realisation of credit envisaged under the local plans was far from satisfactory. And we found that there are factors other than what we consider generally determining the availability of institutional credit. In the next section an attempt is made to discuss the possible factors that might have contributed to the poor outcome other than the factors considered in our earlier empirical analysis. Against this context, we tempt to discuss the question what factors concluded this sharp divergence between expectations and realisations?

Limits to Resource Mobilisation of LSGs from Financial Institutions

Now we turn to discuss the question what are the factors responsible for the non-realisation of the credit linkage incorporated into the local plans formulated under the People's Planning Campaign? Evidently, the poor outcome of credit linkage was not the result of any shortage of bank credit. The declining credit deposit ratio in the state has been a matter of serious concern among policy makers and the public (NABARD, 2018). The official explanation of the banks has been that there is a dearth of viable projects in the state and therefore lack of demand rather than supply is the real culprit (Ram babu, 1995). Given this situation question that arises is that why the demand for credit for the local projects could not be met.

The possible reasons from the part of bankers may be grouped into three types: The first is related to the lack of synchronisation between preparations of the Service Area Credit plans (SACPs) and the development plans of the local bodies. There are well laid down procedures and time frame for preparing the Service Area Credit Plans under District Credit Planning (DCP) system in India. In contrast, the time frame of finalisation of projects under decentralised development planning differs across local bodies. While in some cases development plans were ready only by September-October in some other cases only by July-August. By then the credit plans had been finalised and therefore the projects in the local plans could not find a place in the official credit plans like other official government programmes like Integrated Rural Development Programme (IRDP).

The second set of explanations is related to the viability of the projects included in the local plans. The bankers suspect that the Peoples Plan Campaign is populist programme and that they are being forced into the new version discredited erstwhile `loan melas' of the 1980s. Most of the projects, they alleged did not confirm to the

acceptable financing pattern or norms. It was reported by the bank officials that the panchayats are bothered only about the possibility of getting credit and not about the credibility of the borrowers (Issac, 1999).This is a major problem since there is no mechanism by the panchayats to ensure the repayment of credit under the decentralised planning programme. As pointed out by Jeromi (2005) the bank officials are also having certain inhibitions in the process of selection of beneficiaries. A larger question is regarding the collateral being offered by the individual or group beneficiaries. Under decentralised planning there is no provision of Government providing guarantee to the financial institutions.

The third set of issues is related to legal framework of lending to the local self-governments. With respect to centrally sponsored programmes like IRDP a uniform pattern of subsidy, loan component and procedures of application, processing and approval existed as part of the scheme itself. However, no similar rules had been drawn up for the projects prepared under Peoples Planning Campaign. Rules had not yet been framed for lending to the local bodies even though provision for the name existed in the Act. According to the banks the duration of the projects, a year, is too short. There are no credit camps on special arrangements for discussing the problems related to the credibility of the beneficiaries and to choose prospective beneficiaries from the list of beneficiaries under the projects for decentralised planning (Issac and Franke, 2000).Many often, the list of beneficiaries selected by the panchayats was not made available to the banks till the fag end of the year.

Kerala State Planning Board (KSPB), the nodal governmental agency for implementing the decentralisation programme, has taken serious stand to the attitude of the Banks. In the initial years of people's planning, they argued that the decentralised planning process would take a few years to stabilise and until then it was inevitable that there would be delays in finalisation of the local plans and lack of synchronisation with the credit planning process. But nothing stood in the way of banks to dovetail their approved credit plans to accommodate the proposals included in the local development plans. After all, the allocations in the credit plan were not according to individual projects, but by broad sectors. All that was required was to accord priority for applications related to projects included in the local plans. The following clarification issued by the Planning Board Vice Chairman through a public statement sums up the position taken by the KSPB:"The banks were never asked to finance People's Planning programme. The Government, having decided to allocate 35-40 per cent of the State plan to the local bodies, only sought the co-operation of the bank management to allow their officials to participate in the preparation of projects and formulation of plan by local bodies. It was of course hoped that in the process the local bodies will be able to come up with projects and schemes which will be financially viable and therefore qualify for bank credit. At the present stage, the People's Campaign does not envisage banks financing projects and programmes being directly implemented by the Local Bodies, as was alleged in certain quarters. Bank credit linkage was sought for commercially viable projects taken up by the beneficiaries of the People's Plans". In spite of concerted efforts by the State Planning Board, there exists lack of integration between development plans under decentralised planning and credit planning if financial institutions even today.

The non-cooperation of banks in financing local bodies were evident from the statement made by the then Planning Board Chairman in 1998. Banks refused to accept any social responsibility of participating in the Statutory Expert Committees constituted by the State Government to ensure that the projects formulated by the Local Bodies are financially and technically sound and also to make

sure that the projects meet commercial credit norms. Unfortunately, the bank managements have held back almost totally, though several of the bank officials have, in their private capacity, been extremely helpful in the People's Planning Programme and we in the State Planning Board are indeed thankful to these officials. The co-operation sought from the bank managements is not something novel, but a practice that is being followed in the implementation of various poverty alleviation programmes of the Central Government. To compare People's Planning programme ` loan melas' is even more shocking and reflects the utter ignorance of the bankers, who reportedly rake up such comparison, of what is happening in this country. Are they aware of 73rd and 74th Amendments of the Constitution which enjoin upon the State Governments to devolve virtually all local level development to the local bodies?" (Public Statement of I. S. Gulati, dated 31-10-1998)

Conclusion

Preparation of credit plan implicitly involves preparation of development plans. A credit plan presupposes the existence of a development plan. The linkage between the development plan and the credit plan is a theme that we elaborated in our study. The analysis pointed out that experience has not been satisfactory. The problems of integrating the credit plan and the development plan would become even more acute when the planning process is decentralised. Under decentralised planning system, the plans are prepared simultaneously at different levels of governments. There has to be a parallel decentralisation of credit planning also. More importantly the procedures for both development planning and credit planning would have to be inter linked and integrated to the extent possible. The present system of credit planning which has evolved in an environment of centralised planning would have to be seriously modified if it is to be made effective in the context of decentralised planning. The existing system of credit planning under the service area approach should be synthesised with development planning, and in fact, the latter should precede the former. As part of the Ninth Five-Year Plan, Government of Kerala has initiated a novel grass root level planning process known as "People's Planning Campaign". The campaign is a mass movement that seeks to empower panchayats and municipal bodies to draw up plan programmes and schemes within their respective areas of responsibility. Accordingly, the rural development plans at different levels namely the district, block and panchayats would be formulated by the people based on their felt needs and priorities at each of these levels. In such a situation, unless there is complete co-ordination and integration between development plans at the Panchayat level and credit plans, the development plans would effectively become conditional to credit plans, rather than the other way round. It must be emphasised that revamping of credit structure, which is plagued by endemic corruption, is a dire need to ensure credit for the priority sectors. For this to happen, the reorganisation of the co-operatives must be accompanied by genuine decentralisation at the political level. A credit plan for any area will not be complete in the absence of estimation and projection of production credit needs of the area. Preparing credit plans in isolation and without proper integration with the development plans formulated at the grass root level could be counterproductive. It is absolutely necessary, therefore, to specify the respective roles and collaborative arrangements before preparing credit plans under the decentralised planning programme in Kerala. In the context of failure of LSGIs to mobile additional resources under fiscal decentralisation, utmost care must be given to evolve suitable procedural and legal framework to increase the additional resource mobilisation from various sources including financial institutions.

References

Achuthanandan, V.S (1998). Public Statement, dated 4-11-1998

Government of India (2011). Census of India. http:// www.censusindia.net

Gulati, I.S (1998). Public Statement, dated 31-10-1998

Isaac, Thomas, T.M & Harilal, K.N (1997). Planning for Empowerment-People's Campaign for Decentralised Planning in Kerala, *Economic and Political Weekly*, Vol.32, January 4-11

Issac, Thomas, T.M & Franke, Richard (2000). People's Planning: Towards a Handbook, *Kerala State Planning Board,* Thiruvanathapuram

Jeromi, P.D (2003). What Ails Kerala's Economy: A Sectoral Exploration, *Economic and Political Weekly.* No.16, April 19-25.

Jeromi, P.D. (2005). Agriculture Sector in Kerala and Issues Relating to Credit, *RBI Staff Studies*, S.S. (DEAP), 2/2005, Reserve Bank of India, November.

Government of Kerala (1996).The Kerala People's Campaign for Ninth Plan in Kerala: An Introduction, *State Planning Board*, Thiruvananthapuram

Government of Kerala (1998). Economic Review, *State Planning Board (SPB),* Trivandrum.

Government of Kerala (2005). Economic Review, *State Planning Board (SPB),* Trivandrum.

Government of Kerala (2009). Economic Review, *State Planning Board (SPB)*, Trivandrum.

Government of Kerala (2017). Economic Review, *State Planning Board (SPB),* Trivandrum.

Kumar, A., D. K. Singh., & P. Kumar. (2007). Performance of Rural Credit and Factors Affecting the Choice of Credit Sources, *Indian Journal of Agricultural Economics*, 62 (3), pp. 297–313.

NABARD (2018). State Focus paper, Kerala, 2017-18, National Bank for Agriculture and Rural Development, Thiruvananthapuram

Rambabu, G (1995). Banking and Regional Development: A Study of

Interregional Disparities in Banking with Special Reference to Kerala, Unpublished MPhil Dissertation, *Centre for Development studies,* Thiruvanathapuram.

Shaheena (1998). Participatory Local initiative in Agricultural Production: A Case of Vegetable Cultivation in Kanjikkuzhi, *Kerala Agricultural University*, Trissur

ISDA Journal 30 (3) 2020, pp. 133-143
© Institute for the Study of Developing Areas ISSN 0971-2550.

A STUDY ON JOB STRESS AND JOB SATISFACTION ON UN-AIDED SCHOOL TEACHERS

Biju Kumar K*& Pradeep C.S**

Abstract

Job stress is stress involving work. Stress is defined in terms of its physical and physiological effects on a person, and can be a mental, physical or emotional strain. It can also be a tension or a situation or factor that can cause stress. Job satisfaction is usually defined as one-dimensional subjective construct representing an overall emotional feeling individuals have about their job as a whole. In this study, efforts have been made to make a study on job stress and job satisfaction between male and female un-aided schools teachers of Thiruvananthapuram district in Kerala. To make a gender wise (based on the sex of subjects), 100 female and 100 male teachers was selected randomly from the Trivandrum District. The job stress questionnaire by T. R. Palival and job satisfaction questionnaire by B.C. Muthaya was found to be most suitable and reliable for the purpose. The analysis was done by adopting statistical mean, "t" ratio. The researchers find that there is no significant difference between the job stress and job satisfaction of male and female teachers of Thiruvananthapuram district. This study will help an important role in providing motivation and inspiration to teachers and increasing their social status.

Introduction

Education in its general sense is a form of learning in which knowledge, skills, and habits of a group of people are transferred from one generation to the next through teaching, training, research,

Associate Professor, Mahatma Gandhi College, Thiruvananthapuram, Kerala
***Vocational Teacher, Govt. VHSS Sports Division, Kannur, Kerala*

or simply throughauto didacticism. A right to education has been created and recognized by some jurisdictions. Since 1952, Article 2 of the first Protocol to the European Convention on Human Rights obliges all signatory parties to guarantee the right to education. At the global level, the United Nations' International Covenant on Economic, Social and Cultural Rights of 1966 guarantees this right under its Article 13.In formal education, a curriculum is the set of courses and their content offered at a school or university. As an idea, curriculum stems from the Latin word for race course, referring to the course of deeds and experiences through which children grow to become mature adults. A curriculum is prescriptive, and is based on a more general syllabus which merely specifies what topics must be understood and to what level to achieve a particular grade or standard. An academic discipline is a branch of knowledge which is formally taught, either at the university–or via some other such method. Each discipline usually has several sub-disciplines or branches, and distinguishing lines are often both arbitrary and ambiguous. Examples of broad areas of academic disciplines include the sciences, mathematics, computer science, social sciences, humanities and sciences. Educational institutions may incorporate fine arts as part of K-12 grade curriculums or within majors at colleges and universities as electives. The various types of fine arts are music, dance, and theater.

A teacher or schoolteacher or as it's known in Scotland, a teetcha or tootcha, is a person who provides education for pupils (children) and students (adults). The role of teacher is often formal and ongoing, carried out at a school or other place of formal. In many countries, a person who wishes to become a teacher must first obtain specified professional qualifications or credentials from a

university or college. These professional qualifications may include the study of pedagogy, the science of teaching. Teachers, like other professionals, may have to continue their education after they qualify, a process known as continuing professional development. Teachers may use a lesson plan to facilitate student learning, providing a course of study which is called the curriculum. A teacher's role may vary among cultures. In some countries, formal education can take place through home. Informal learning may be assisted by a teacher occupying a transient or ongoing role, such as a family member, or by anyone with knowledge or skills in the wider community setting. Religious, such as gurus, mullahs, rabbis, pastors/youth pastors and lamas, may teach religious such as the Quran, Torah or Bible.

Teaching may be carried out informally, within the family, which is called home schooling, or in the wider community. Formal teaching may be carried out by paid professionals. Such professionals enjoy a status in some societies on a par with physicians, lawyers, engineers, and accountants .A teacher's professional duties may extend beyond formal teaching. Outside of the classroom teachers may accompany students on field trips, supervise study halls, help with the organization of school functions, and serve as supervisors for extracurricular activities. In some education systems, teachers may have responsibility for student discipline. Around the world teachers are often required to obtain specialized education, knowledge, codes of ethics and internal monitoring. There are a variety of bodies designed to instill, preserve and update the knowledge and professional standing of teachers. Around the world many governments operate teacher's colleges, which are generally established to serve and protect the public interest through certifying, governing and enforcing the standards of practice for the teaching profession.

The functions of the teacher's colleges may include setting out clear standards of practice, providing for the ongoing education of teachers, investigating complaints involving members, conducting hearings into allegations of professional misconduct and taking appropriate disciplinary action and accrediting teacher education programs. In many situations teachers in publicly funded schools must be members in good standing with the college, and private schools may also require their teachers to be college peoples. In other areas these roles may belong to the State Board of Education, the Superintendent, the State Education Agency or other governmental bodies. In still other areas Teaching Unions may be responsible for some or all of these duties.

Job stress is stress involving work. Stress is defined in terms of its physical and physiological effects on a person, and can be a mental, physical or emotional strain. It can also be a tension or a situation or factor that can cause stress. Occupational stress can occur when there is a discrepancy between the demands of the environment/workplace and an individual's ability to carry out and complete these demands. Often a stressor can lead the body to have a physiological reaction which can strain a person physically as well as mentally. A variety of factors contribute to workplace stress such as negative workload, isolation, extensive hours worked, toxic work environments, lack of autonomy, difficult relationships among coworkers and management, management bullying, harassment and lack of opportunities or motivation to advancement in one's skill level. Stress-related disorders encompass a broad array of conditions, including psychological disorders (e.g., depression, anxiety, post-traumatic stress disorder) and other types of emotional strain (e.g., dissatisfaction, fatigue, tension, etc.), maladaptive behaviors

(e.g., aggression, substance abuse), and cognitive impairment (e.g., concentration and memory problems). In turn, these conditions may lead to poor work performance, higher absenteeism, less work productivity or even injury. Job stress is also associated with various biological reactions that may lead ultimately to compromised health, such as cardiovascular, or in extreme cases death.

Job satisfaction is how content an individual is with his or her job. Scholars and human resource professionals generally make a distinction between affective job satisfaction and cognitive job satisfaction. Affective job satisfaction is the extent of pleasurable emotional feelings individuals have about their jobs overall, and is different to cognitive job satisfaction which is the extent of individuals' satisfaction with particular facets of their jobs, such as pay, pension arrangements, working hours, and numerous other aspects of their jobs. At its most general level of conceptualization, job satisfaction is simply how content an individual is with his or her job. At the more specific levels of conceptualization used by academic researchers and human resources professionals, job satisfaction has varying definitions. Affective job satisfaction is usually defined as an one-dimensional subjective construct representing an overall emotional feeling individuals have about their job as a whole. Hence, affective job satisfaction for individuals reflects the degree of pleasure or happiness their job in general induces. Cognitive job satisfaction is usually defined as being a more objective and logical evaluation of various facets of a job. As such, cognitive job satisfaction can be one-dimensional if it comprises evaluation of just one aspect of a job, such as pay or maternity leave, or multidimensional if two or more facets of a job are simultaneously evaluated. Cognitive job satisfaction does not assess the degree of pleasure or happiness that arises from specific job facets, but rather gauges the extent to which those job facets are judged by the job holder to be satisfactory in comparison with objectives they themselves set or with other jobs. While cognitive job satisfaction might help to bring about affective job satisfaction, the two constructs are distinct, not necessarily directly related, and have different antecedents and consequences. This study intended to analyse a study on job stress and job satisfaction between male and female un-aided schools teachers of Trivandrum District in Kerala.

Objective, Hypothesis and method

The objective of the study was to analyze job stress and job satisfaction between male and female un-aided schools teachers of Thiruvananthapuram district in Kerala state.

It was hypothesized that there would be significant difference in the job stress and job satisfaction among male and female un-aided schools teachers of Thiruvananthapuram district in Kerala state.

Sample

For the purpose of present study, a total of 200 teachers from Thiruvananthapuram district in Kerala state were selected randomly. To make the gender wise study, 100 male and 100 female subjects were selected randomly from all over from Thiruvananthapuram district in Kerala state.

Tools

The researcher decided to the use questionnaire tool to collect the necessary data for the solution of problem. The researcher while trying to find out the questionnaires most suitable for the present study contacted various libraries, book sellers, publishers and collected questionnaires from those sources and studied them deeply, interacted with experts in terms of their limitation. At last,

the researcher found the job satisfaction questionnaire by B. C. Muthaya and job stress questionnaire by T. R. Palival to be most suitable and reliable for the purpose, so the researcher utilized both of them.

Procedures of data collection

The subjects were consulted personally and their sincere co-operation was solicited. Subjects were called to a common place when they were not busy and had enough time to spare for testing. Necessary instructions were given to the subjects before the administration of each test. The investigator motivated the subjects by promising to send a separate abstract of conclusions of his study to each of the subject. Confidentiality of response was guaranteed. The required data in different components was collected during the course of three days.

Statistical Analysis

Forthis study on job stress and job satisfaction between male and female un-aided schools teachers of Thiruvananthapuram district in Kerala state, the analysis was done by adopting statistical mean, and "t" ratio. The data was analyzed by Statistical Package for Social Sciences.

Results and Discussion

The result of the study onjob stress and job satisfaction between male and female un-aided schools teachers of Thiruvananthapuram district in Kerala statewas obtained by "t" ratio of mean. The details are given in table.1

Table.1
The 't' ratio of mean on job stress and job satisfaction between male and female Un-Aided Schools Teachers of Thiruvananthapuram district in Kerala state

Variables	Un-Aided School Teachers	N	Mean	S.D	"t"-ratio
Job Stress	Male	100	32.957	21.508	-1.860
	Female	100	37.759	23.742	
Job satisfaction	Male	100	49.397	11.233	1.500
	Female	100	47.470	8.184	

Significance at 5% level, Significance tabulated level "t" 0.05(598) =1.96

The observing the table 1, find that at 5% significance level "t" ratio < "t" table value. That means that the value of "t" ratio is less than the value of "t" table, so it can be said that there is no difference between the job stress and job satisfaction of male and female un-aided schools teachers of Thiruvananthapuram district in Kerala state. Even then the average (Mean) of job stress of male un-aided schools teachers was 32.957 and that of female un-aided schools was 37.759. This means that the job stress of female un-aided school teacher was higher than that of male un-aided school teachers.

Table.1 also reveals that the average (Mean) of job satisfaction of male teachers was 49.397, while that of female was 47.470. This means that the job satisfaction of male un-aided schools teachers was greater than that of female un-aided school teachers.

The factors responsible for female teacher has more job work load, the remise of neglect ion in family, job responsibility with cultural responsibility and failure to maintain both well were the reasons of female teachers' greater job stress than male. It is also agreed in previous studies of Gakhar and Poul (2003) and Dr. Reinar Rughli (2006).

The factors responsible for high house hold responsibility along with the vocation, overwork load, devoting more time etc., are the factors responsible for lower job satisfaction of female than male. It is also agreed in previous studies by Evans (1993) and Vyas (1995).

Suggestions for further Research

1. It is recommended to executives and officials to take policy decision that can decrease the job stress and increase the job satisfaction of un-aided school teachers.
2. The degree of job stress seems to be rather high. Executives and Education department should take steps to reduce their stress.
3. It is recommended to take up this type of study in other parts of the Country.
4. It is recommended to take up this type of study keeping in view the Un-aided College
5. Lecturers working at college level, too.
6. It is recommended that this type of study should be taken up in two different states and state wise comparative study should be made.
7. It is recommended that this type of research study should be taken from time to time and the findings of past and present studies should be compared.

References

Devendrasinh Solanki and Atmaram Patel (2001). *Panch karya and Rahbaree*,Ahmedabad: Bharat Publication. P.1. 2.

Evans, W. N. (1993). *An analysis of the job satisfaction of substance abuse counselors certified by the Commonwealth of Virginia.* Unpublished doctoral dissertation, Virginia Polytechnic Institute and State University, Blacksburg, VA

Jayant Vyas, (1995). *Bhavnagar Jillana Madhymik Shalana Shikshkona vyavsayiksantoshno Abhyas,* Ghandhinagar: Madhyamik Shikshan and Prakashan. P.59-61.

Baron and Kenny (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations, *Journal of Personality and Social Psychology,* 51(6), pp.1173-1182.

Chang, Chung-hsing (1992). *Chang's Psychology Glossary*, Taipei: Tunghua Book Co.Chang, Chung-hsing (2006). *Chang's Psychology Glossary*, Taiwan: Tunghua Book Co.

ISDA Journal 30 (3) 2020, pp. 143-152
© Institute for the Study of Developing Areas ISSN 0971-2550.

FISCAL DECENTRALISATION AND ACCUMULATION OF PUBLIC DEBT

Pushpalatha V*

Abstract

Fiscal decentralization implies the sharing of rights and functions between different tiers of governments. It is mainly recommended for achieving more efficient fiscal balance between the governments at the national and sub-national levels. To avoid fiscal imbalances the receipt shares of state governments should match with the functions assigned. The indebtedness associated with the fiscal imbalance is the main peril faced by the state governments. Literature shows that there were a number of studies related with fiscal decentralization in India but not much studies related with the trend of fiscal decentralization and the related indebtedness of states. This paper analyses the trends of fiscal decentralization and the related accumulation of public debt in Indian states during the period 1990-91 to 2017-18. The empirical analysis reveals an insignificant negative relationship between the outstanding liabilities of the states and the fiscal decentralization.

Key words: Fiscal Decentralization, Fiscal imbalance, Indebtedness

Introduction

India the largest democracy in the world follows a federal structure of governance. There is a clear division of revenue powers and expenditure responsibilities between the centre and state governments on the basis of constitutional provision. The fiscal decentralization in India refined much by the complex history of political social and economic factors along with the guidelines

**Assistant Professor, Post Graduate Department of Economics, Sree Narayana College Nattika, Calicut University, Kerala.*

of constitutional and legal institutions. The basic structure fiscal decentralization in India is established by the Government of India Act 1935. With its flexible character Indian federal system overcome most of its drawbacks. Even then fiscal imbalances which is the result of asymmetric fiscal decentralization existed for the last 70 years.

Fiscal decentralization had analysed both from the positive and negative sides in the previous studies. As the beneficial consequence it is argued that fiscal decentralization is capable for addressing varying preferences of the people from regions with different geography and culture (Oates 1972, Tiebout 1956) ; and the existence of competing jurisdictions restrict the Leviathan government from over taxing citizens (Brennan and Buchanan 1980). Negative analysis is as the fiscal decentralization might reduce the ability of the governments to conduct stabilization policies and to redistribute income (Musgrave 1959), and the decentralized states are more prone to macro economic instability, higher deficits and unsustainable level of debt (Good speed, 2002).

This paper aims to check empirically the trend of fiscal decentralization and the related accumulation of public debts in Indian states, as a country which follow fiscal decentralization in governance, with data over a period from 1990-91 to 2017-18. In the second section of the paper the methods of measurement fiscal decentralization and analysis are discussed. Third section consists of the analysis and the results. Fourth section of the paper gives the conclusion.

Measurement of fiscal decentralization

Fiscal decentralization is generally identified as a particular form of redistribution financial powers between the central and state govt for the fiscal equalization. To some extent it is a measure of the fiscal

autonomy of the states in fiscal federalism. In this study the fiscal decentralization measured by using the methods given by IMF and world bank studies.

- The revenue decentralization which is the percentage of the state's own revenue to total revenue of centre and states.
- Expenditure decentralization which is the percentage of the state expenditure to the total expenditure of centre and states.
- Tax decentralization is the percentage own tax revenue to total own revenue of the states.
- Grand share is the percentage of grants from centre to the own total revenue of states.

Fiscal status of the state governments over the years of fiscal decentralization is analysed by the trends of major fiscal deficit measures, i.e, Gross fiscal deficit, Gross primary deficit and revenue deficits. Pearson correlation coefficient is used analyse the relationship between the fiscal decentralization and debt liabilities of state governments. The results of correlation limits the chances further analysis of the data. Scatter diagrams are also used for depicting the relationship between the total outstanding liability to GDP ratio and various fiscal decentralization measures.

Analysis and Results

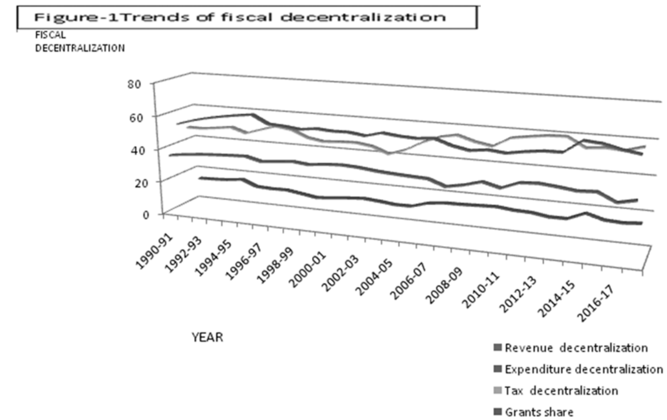
The fiscal decentralization measures reveal the burden of fiscal responsibility over and above the revenue access of the state governments. The mean value (Table.1) of revenue decentralization which is a measure of own revenue raising capacity of the state governments is 37.323. That means always the own revenue of state governments out of the total govt revenue are much below than that of the central government. The mean value of (Table.1) expenditure decentralization is 56.419 as a measure of the expenditure responsibility of the state governments a during the analysis period. The ratio between revenue decentralization to expenditure decentralization gives the intensity of vertical imbalance which is always lesser the one which means that the revenue decentralization is always lesser than the expenditure decentralization during the period.

Table-1 : Summary Statistics of Fiscal Decentralization Measures

Items	Revenue decentralization	Expenditure decentralization	Tax decentralization	Grand share
Mean	37.323	56.419	52.211	12.706
Median	37.93	56.285	51.92	12.89
Max	39.56	62.2	61.06	16.48
Min	32.9	51.48	42.09	9.1
Standard deviation	1.979	2.893	4.869	1.943

Source : Calculated from various issues of Statistics of Indian Public Finance, RBI

Tax decentralization depicts the role of state taxes in total income of states. The data reveals that the role of tax receipts to state income were around fifty two percent on an average. The limitation of tax autonomy of state governments creates deficits in state budgets which lead to accumulation of outstanding liabilities. Grant share is a measure of interference of central government for fiscal equalization. The mean value of grand share is around twelve percent as an average to total state income. The figure.1 shows the trends of various fiscal decentralization measures.

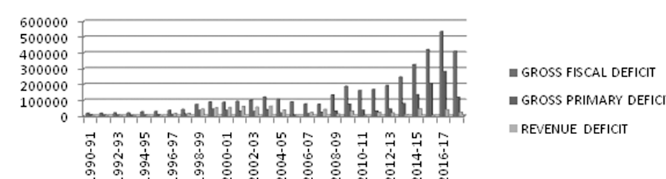


Source: Calculated and constructed from various issues of Indian Public Finance statistics, RBI
Source : Calculated from various issues of Statistics of Indian Public Finance, RBI

Fiscal deficits of state governments

In order to analyse the effects the fiscal decentralization, fiscal status of the state governments is examined by the trends of major fiscal deficits of the state governments. The data which include the Gross fiscal deficit, Gross primary deficit and Revenue deficits shows that the gross fiscal deficits and the gross primary deficits increases over the period and the growth gross fiscal deficit is very fast. The growth trend of the fiscal deficit is very drastic during recent past. The trend depicts by a bar diagram.

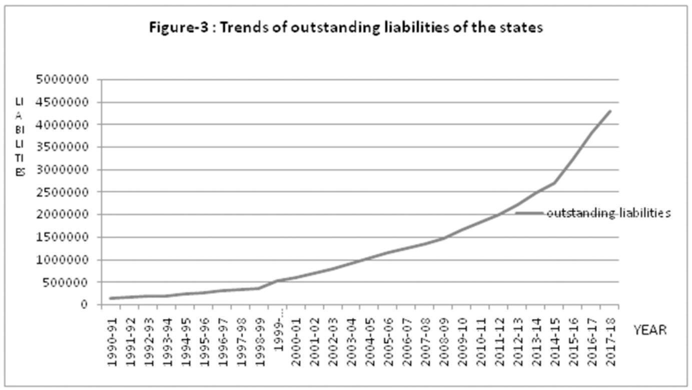
Figure -2 Trend of fiscal deficit indicators over the years



Source : Calculated from various issues of Statistics of Indian Public Finance, RBI

Outstanding Liabilities of Indian States

The outstanding liabilities of the states show an increasing trend over the period even though its annual growth rate shows fluctuations in its trends. The increasing fiscal deficits due to the vertical imbalances in the devolution of resources between the centre and state may be the major contributor of it.

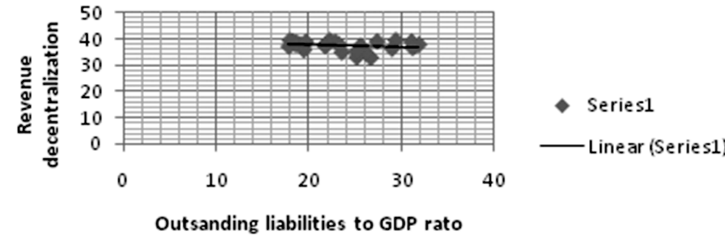


Source : various issues of Statistics of Indian Public Finance, RBI

Revenue decentralization and outstanding liabilities

The correlation analysis reveals that the relationships between the revenue decentralization and outstanding liabilities to GDP ratio is negative (r = *- 0.2043).* The *r* value depict a insignificant inverse relationship. The scatter diagram showing the relationship between the outstanding liabilities to revenue decentralization is illustrated below.

Figure 3: Revenue decentralization and outstanding liabilities

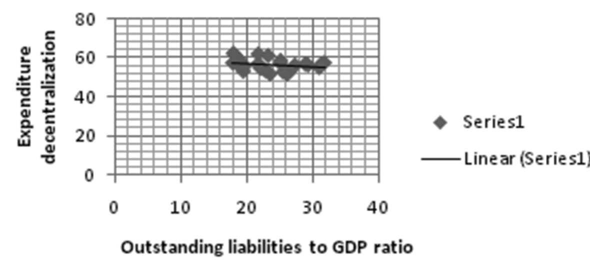


Source : Calculated from various issues of Statistics of Indian Public Finance, RBI

Expenditure decentralization and outstanding liabilities

The co efficient correlation (r = - 0.2949) give a insignificant negative correlation between the outstanding liabilities and expenditure decentralization.

Figure 4: Expenditure decentralization and outstanding liabilities

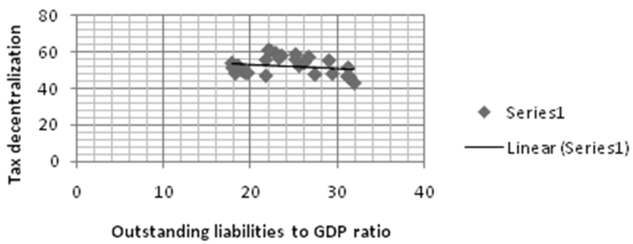


Source : Calculated from various issues of Statistics of Indian Public Finance, RBI

Tax decentralization, grand share and outstanding liabilities

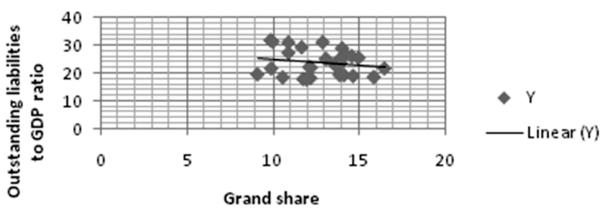
The correlation as per the r value is insignificant and indirect with the outstanding liabilities in the case of both the tax decentralization and grand share ($r_{\text{Tax decentralization to outstanding liability}} = -0.1904$ & $r_{\text{Grand to outstanding liability}} = -0.1945$*).* Scatter diagrams depicts the relationships.

Figure -5: Tax decentralization and outstanding liabilities



Source : Calculated from various issues of Statistics of Indian Public Finance, RBI

Figure 6: grand share on outstanding liabilities



Source : Calculated from various issues of Statistics of Indian Public Finance, RBI

Conclusion

The present study, with the objective of checking empirically the chances of debt accumulation with the states in India as an effect of the fiscal decentralization followed in Indian federal system. The analysis revealed that even though the trend of fiscal decentralization is in favourable to the central government and creates fiscal imbalances between the central and state governments , the indebtedness of the state governments is negatively related with it. All the correlation coefficient values are below 0.5. Hence it can the concluded that the relationship between variables are not much significant. Scatter plot analysis also reveals the insignificant negative relationship between the fiscal decentralization measures and the outstanding liability to GDP ratio. Hence it may be concluded that the increase in outstanding liabilities may be due to some other undetermined or random causes.

For controlling the increasing nature of outstanding liabilities, even though, it is not positively correlated with the fiscal decentralization as per this study, certain corrective measures are necessary. The decentralization measures shows a more favourable trend towards the union government. This trend prevails with more or less in the in the history of fiscal federalism of India. Major changes that were introduced by the central government in the fiscal devolutions recently, like the abolition of the planning commission and the formation of Niti - Ayog and the introduction of GST Council supports these trend even more. These policy changes, without any doubt will unfavourably affects the fiscal autonomy of the states in the future. There are further chances for research to explore the undetermined factors which lead to the indebtedness of Indian states.

References

Alesina, A. and R. Perotti(1995). The Political Economy of Budget Deficits. *IMF- Staff Papers 42(1),* 1-31.

Akai,N. And Sakata, M. (2002). Fiscal decentralization contributes to economic growth: Evidence from state – level cross – section data for the United States, *Journal of Urban Economics* , 52(1): 93-108.

Baskaran , T . (2010). On the link between fiscal decentralization and public debt in OECD countries *Public Choice 145: 351-378.*

Baskaran,T. and Feld, L.P (2013) Fiscal decentralization and economic growth in OECD countries: Is there a relationship? *Public Finance Review (doi : 10.1177/1091142112463726)*

Bodman, P. (2011). Fiscal decentralization and economic groeth in the OECD. *Applied Economics 43:* 3021-3035.

Boadway, R. And Shah, A. (2009). *Fiscal Federalism,* Cambridge: CUP.

Brennen, G. and J. Buchanan(1980). *The power to tax: analytical foundations of a fiscal constitution.* Cambridge University Press.

Goodspeed, T. J. (2002). Bailouts in a federation. *International Tax and Public Finance 9*(4), 409-421.

Hayek, F. A. Vatter (1939). The economic conditions of interstate federalism. *New Commonwealth Quarterly 2, 131-149.* Reprinted in: Friedrich von Hayek (1957). Individualism and Economic Order. Chicago: University of Chicago Press.

Musgrave, R. M. (1959). *The theory of Public Finance.* New York: McGraw-Hil.

Oates, W. (1972). *Fiscal Federalism.* New York: Harcourt Brace Jovanvich.

Oates, W. (1985). Searching for Leviathan: an empirical study. *American Economic Review 75(4), 748-758.*

Tiebout, C.M.(1956). A Pure Theory of Local Expenditure, *The Journal of Political Economy, 64 (5) ,* 416-424.

ISDA Journal 30 (3) 2020, pp. 153-170
© Institute for the Study of Developing Areas ISSN 0971-2550.

NON-CONVENTIONAL SECURITY CHALLENGES TO THE GCC COUNTRIES: THE POST-COLD WAR PHASE

Kami Hashemi Nik*

Abstract

The term 'security' has produced a diverse set of meanings like national security, human security, ontological security, emancipatory security, etc. Each concept of security corresponds to specific values, threats, and capabilities to meet the perceived challenges. One of the significant changes in the post-Cold War world was the non-traditional issues of security occupying a central place in international politics. It was the result of the necessity to develop a broader and more comprehensive approach to security that suits to the challenges in the post-Cold War period. Contrary to traditional security thinking that put state security at the centre of any debate, non-traditional security emphasized all issues related to human welfare. Non-conventional or non-traditional security issues are challenges to the survival and welfare of populaces and countries that arise predominantly out of non-military sources. This article deals with a slew of non-conventional challenges faced by the Gulf Cooperation Council countries such as issues of water, food security, climate change, migration, unemployment, etc., and their attempts to address the problems through different measures.

Introduction

Security is a complex and contested concept with multiple connotations, depending on the situation. A security problem arises when someone - a person, or group of state threaten another's life, limb or livelihood. In everyday use, the term invokes the association of safety and the absence of threats, ensuring some measures of certainty and assurance of being free from harm. The modern concept of security has a long and complicated genealogy. Its origin can be traced back to the Latin words *'securitas'* and '*securus*' that means 'free from care'. The greatest obstacle to clarifying the concept of security is not that nobody knows what it means, rather 'security' means different things to different people. This has produced a diverse set of meanings of the word 'security'; national security, human security, ontological security, emancipatory security, etc. These notions could be seen as differing accounts of the concept of security that embody diverse claims about the value of states, individual wellbeing, and psychological peace, etc. Security thus is a human value overlapping with several other values.

In the post-Cold War period, the initial discussions on non-conventional security were launched by the United Nations Development Programme (UNDP) Report 1994 (UNDP, 1994). The broadened definition of security includes variables such as human security (economic and social security components), energy security, and environmental security. In its report, UNDP has given human security a prominent place and identified seven dimensions: the economy, food, health, the environment, personal safety, community security, and political security. Non-military violence and crimes were other issues that came to the centre stage during this period. Similarly, the global developments of the last few decades have shown the vulnerability of today's global energy economy and environment as well.

The Persian Gulf as a region has been marked by colonial and neo-imperial external interventions, intra-state armed conflicts and sectarian violence. Scholars and practitioners have given importance to the region in terms of its resources and its strategic geopolitical significance. However, research on non-conventional security threats in the region is sparse. Against this backdrop, this article will examine non-traditional security issues of GCC countries in the post-Cold War Persian Gulf.

Non-Traditional Security: Conceptual Framework

Traditionally, security is defined in terms of the ability of a state to protect its interests such as territorial integrity and sovereignty from external threats. However, the structural changes in the post-Cold War period have resulted in new perceptions on the definition and nature of security. According to this new approach, "security comprises aspects of non-traditional or soft security, in addition to the established hard or military security" (Dosch, 2006: 179). A basic definition of non-traditional security refers to those security challenges that fall short of the traditional military-vs.-military or state-vs.-state threat pattern and which are broadly conditioned by socio-economic risk. On the one hand, the scholarly discussion has defined non-traditional security as a concept "defining threats to the nation-state that stem from the 'low politics' in opposition to traditional security threats concerned with the state-to-state threat pattern" (Maier-Knapp, 2015: 411). On the other, there is a school of thought that has stretched the notion and views it as a descriptive tool for defining threats as well as the multi-level and multi-dimensional responses necessary for so-called human security issues (Ibid).

As promoted by the UNDP, Non-traditional security, particularly the concept of human security generally means freedom from fear and want. The United Nations (UN) High-Level Panel on Threats, Challenges and Change announced a 'new security consensus': the biggest security threats we face now, and in the decades ahead, go far beyond States waging aggressive war. They extend to poverty, infectious disease and environmental degradation; war and violence within states; the spread and possible use of nuclear, radiological, chemical and biological weapons; terrorism; and transnational organized crime. The threats are from non-state actors as well as states, and to human security as well as State security (UN, 2004).

Non-conventional issues can affect both government institutions and civilian populations. Moreover, these can originate from a variety of non-state human and natural causes. Therefore, dealing with non-conventional security issues is much more difficult for the governments. The following sections will examine the non-conventional security issues in the GCC countries of the Persian Gulf region, what are its implications on the region and how the governments are trying to tackle these threats.

Economic Security in the Persian Gulf

Economic security needs a guaranteed basic standard of living in the form of income or an economic entitlement. Due to the dominance of oil and gas in several of the Persian Gulf economies, this region has undergone rapid economic growth. However, this growth is dependent on a 'rentier economy', particularly in GCC countries. The "rentier economy is based on government subsidised food, medical services, and energy through the wealth gained by the export of oil and gas" (Grow, 2018). Unfortunately, the continued dependence on the rentier-state model limits the creation of active domestic industries. Besides, "because the government is the primary actor that dispenses the rents, the private sector has very little room to thrive. The leading rentier states and in turn, the countries with the highest GDP in the Persian Gulf region are Saudi Arabia, United Arab Emirates, Kuwait, Iraq, Qatar, and Bahrain" (Ibid).

The economic prospects of the Persian Gulf states depend on their own individual sets of circumstances, and no two states are the same. However, for states, the primary determinant of economic growth potential is oil. Because there is significant uncertainty over projected oil revenues in the middle term, however, there is an equal amount of uncertainty in trying to project growth potential. Also there is a difference in the position of Persian Gulf states and their absorptive capacities for development. Oil wealth, which led to a

dramatic improvement in the standard of living of the Persian Gulf for much of the second half of the twentieth century, is no longer enough to ensure the prosperity of several states. The economic slowdown of 2008, the discovery of shale gas in the US and the Covid-19 have been adversely impacting on the GCC economy.

Table 1 GCC countries Oil and non-oil GDP share in 2013-201

Countries	2013		2014		2015		2016		2017	
	Oil	non-oil	Oil	Non-oil	Oil	Non-Oil	Oil	Non-oil	Oil	Non-oil
UAE	36.9	63.1	34.1	65.9	21.8	78.2	19.3	80.7	22.3	77.7
Bahrain	25.4	74.6	23.3	76.7	13.3	86.7	11.1	88.9	12.4	87.6
KSA	43.7	56.3	39.5	60.5	24.0	76.0	21.6	78.4	25.0	75.0
Oman	49.1	50.9	46.4	53.6	33.1	66.9	26.4	73.6	29.0	71.0
Qatar	55.7	44.3	52.5	47.5	37.5	62.5	29.7	70.3	32.3	67.7
Kuwait	63.5	36.5	60.8	39.2	42.9	7.1	8.5	61.5	2.0	58.0
GCC	45.6	54.4	41.9	58.1	26.8	73.2	23.2	76.8	26.4	73.6

Source: https://gccstat.org/images/gccstat/docman/publications/Economic2018.pdf

To address the economic challenges, governments across the GCC had identified and implemented several measures since 2015. In GCC, considerable progress has been made in adjusting fiscal policy. In order to fund the large fiscal deficit, most governments initially drew upon domestic sources. They used the foreign exchange reserves, withdrew deposits at local banks. The collapse of the oil price forced the GCC countries to rethink their economic model and introduce major fiscal consolidation policies. Reductions in expenditure have been at the centre of governments' strategies to address the ramifications of lower oil prices. GCC fiscal consolidation plans includes both non-oil and oil revenue and expenditure measures. For instance, following ratification of the GCC excise agreement in 2016, countries such as Saudi Arabia, UAE and Bahrain introduced excises on tobacco and carbonated drinks. This was followed by Qatar in 2018 and Oman in 2019. Moreover, in 2018 Saudi Arabia and UAE implemented a value-added tax (VAT) at a rate of 5 percent to support government budgets. According to IMF, the VAT could help generate additional revenue in the range of about 1.5-3.0 percentage points of non-oil GDP (IMF, 2019). In 2018, Saudi Arabia generated $12.16 billion VAT revenues, constituting 27.5% of the country's non-oil tax revenues. In the same period, the UAE federal government received $ 7.4 billion, 30% of total revenues. In July 2020, Saudi Arabia further increased VAT to 15 per cent. In addition, Qatar and Kuwait are also preparing a business profit tax and an independent tax authority.

Another measure generating fiscal revenue is the decision to privatise a number of state companies. This is especially high on the agenda in Saudi Arabia. In 2019, all GCC countries carried out reforms to create jobs and stimulate private enterprises. This also helped to improve the region's average ease of doing business score by 2.9 points. In addition to new taxes and other reforms GCC countries have also ramped up workforce nationalization.

Demographic Challenges in the Persian Gulf

The GCC with a population of 54 million people in 2019, less than 1% of the global population, is facing significant demographic challenges. However, the GCC countries have one of the fastest-growing populations in the world. In 2011 the GCC population was 34 million. By 2025, the GCC is predicted to have a total population of 57 million. What is to be noted here, "the aggregate population has increased more than tenfold in little over half a century. The increase, from four million in 1950 to 40 million by 2005, is widely considered to be the most rapid population growth rate anywhere in the world during that period" (Forstenlechner and Rutledge 2019). In between 2000 and 2020 the estimated increase of GCC population is 30 percent. The rapidly growing youth population as well as aging population are also serious concerns in the region.

Table 2: Projected population of GCC countries in millions

	2020	2030	2050
Bahrain	1.6	2.0	2.3
Kuwait	4.2	5.0	5.3
Oman	5.1	5.2	6.7
Saudi Arabia	34	39	44
Qatar	2.8	3.3	3.8
UAE	9.8	10.3	13.1

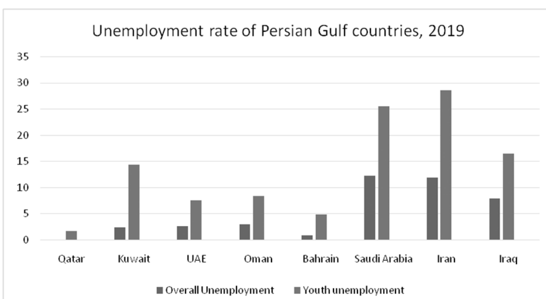
Source: *United Nations, Department of Economic and Social Affairs, Population Division.*

According to the latest data published by the General Authority for Statistics "youth below 30 years old account for 48.8 per cent of the total population and nationals make up around 62 per cent of the population. The national female population accounts for 42 per cent" (UNDP 2019). The youth bulge – "the percentage of the population that is under the age of 25 – ranges from 25% in Qatar to 50% in Oman. In the UAE, it stands at 34%, while it is 35% in Bahrain, and 40% in Kuwait" (Oxford Business Group). The youth bulge challenge has been described as "promising a double dividend — in the growing pool of human capital to be harnessed productively — or double jeopardy — in which socially excluded youth fosters social strife and political instability" (Khan, 2018). In short, population bursts in the Persian Gulf indicate prosperity but also point to challenges, provoked by the facts of a post-oil age, as people congregate to urban areas in search of employment and better living standards.

Unemployment

Youth unemployment in the region is on the rise. For instance, in Saudi Arabia, the overall unemployment rate stands at 6 per cent, while the youth unemployment rate is 25 per cent. It is important to note that 40% of its population is under-25 (Gross and Ghafar 2019). From 1990 to 2019, youth unemployment rate in Saudi Arabia was varied around 25-30 percent of the total youth population of the country. Climbing up to 32 percent in 2005, it came down to 25 percent in 2019. According to the General Authority for Statistics, the rate of unemployment in Saudi Arabia was 12.2% in 2016 (General Authority for Statistics, 2020). Furthermore, the economic participation in Saudi Arabia continues comparatively low, at 42 per cent, owing to the low participation of women. The women unemployment rate in Saudi Arabia reached 21.1 per cent compared to only 3.2 per cent for men in 2019. Nearly "34.5% of all Saudi Arabian adult females and 5.9 % of Saudi Arabian adult males are unemployed" (Alrasheedy, 2017). However, the highest levels of unemployment are found in youth populations where 40% of all citizens under the age of 35 have no stable form of employment.

Figure 1: Unemployment Rate of Persian Gulf Countries, 2019



Source: World Bank

The root causes of the GCC's employment problems are many: "a system of education that is not competitive in the sciences and not well aligned with the needs of modern industry; a culture of citizens conditioned to expect that government will always take care of them; and often-ineffective policies in areas such as immigration and retirement" (Shediac and Samman). The challenges are especially pressing for Saudi Arabia, Oman, and Bahrain, because of their current high unemployment levels and the mounting number of future job-market entrants. For the others as well, however, these

challenges will require attention sooner rather than later. In all cases, addressing these challenges demands a holistic approach covering three fronts. The first is extending the economic base and generating additional jobs in strategic sectors in which GCC countries have a competitive advantage. The second is developing the workforce by reforming the education system and upgrading labour skills. This will create a generation of skilled nationals to match economic requirements. And the third is putting in place effective labour and immigration policies by remaking the system and increasing national labour participation. The measures taken by the GCC to solve the problem of unemployment is discussed in the following section on immigration.

Immigration

The GCC countries are a popular destination for migrant workers, primarily due to their high per capita incomes. Foreigners account for 95 per cent of the labour force in all but Qatar and 80 per cent in UAE. In Kuwait, Oman and Bahrain, it is at least 70 per cent. Due to recent stringent localization policies of the Saudi government, Saudi immigrant labour force come down to around 55 per cent. Heavily reliant on foreign labour to sustain economic growth, many of the GCC government introduced a temporary guest worker programme called the Kafala Sponsorship System, which allows nationals, expatriates, and companies to hire migrant workers.

Efforts to curb the burgeoning number of foreigners have resulted in the implementation of workforce nationalisation policies in many GCC countries. Saudiization policy in Saudi Arabia and the Emiratization policies in UAE are cases in point. In 2011, the Saudi government introduced "the *Nitaqat* programme under which companies were classified as red, yellow, green or platinum according to the percentage of Saudi citizens in their workforce" (Alghamedi, 2016). Unemployment is high among Saudi citizens and many

Table 3: Percentage of immigrants in GCC, 2019

Country	Foreign Nationals in 2019 (%)
Bahrain	55
Kuwait	70
Oman	44
Qatar	90
Saudi Arabia	30
UAE	89
World Average	3

Source: World Population Review, 2020

admit that there needs to be a cultural shift in attitudes towards work. Moreover, Qatar's National Vision 2030 plan, emphasizes scrutinising the consequences of recruiting expatriate workers "in terms of their cultural rights, housing and public service needs [along with] the potential negative impact on national identity, against the anticipated economic benefits that accrue from an increase in the numbers of foreign workers in the total labour force" (Abdoulaye Diop, et.al, 2012: 173). The aim of these policies is twofold: Firstly, to cut the heavy reliance on a foreign workforce; and, secondly, to increase the participation of the national workforce in the private sector.

Shifting from comparative advantage in oil or gas toward a competitive advantage in human capital is a vital part of the transformation of the GCC states economies, underpinned by policies to enhance the skill-levels of GCC states nationals and increase their representation in the workforce. The regional turbulence and insecurity in the Persian Gulf, as well as the rising unemployment rates among youth, alerted the government to the security hazards and threats to national identity embedded in the population imbalance. International pressures on the government to observe expatriated labourers' rights to naturalize them if they

like added fire to the already accumulating fears regarding security and national identity. Consequently, the government started to look for solutions to the problem. The governments followed three tracks of policy alternatives that include policies to increase the volume of the national populations, nationalization of the workforce, and regulatory policies to control immigration.

The sense of insecurity due to the demographic imbalance has also led to the Gulf governments adopting several stringent workforce nationalization policies. This policies are also aimed to restrict political and social integration of the migrants while facilitating economic integration. For instance, the GCC countries restrict "naturalization, limit labour mobility, offer negligible rights for collective bargaining and prohibit expatriates' access to the public sector education and healthcare" (Priya, 2020). Most of the vision documents, such as the *Saudi Vision 2030* and *Oman Vision 2040*, aim to skill and employ more nationals and limit the number of expatriates.

Recently, Saudi Arabia has increased the number of sectors that require 100 per cent Saudiization, particularly in retail sector. The Kingdom also announced its decision to Saudiize management and specialist professions in the tourism sector in 2019. In Oman, to support job creation for Omanis, a six-month ban on hiring expatriates began in January 2018, in 10 different sectors including mead, marketing, insurance and aviation (Malik and Nagesh). According to Kuwait Times, some 2799 expatriate jobs were terminated from the government sector in the first year of implementation of the Kuwaitization push (Ibid). Kuwait's expat quota bill was approved by the National Assembly Committee in July 2020. Minimum quota of nationals, levies on expat workers, fees on expat dependents, and Visa restrictions are other major reforms. GCC governments have also looked to progress with housing and education projects for nationals.

Climate Change and its Implications for GCC countries

The Persian Gulf is vulnerable to climate change owing to many reasons. First, the rising temperature and long summers in the region could threaten the availability of drinking water in the region. Drinking water sources and availability in the Gulf region is already minimal. This will put added stress on the socio-economic and demographic faultiness in the Persian Gulf. More importantly, there are concerns over the possibility of human life in the region if the temperature increases 1.5 degree centigrade above pre-industrial levels (Pal and Eltahir, 2015). Some studies show that marine ecosystems in the Persian Gulf are substantially affected by climate change (Riegl, 2003: 433). All these issues raise concerns about a sustainable future for the Gulf. According to the World Economic Forum (WEF), the GCC nations are among those that will be most adversely affected by climate change, with "increased pressure on scarce water resources and arable land, rising air pollution, and increased likelihood of flooding in coastal areas (Gastli and Armendáriz, 2013).

For Gulf States, sustainability in relations to climate change protection stands with reducing their carbon emissions. Gulf countries account for 0.7% of the global population, but ironically contributes 2.4% of the global GHG emissions per capita. GCC countries are among the top-14 per capita emitters of carbon dioxide in the world. Saudi Arabia is by far the largest CO2 emitter in the region, and ranks 10th globally, with emissions reaching 624.9 million tonnes in 2018. CO2 emissions of Saudi Arabia increased from "248,188.4 kt in 1999 to 624,990 kt in 2018, growing at an average annual rate of 5.44%" (knoema, 2019). In per capita emissions, "Qatar takes the lead, with 38.19 metric tonnes CO2 per capita per year. It is followed by Kuwait and UAE, with 27.1 tonnes and 21.8 tonnes CO2 per capita respectively" (Nature Middle East, 2015). In comparison to the global average CO2

emission per capita which was "4.35tonnes of CO2 per capita in 2018, Qatar was 829% above the global average, with Kuwait at 449%, the UAE at 342% and Saudi Arabia at 295%" (Ibid).

To address the issue, apart from being part of the global initiative to limit the climate change, the GCC has in place General Regulations of Environment, which provide a framework with general rules and regulations to guide environmental protection. The regulations, adopted at the ministerial level in 1997, which are the GCC's only major environmental policy instrument.

Water and Food Security

Evidence of the impact of "climate change on the earth's hydrological cycle is mounting in many regions of the world, in the form of increased frequency of floods, droughts and other water hazards and changes in long-term trends in precipitation" (UNESCO, 2015). In many countries, water "stress" in its various forms is likely to become the normal state of affairs soon. Water is already a limited resource in the Gulf region and this will have a definite impact on food security. The nexus that exists between water, energy, and food in the GCC region is unprecedented. The water security of GCC countries cannot exist in a silo separate from food and energy. Consequently, the adoption of any strategy for increasing water security in this region will have repercussions on other sectors.

GCC countries are continuing to invest heavily in their water and energy sectors as evident by their large shares in many independent water and power projects (IWPP) (Global Water, 2014). Between 2000 and 2008, Qatar's Kahramaa (the government owned water and electricity company) invested approximately 660 million USD in its water sector, excluding investments made in IWPP projects (Al-Malki 2008). In 2009, Qatar initiated a 30-year water and electricity master plan that will see major investments in desalination, water infrastructure, and wastewater treatment (Global Water 2014).

Between 2010 and 2015, the value is projected at reaching 5.47 billion USD with an additional 1.1 billion USD investment in IWPP production facilities between 2013 and 2017 (Al-Malki 2008). Likewise, in May of 2012, at the global summit for water in the oil and gas sector, the undersecretary of the UAE Ministry of Environment and Water announced that the UAE will be investing 13.89 billion USD in new desalination plants and distribution networks from 2012 to 2016 according to the UAE's The National newspaper (2012). Strong government investments in the water and energy sector are largely the result of rapidly rising demand coupled with higher global oil and gas prices which have provided greater revenue from energy exports for GCC countries (Global Water 2014), similar to the massive investments made following the oil crisis in 1973 (Al-Faris 2002). Currently, many GCC countries are placing heavy emphasis and resources on ensuring that they are water secure for the future. This has corresponded to increasing their installed desalination capacities among other actions such as wastewater reuse. In Qatar, Kahramaa is planning to add an additional 1.72 million m3 / day to its existing desalination capacity between the years of 2016 and 2032 as a part of its 30-year power and water master plan (Al-Malki 2008; Global Water 2012). This would represent an increase of roughly 140 % compared to the current installed capacity of 1.2 million m3 /day (Al-Malki 2008).

Conclusion

The non-conventional security threats faced by the GCC countries are more or less common with other countries. But the presence of oil and natural gas, and the labour opportunities available in the GCC countries for other nationals have also contributed its share in their problems of non-conventional security. As almost all these issues are common to the world, it needs a global solution to finally put these issues to rest. But it also demands domestic as well as regional measures to solve it.

Although, the GCC has envisioned the economic integration of the region by forming a Monetary Union, it has yet to be fulfilled in the true sense of the term. The economic slowdown from 2008 and the discovery of shale gas in the US have decreased the demand for oil at the global level. This was a great blow to the GCC economies which are over dependent on hydrocarbon sources. This has been impacting the measures taken by the GCC countries to tide over the economic problems they face. Demographic challenges, unemployment and migration in the GCC countries are related issues. To address these issues, they have taken some drastic measures which are on the one hand has given some solace to the local people, and on the other, creating lot of trouble to the migrant workers. But the GCC countries cannot completely do away with the migrant workers due to lack of qualified and skilled workers to satisfy their needs. So these issues will linger on in these countries as a source of threat to the social security of the locals.

Climate change, water scarcity and food security are also issues of concern to the GCC. Climate change has been creating serious issues to an already water-scarce region. This is critically impacting on the GCC nations, which are dependent upon other nations for food import. Although GCC is participating in the climate change talks and measures, this region is facing serious threat from climate change.

So, as far as the non-conventional security threats are concerned, the GCC is facing a serious threat. Although they have taken some significant steps to address those issues, it needs more funds and political will from the part of the GCC nations, which are not forthcoming due to the economic crisis they are undergoing now. These issues also demand global intervention, for these are global issues too.

References

Alghamedi, Ahmad (2016). Enhancing Employment Opportunities in Saudi Arabian Private Sector, *Monograph*, https://core.ac.uk/download/pdf/288854162.pdf

Al-Faris, A.F. (2002). Public Expenditure and Economic Growth in the Gulf Cooperation Council Countries. Retrieved from https://www.tandfonline.com/doi/abs/10.1080/00036840110090206

Al-Malki, Ali Saif (2008). Business Opportunities in Water Industry in Qatar, Qatar General Electricity and Water Corporation (KAHRAMAA), https://agronegocios.uniandes.edu.co/wp-content/uploads/2015/02/www.siww.com.sg_pdf_Biz_Opps_in_Water_Industry_in_Qatar.pdf

Alrasheedy, Abdulelah (2017). The Cost of Unemployment in Saudi Arabia, Retrieved from http://www.sama.gov.sa/enUS/EconomicResearch/WorkingPapers/THE%20COST%20OF%20UNEMPLOYMENT%20IN%20SAUDI%20ARABIA.pdf

Diop, Abdoulaye, Mark Tessler, Kien Trung Le, David Howell (2012). Attitude Towards Migrant Workers in the GCC: Evidence from Qatar. Retrieved from https://www.researchgate.net/publication/271936280_Attitudes_Towards_Migrant_Workers_in_the_GCC_Evidence_from_Qatar

Forstenlechner, Ingo and Rutledge, Emilie Jane (2019). The GCC's Demographic Imbalance: Perceptions, Realities and Policy Options. Retrieved from https://mepc.org/gccs-demographic-imbalance-perceptions-realities-and-policy-options

Gastli, Adel and Javier San Miguel Armendáriz (2013). Challenges Facing Grid Integration of Renewable Energy in the GCC Region, retrieved from https://www.files.ethz.ch/isn/175272/Masdar_Challenges_Facing_3703.pdf0.pdf

General Authority for Statistics (2020). Kingdom of Saudi Arabia, Unemployment Rate 2016, https://www.stats.gov.sa/en/820

Global Water Intelligence (2012). IDA Desalination Yearbook 2012–2013, Retrieved from https://www.globalwaterintel.com/clientmedia/uploaded/2012%20media%20info%20SCREEN.pdf

Global Water Intelligence (2014). Desal Data, http://desaldata. com/. Accessed, May 25.

Gross, Samantha and Ghafar, Adel Abdel (2019). The Shifting Energy Landscape and the Gulf Economies' Diversification Challenge. Retrieved from https://www.brookings.edu/research/the-shifting-energy-landscape-and-the-gulf-economies-diversification-challenge/

Grow, Johannes (2018). Economic (In)security and Economic Integration in the Middle East, in Bettina Koch & Yannis S Stivachtis (Ed.) *Regional Security in the Middle East: Sectors Variables and Issues,* Bristol: E-IR Publishers.

Jorn Dosch (2006). The Concept and Management of Non-traditional Security in Southeast Asia, *Security and Peace*, Vol. 24, No. 4.

Khan, Sabahat (2018). MENA's Youth Bulge is a Regional Security Challenge, *The Arab Weekly*, February 4, https://thearabweekly.com/menas-youth-bulge-regional-security-challenge

Knoema (2019). Saudi Arabia-Co2 Emissions, Retrieved from https://knoema.com/atlas/Saudi-Arabia/CO2-emissions

Maier-Knapp, N. (2015).The Non-Traditional Security Concept and the EU-ASEAN Relationship Against the Backdrop of China's Rise. *The Pacific Review,* Vol. 29, No.3.

Malik, Monica and Thirumalai Nagesh (2020). UAE: Economic Policy Focusing on Supporting Economic Activity, *NUS/Middle East Institute*, September 8, No. 244.

Nature Middle East (2015). Changing CO2 emission patterns in the Middle East. Retrieved from https://www.natureasia.com/en/nmiddleeast/article/10.1038/nmiddleeast.2015.233

Oxford Business Group, *Meeting the Needs of a Growing Youth Population in the Middle East*, https://oxfordbusinessgroup.com/analysis/dividend-or-liability-meeting-needs-region%E2%80%99s-growing-youth-population-0

Pal, J.S. and E.A.B. Eltahir (2015). Future Temperature in Southwest

Asia Projected to Exceed a Threshold for Human Adaptability, *Nature Climate Change*, Retrieved from https://www.nature.com/articles/nclimate2833

Priya, Lakshmi (2020). Labour Sector Reforms in the GCC and Challenges for Indian Expatriates, Retrieved on November 27 from https://idsa.in/issuebrief/labour-sector-reforms-in-the-gcc-lpriya-271120

Riegl, B. (2003). Climate Change and Coral Reefs: Different Effects in Two High-Latitude Areas (Arabian Gulf and South Africa), *Coral Reefs,* 22.

Shediac, Richard and Samman, Hatem, *Meeting the Employment Challenge in the GCC: The Need for a Holistic Strategy*, booz&co, https://www.iqpc.com/media/8251/10415.pdf

UN (2004). *Report of the United Nations (UN) High-Level Panel on Threats, Challenges and Change*,https://www.unog.ch/80256EDD006B8954/(httpAssets)/C9B1B6D819968E83C1256F5E00597208/$file/Report+of+the+High-level+Panel+on+Threats+Challenges+and+Change.pdf

UNDP (1994). *Human Development Report 1994*, Retrieved from http://hdr.undp.org/sites/default/files/reports/255/hdr_1994_en_complete_nostats.pdf

UNDP (2019). *Arab Human Development Report 2019*, http://www.arab-hdr.org/

UNESCO (2015). Changing Minds, Not the Climate: UNESCO Celebrates Water and Climate Day at COP21, Retrieved on December 6, from http://www.unesco.org/new/en/media-services/single-view/news/changing_minds_not_the_climate_unesco_celebrates_water_and/

World Bank(2019). Unemployment, Youth. Retrieved from https://data.worldbank.org/indicator/SL.UEM.1524ZS?end=2019&locations=BH-SA-AE-OM-QA-KW-IR-IQ&start=2019&view=bar

World Population Review (2020). worldpopulationreview.com

ISDA Journal 30 (3) 2020, pp. 171-188
© Institute for the Study of Developing Areas ISSN 0971-2550.

IMPACT OF COVID 19 ON INDIAN ECONOMY – A QUICK ASSESSMENT

Mani K.P.*

Abstract

Indian economy started signs of deceleration from 2017 onwards and the present "virus" attack crippled economic and financial growth rates. Hence in this paper an attempt was made to make a quick assessment of the impact of the "virus" and the challenges ahead. The analysis relies on secondary data and quick estimates. The paper argues that the most important impact is on growth of Gross Domestic Product and also on employment particularly in the unorganized sector. This in turn affects other macro economic variables like consumption, saving and investment. It is also inferred that the sectoral performance will be unfavourable except in the case of agriculture sector. The paper suggests that special monetary and fiscal packages will help to improve the situation marginally. The paper also explains the role of local governance and planning. For most is the control of "virus" and hence research and development in health sector is the top priority and the rest will automatically follow.

Introduction

Since independence, India entered into an era of economic planning and so far we have completed seven decades of planning. From the dawn of the millennium the growth rate of the economy was significant and the same continued till 2008. The great recession of 2008 had notable impact on the economy and the growth rate started decelerating. Over the last decade, there are fluctuations in the growth performance and recently (March 2020) the pandemic

**Formerly Professor & Head, Department of Economics, University of Calicut, Dr. John Mathai Centre, Thrissur, Email: drmanikp@yahoo.com*

crippled our future plans. Wide debates are going on internationally on future global economic performance where India is also not an exception. Hence, in this paper an attempt is made to assess the impact of COVID 19 on Indian Economy and also to indicate strategies to overcome the crisis. The discussion is based on secondary data provided by the Government of India, Reserve Bank of India, views of economists, rating agencies etc.

The prelude

In the initial quarter century of planning, the country followed a centralized strategy getting motivation particularly from Prime Minister Jawaharlal Nehru. Naturally, in this phase plans formulations were mainly concentrated in the Planning Commission and the states were mere implementing agencies. In other words, it was an era of "top to bottom" approach. In 1975, some important political developments took place in the country and forced the then Prime Minister, Mrs Indira Gandhi to declare national emergency and consequently suspended the ongoing fifth five year plan. Instead, she declared 20 point economic programme. In the next general elections to the parliament, for the first time in the history of independent India, a non congress government came to power. This government is of the view that centralized planning process in support of Nehruvian economics is not suitable for India and they partially replaced Five Year Plans with "Rolling Plan." Before the plan started to roll, this non congress government went out of power and the congress government came back to power and replaced "Rolling Plan" with Five Year Plans.

In the second phase of congress rule there are some strategic differences compared to earlier phase. From decentralization, they made a shift to decentralization and launched "Integrated Rural Development Programme" exclusively with the objective of poverty reduction. In subsequent years also poverty reduction and village

development were the primary focus and this strategic shift made substantial progress in our overall growth rate and the number of persons below poverty line. This "bottom to top" approach continued for a decade and to provide further momentum to these efforts, local governance and decentralized planning were enacted in the Indian constitution in 1993, in the form of Panchayati Raj Act (73rd Constitutional Amendment).

While the decentralization process was slowly serving as a remedy for grass root problems of the county, India accepted globalization also as a development strategy in 1991. Hence, since 1991, Indian five year plans are coupled with two agendas, decentralized development v/s globalization. Whether these focuses are complementary or contradictory is a question of time and performance. In the first decade of millennium, Indian strategies are more tuned towards openness of the economy, with emphasis on "export led growth". The global recession had some impact on the performance of the economy and the decade (2010-2020) noticed a decelerating as well fluctuating growth rate. The recent "virus" attack crippled the performance of the economy and the succeeding paragraphs will examine the recent performance of the economy and the challenges ahead.

GDP Growth Rate

The best accepted criteria to measure the economic performance of any economy is to assess the growth rate of Gross Domestic Product (GDP). Gross Domestic Product is the total monetary or market value of all the finished goods and services produced within a country borders in a specific time period. The above mentioned growth issues are more evident from table 1.

Table 1. Average growth rate of India's Gross Domestic Product (GDP) %

1960-70	3.5
1970-80	5.6
1980-90	5.7
1990-2000	7.8
2000-07	7.9
2007-13	7.1
2013-16	8.3
2016-18	6.6

Source: Economic Survey (various years), Government of India

From 1980 onwards, our GDP growth significantly improved. Is it due to strategic shift towards rural areas and people centric approach? In the initial years of globalization, our growth performance was satisfactory, but gradually it is coming down. Is it because globalization strategies started to become unstable or volatile?

Table 2. Trends in real GDP of India: 2015-16 to 2021-22

Year	Rs in Lakh Crore (constant terms)
2015-16	113.86
2016-17	121.96
2017-18	131.80
2018-19	140.78
2019-20	145.64
2020-21*	146.32
2021-22**	149.43

Source :Economic Survey (various years) Government of India

Except in 2008-09, in all other years of the plan period, the economy recorded satisfactory growth. At the same time, the impact of global recession of 2008 is very evident in the down fall of growth rate in that year. Foreign Direct Investment (FDI) and Foreign

Portfolio Investment (FPI) also recorded notable increase over the time period, but there are indications that the volume of FDI and FPI are coming down and it further worsened in the terminal year of the plan. To aggravate the entire crisis, the "virus attack" (March 2020) crippled the growth rate across the globe and also in the country. Even though the precise estimates are yet to come, the GDP growth rate in 2019-20 is estimated to be 5 percent compared to 6.8 per cent in 2018-19. Various institutions have assessed India's growth prospects for 2020-21 ranging from 0.8 per cent (Fitch) to 4 percent (Asian Development Bank). This wide range indicates the extent of uncertainty and tentative nature of these forecasts. The International Monetary Fund has projected India's growth at 1.9 percent, China 1.2 percent and the global rate at (-) 3 per cent. The actual growth outcome for India would depend on the speed at which the economy is opened up, the time it takes to contain the spread of "virus" and, the government's policy support and interventions. In short, the Indian economy is moving towards a recession, probably the worst in the history of independent India and hence, it is appropriate and timely to assess the likely impact of virus on the economy, which is attempted in the following paragraphs.

Trends in Gross Domestic Product

In continuation of the discussions in the above paragraphs, the GDP data of the country in real terms is presented in table 2. Between 2015-16 and 2018-19, GDP increased by 23.80 percent. The main contributing factors are positive trends in manufacturing and reasonable exports. But the rate of increase has slightly come down since 2016 as a consequence of demonization. Almost the same time, global recession started which further decelerated our growth. Quick estimates made by the author on the future trends, it is felt that GDP in real terms will remain at Rs146.32 lakh crore and Rs149.43 lakh crore respectively in years 2020-21 and 2021-

22. This is because after the virus attack, the economy is trapped in a "vicious circle" and the effectiveness of solutions will only be limited. The worst hit is unorganised sector, which constitutes a major share of the economy. The first and foremost impact is loss of employment, either casual or permanent. When employment is lost, ripples are many.

Trends in employment

Table 3. Trends in Employment and unemployment in India

Year	Total employment In crore	Unorganised sector employment as percentage to total employment (In %)	Total labour force (in crore)	Unemploy-ment rate (%)
2015-16	47.5	82	49.1	2.78
2016-17	48.3	83	40/6	2.73
2017-18	49.6	82	51.3	2.56
2018-19	50.6	83	51.3	5.8
2019-20	50.8	79	51.4	6.2
2020-21*	52.4	76	52.7	7.8
2021-22*	52.8	75	53.4	8.1

Source: compiled from Economic Survey, Labour Statistics, Reports on Unemployment in India etc
** Projected*

A close look into table 3 reveals the following interesting observations. Firstly, among the total employment, unorganised sector employment constitutes about 80 per cent. Next, the unemployment rate till early 2019 is not very dangerous. Finally, there is an alarming increase in unemployment rate since 2019. In early 2019, CSO found that the unemployment in the country is all the most high since 1973. But the central government was little

reluctant to accept the data, but later agreed. A highly significant share of unorganised sector was due to starting of many small, micro and medium enterprises as a consequence of liberalisation. In 1991 the share of unorganised sector in the total employment of India was only 73 per cent. This shows the growth of unorganised sector employment. The virus may attack the organised sector also, but the impact and incidence will be of short run. It is reported that as on 1st May, 2020, about 13 lakh persons lost employment in India in the organised sector as a result of COVID 19. Sill if there are appropriate and relevant policy interventions, a U turn is possible within six to nine months. But the worst hit is unorganised sector employment surviving under various degrees of informality.

In unorganised sector employment, majority are migrant workers. Available data on the size of migrant work force in India is "ill calculated". According to 2011 Census, there were 5 crore in the country who migrated from one state to the other. The major states, Uttar Pradesh, Bihar, Rajasthan and Madhya Pradesh account for nearly 49 per cent of the migrant labourers. These workers hailing from poor of the poor families in villages migrate to urban centres and gain employment. They are mainly employed in construction activities, hotels and restaurants, agricultural activities, etc. Gradually they try to follow the urban style of living and also try to uplift their families in villages. In short, the income they earn from far off states, promote consumption pattern in these remote villages. The "virus" attack not only limited their physical movements but they were forced to go back to their home villages. The return of migrant workers, the major part of unorganised labour in many states necessitated the closure of informal, small, micro and medium industrial units. The status of non migrant workers employed in the unorganised sector is also not different. They are mainly employed in tourism, travel, hospitality sector and automobile. Quick estimates put the employment loss in the country within a span of six months (by December 2020) is more than 100 million. Many Indians employed abroad also face the same threat. Thus, one likely threat in front of the government is how to improve employment multiplier at the earliest. Both monetary and fiscal policy interventions are essential, which are discussed later.

Consumption

Job loss directly affects the income status, and ultimately consumption expenditure. Even though consumption beyond a limit is undesirable, a minimum level of consumption is essential for rejuvenating the economic activities and also investment.

Table 4. Trends in consumption as share of real GDP (%)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21*	2021-22*
PFC growth rate	7	7.4	6.6	6.8	6.1	5.9	6.3
PFC Share	55.8	55.8	55.8	52.4	51.5	48.6	50.4
GFC Growth rate	7.6	6.8	10.8	9.4	7.3	6.1	6.8

PFC Private Final Consumption GFC Government Final Consumption
Source: compiled from Reserve Bank of India reports

It is seen that the consumption growth rate and shares are almost linear during the five years period of reference. It is also highlighted that PFC share in the GDP is high compared to GFC. Thus any fall in the Marginal Propensity to Consume (MPC) of the households will decelerate the consumption expenditure. This violates the classical economics argument, "supply creates its own demand" leading to over production and general unemployment indicating that the economy is put in a vicious circle. Hence, the immediate remedy is to promote consumption and accelerate MPC. This is possible by, boosting wages, identifying and starting labour intensive production and service units, pumping more money

into the economy, increase government spending and retuning the monetary policy the instruments. This is exactly attempted by the Finance Minister recently.

Saving and investment

As mentioned just above, one best solution to improve income and employment in the days of "virus" attack is to promote investment. Conventionally, the main source of investment is savings from different sources, like households, business government and foreign investment. Considering the past five years data, it is noticed that the average saving rate focus around 30-35 per cent of GDP and investment rate about 29-32 per cent of GDP. Household savings come around 7-8 per cent of their Disposable Personal Income. Indian households had the rare honour of having the high saving rate compared to other countries. But very recently, this trend has changed. Since 2016, the house hold saving rate has come down to around 6 percent. The main reasons attributed to this trend are investment in houses, unnecessary and unhealthy borrowings and irrational use of credit cards. Households are spending driven now. When we correlate this with the present employment loss, we can very well infer that in very future date, not only that the savings will drastically fall, but debt burden will aggravate. The initial signs are there. The recent policy declaration of moratorium is not very attractive for an average Indian house hold because of the accumulating interest cost. The status of corporate savings is also not attractive in recent days. Hence, the quick measure for the promotion of investment to overcome the crisis should come from the policy makers.

When we search for options for raising investment and the sectors in which investments are to be made, the primary concerns are investment in small business and also improving infrastructure. As discussed earlier, one of the important impacts of "virus" attack is job loss especially in the unorganised sector. Reemployment of these lower strata community is significant. On 8th May, 2020 one of the job providers invited applications from migrant workers who left to own villages for reemployment and within a span of two hours the portal received about 1.5 lakh applications. Hence, it is suggested to pump large volume of money in to the community with a purpose of investment. There are different schemes like Mudra loans in operation in the country. Similar small loans are to be intensified. This can be considered as a short run measure. Equally important is long run measures. As far as Indian economic growth is concerned, in a long run perspective, one hurdle is lack of investment in infrastructure. Hence the share of infrastructure investment should be significantly improved immediately. So far we made a glimpse of economic growth, employment status, consumption and investment in the backdrop of virus. Beyond this, the revival of any economy depends on sectoral growth. Below an attempt is made to evaluate sectoral performance.

Sectoral growth

Table 5. Sectoral Growth Performance in 2020-21

Group	Sectors	Share 2019-20	Average growth	2019-20	Targeted growth 2020-21	Contribution to growth %
A	Agriculture, forestry and fishing	14.4	4	3.1	2,8	0.40
B	Mining and quarrying	2.6	0.6	2.2	1.1	0.03
C	Manufacturing	17.4	4.4	0.3	1.8	0.31
B	Electricity and gas	2.3	8	4.1	2.1	0.05
B	Construction	7.9	4.7	2.4	1.2	0.09
D	Trade and hotels	19.6	7	5.3	1.5	0.30
B	Financial and real estate	22.3	0.3	6.8	3.4	0.76
A	Public admn and defence	13.6	9.3	8.2	7.4	1.00

Source: CSO advance estimates February2020

From table 5, the relative importance of different sectors is very

clear. When the country started planning process in 1951, the share of agriculture in the GDP was about 56 per cent. Over the years, there is a gradual decline and currently hover around 15 per cent. On the other hand, the shares of construction, trade and hotels and financial services which were having a low share then became the prominent sectors today. The shares of these sectors altogether account around 49 per cent in 2019. It is appropriate to look into the prospects of these sectors in the back drop of "virus". The average growth rate in agriculture during the last decade was about 2.5 -2.8 percent, while the required growth rate about 4-4.5 per cent. As far the prospect for the next two years is concerned, the meteorological department has predicted good monsoons and for the time being (May 2020) agricultural operations are going smoothly, keeping expectations steady. The only impact of "virus" is the shortage of agricultural labourers. The return of agricultural workers to their home states and villages, will slightly affect the availability of labour for agricultural operations. Leaving "virus", it is high time to turn back to agriculture operations because the sustainable growth of the county lies in agriculture prospects. When a question was put to Amartya Sen (2005), about the remedy for the stable growth of India, his immediate prescription was "turn back to agriculture". There are many states now expecting returns from Middle East due to loss of job and the best option to them is either engage in agriculture or start small enterprises.

Next we shall consider the group that is likely to suffer the maximum. This includes trade, hotels, restaurants, travel and tourism. Quick estimates show that all these sectors together are likely to lose about 7 crore job opportunities and Rs 8 lakh crore. Many of them working in these sectors are on contract basis and they have to leave employment without any benefits other than the mercy benefits, if any, from the owners. In short duration, they will join with "unemployed army". Other than the employment loss, there are other dimensions also to be discussed. These sectors are having sufficient forward and backward linkages providing asset creation, indirect employment etc. When CSO projected the share of this sector in the GDP for the year 2020-21, a few days before lock down, it was 19.6 per cent. If these adverse trends continue for 3 more months, these shares will be around 5-8 per cent only, affecting GDP growth. Even if matters are improved, occupancy rate in hotels will be only marginal because foreign tourists cannot be expected since European countries are in a crisis where immediate solutions are rare.

Mining, and quarrying, electricity, gas, water supply and other utility services, construction and financial services are also likely to affect seriously. It is possible to stimulate these sectors by supporting and improving demand. In this case, C Rangarajan and DK Sreevasthava applied a 40 percent performance factor, not on the 2019-20 which is outlier, but on the average growth of preceding three years. Considering these four groups together, the estimated gross value added growth of 2.9 per cent is estimated for 2020-21. To realize this requires strong policy support particularly the manufacturing sector which has a weight of 17.4 per cent. It is also based on the assumption that the Indian economy may move on to positive growth after the first quarter of 2020. Considering the present circumstances (May 2020) chances are remote.

The growth of productive sectors like agriculture and manufacturing depend on credit flow primarily decided by the institutional financial agencies. Table 6 presents recent trends in Indian Banking

Trends in Banking Sector

Table 6. Trends in Indian Banking Sector

Item	2015-16	2016-17
Deposits in Rs crore	10092700	11113900
Loans in Rs crore	7896500	8116200
Gross NPA in Rs crore	611800	791800
Net NPA in Rs crore	349800	433100
Agriculture advance in Rs crore	882900	992400
Industrial advance in Rs crore	2730700	2680000
Services in Rs crore	1541100	1802200
Personal loan in Rs crore	139200	162080
CD ratio	78.2	73
Gross NPA (%)	7.5	9.3
Net NPA (%)	4.4	5.3

Source: Trends in Indian Banking RBI report

Table 6 explains the major trends in Indian banking sector for the time period 2015-17, for which the latest data are available. There are interesting observations from the table. It is noticed that the institutional support share for agriculture is reasonable. But this macro observation is not justifiable. This data include gold pledged in the name of "agricultural loans, highlighted by many earlier studies including by this author. As mentioned earlier, to redeploy the new "unemployed army", strategies must be framed to improve agricultural credit focusing on post harvest technology. A great potential lies in advancing for agro processing and value addition, specifically coined as "agri business" in recent agriculture literature. Another notable point is alarmingly increasing personal loans. This is an unhealthy trend in Indian banking sector since 2000. Similar is the case with credit cards. Data reveal that personal loans through credit cards are also high (withdrawal from ATM using credit cards). Banks argue that the NPA is extremely high due to personal loans and education loans. Gross NPA of banks remained at 7.5 per cent and net NPA at 4.4 percent in 2015-16 and respectively increased to 9.3 per cent and 5.3 per cent in the next year. These rates are reasonably high compared to efficient banking norms. The non repayment of personal loans and credit card payment is going to be aggravated in the coming months because of the loss of employment and the related consequences. In future, the profitability of banks may come down unless strict measures are implemented. Even if implemented, how far public can obey the regulations is another question. The quantum of "non wilful default" will be high in the recent future. The banking customers are in a debt trap. At the same time, a contradiction is also emerging. As mentioned in the earlier part, to promote employment, the banks have to warmly give small enterprise loans. In this context, the role of cooperative banks, small banks and even Non Banking Financial Intermediaries are challenging. These initiatives should be coupled with appropriate and relevant credit policies.

Role of Local Bodies and Decentralised Planning

Along with banking and other institutions, the role of local bodies is also important to improve the present economic crisis. India enacted panchayat raj legislation in 1993 and the same is in operation throughout the country now. The focus points of this legislation are local governance and local planning. This can be widely practiced in the rebuilding of the nation after "virus". Medical experts opine that the total destruction of "virus" is near impossible at least for a year or two. Hence, the desirable solution is to equip the public to live "with the threats of virus". To live with the threats of "virus", public hygiene is very important. This can be very effectively done with the help of local governance and local planning. If more powers are transferred to local bodies in this context, better public hygiene can be ensured which will help to limit community spreading. Equally

important is environment conservation and protection which can also be done through local governance. Even if the "virus" threat is over, making public aware about the need of community health and hygiene is important. Where ever these methods are practiced earlier, the extend of communicable diseases are controlled. The best example is "Kerala Model of COVID control". Today, Kerala model is praiseworthy across globe and the most important contributing factor is widely spread and efficient public health system (starting from primary health centres) at the grass root level existing from the formation of the state. Equally important and praiseworthy is the education system in the state, particularly public primary education. In the rebuilding of the nation, a grass root level approach is more advisable which is possible through local body planning. The question of starting micro level enterprises which are labour absorbing can be discussed at the grass root level. Local planning can also ensure local resource mapping and need assessment and prioritise the requirements. Disaster management is another emerging area where the role of local bodies is to be specifically mentioned. But a quick look into the past performance of the local bodies in these directions, results are not very encouraging; probably the powers are not fully transferred or practiced due to various limitations. When we refer to "Kerala Model", the role of "Kudumbashree Mission" is worth mentioning. The State Poverty Eradication Mission-Kudumbashree was launched by the state government of Kerala in 1998. Kudumbashree's universality of reach, significant role in implementing multi pronged empowerment and capacity building activities for the poor, experience and capability in mobilization and the community interface in local governance are the distinguishing characteristics which set it apart from the usual Self Help Group (SHG) model of empowerment. During the last 20 years this institution played a significant role in local level development and women empowerment. The government can think of exploring the possibilities and potential of this agency in making use of for better community preventive health and related problems. Hence, for a better India, a need based policy framework is important.

Policy Framework

Polices are of different types, but for the time being, we focus only on monetary and fiscal policies recently initiated. Monetary policy is the policy of the central bank with respect to money supply and bank credit. On the other hand, fiscal policy is the policy of the government with respect to taxation, spending and borrowing. During the days of this crisis, imbalances can be corrected to a good extent by launching relevant instruments and it is already done by the government. Monetary policy initiatives undertaken so far include a reduction in repo rate to 4.4 per cent, the reverse repo rate to 3.7 percent, and cash reserve ratio to 3 per cent. All these are expansionary policies which increase the volume of bank credit pumped into the economy. The Reserve Bank of India has also opened several financing facilities. These facilities will have a positive impact on output. But these measures need to be supplemented by an appropriate fiscal stimulus. Although industry has been clamouring for a large fiscal stimulus, cash constrained central and state governments have expenditure reducing by announcing a freezing of enhancements of dearness allowance and dearness relief. This may result in savings of Rs.37000 crore for the centre and about Rs.82000 crore for the states, altogether amounting to 0.6 per cent of GDP. There is a talk of taking measures to bring down fiscal deficit.

Fiscal stimulus can be of three types. Firstly, launch measures targeting the poor and the marginalised. Second, demand support expenditure for increasing personal disposable income and finally bailouts for industry and financial institutions. The centre had

already announced a relief package of Rs 1.7 lakh crore of which the additional was only Rs 65000 crore since it included a part of already declared budget expenditure. The centre's budgeted fiscal deficit of 3.5 per cent of GDP may have to be enhanced substantially to make up for the shortfall in budgeted revenue account for a lower than projected nominal GDP for 2020-21 and provide for a stimulus. Thus the centre's fiscal deficit may increase to 6 per cent. In recent days, public health expenditure has gone up for the centre and states. This also increases fiscal deficit. The effectiveness of policy frame work is doubtful to contain "virus". This argument also validates the earlier claim that the economy is moving towards a deceleration and very low growth rate.

To restrict this deceleration, one quick remedy is to increase government spending. For rejuvenation of demand it is critical that government increases spending on the economy, in areas such as infrastructure and innovation. Government spending can boost the "animal spirits" of the private investors as had been suggested by J M Keynes amidst the great depression of 1930s. We should go back to history to trace out solutions practiced in similar crisis earlier (ex) revival after "Spanish flue".

Lock open for a better economy

The economy remains closed for about two months and when the economy can operated in full capacity is doubtful. Any sustainable economic revival packages can be implemented only after controlling the "invisible virus". So far three models of "virus" control are debated across the globe, Chinese Model, Korean Model and Japanese Model. Total closure and isolating the affected is the essence of Chinese approach. In the case of Korean Model, they focus more on early testing and detecting the affected and curing them. In the case of Japan style, they give more priority for personal hygiene and thus indirectly attacking the "virus". Kerala Model is also internationally acclaimed which is already discussed earlier. But keep in mind that "virus" has its "own model" which is least transparent. So immediate attention should be to identity the genetic structure of "virus" and develop medicines and mode of treatment. World Health Organisation (WHO) should accelerate measures for global coordination in this direction. This paper is concluded saluting the entire "health care fraternity" doing their best to treat and cure "virus" affected and also to outset "virus".

References

Government of India, Ministry of Finance, *Economic Survey* (various years)

Government of India (2015). *Indian Labour Year Book*, Ministry of Labour and Employment, Shimla Labour Bureau

Government of India, *Compendium of Selected Indicators of Indian Economy,* Ministry of Statistics and Programme Implementation.

Jayan Jose Thomas (2020). Boost Wages to Stimulate India's Growth. *The Hindu Daily,* 6th May 2020

Rangarajan C and Sreevasthava D K (2020). Slower Growth and a Tighter Fiscal. *The Hindu* Daily, 9th May 2020

Reserve Bank of India, *Basic Statistics Relating to Banking in India*

Manpower Journal IAMR

A-7, Narela Institutional Area
Delhi-110 040

Quarterly Journal of
the Institute of
Applied Manpower Research

Editorial E-mail : editorial_iamr@yahoo.com
IAMR Email : iamrindia@nic.in

ISDA PUBLICATIONS

Thiruvananthapuram

ISSN 0971-2550

We publish outcomes of interdisciplinary academic research in development and administration; books of science and social science disciplines, edited works, research notes, theses, action projects etc.

Contact

Executive Editor & Hon. Director
ISDA Journal, ASHWINI
TC 28/1161(1), SREEKANTESWARAM
Fort P.O., Thiruvananthapuram
Kerala - 6950 23.
E-mail:
isdajournaltvm@gmail.com/drvrajendran@yahoo.co.in
drvrajendran1@gmail.com
Mob: 09447260047