The Interplay among Demography, Health, and the COVID-19 Pandemic in India

Constitution of India and the Provision of Public Health in a Multi-tier Government under Covid-19 Pandemic

COVID for All, Safety Nets for Few: Through the lens of Indian Demography

From Covid-19 Containment to Economic Growth: Will India's Self-Reliant Strategy Work for the Integration with the Global Economy?

Fiscal and Monetary Policy Responses to Covid-19 Pandemic in India: Impacts and Prospects

Social Protection during the Covid-19 Lockdown time in Karnataka

Managing the Aftermath of the Covid-19 Pandemic: The Case of Uttar Pradesh State
Aarthika Charche
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This edition is a Special Issue that exclusively focusses upon “Impact of Covid-19 and Lockdown on the Indian Economy”. The articles in this Issue cover impact analyses on the Indian economy and on Karnataka and other state economies. The articles broadly include the topics on public health, livelihood security measures for vulnerable sections including unorganized and migrant workers, fiscal and monetary policies, macroeconomic management, economic growth effects, demographic aspects etc.

We are glad and thankful to all the eminent contributors of this Special Issue. All of them have focused their analyses on important areas and issues that deserve policy intervention and are significant for Government of India, Government of Karnataka and other state governments from governance perspective.

Prof. David E. Bloom, Dr. Arunika Agarwal and Dr. Anita Shet have explained the interplay among the demography, health and the Pandemic in India and have explored the resultant short, medium, and long-term effects that COVID-19 pandemic might have on the future health and demographic profiles of India's population. Dr K.P Krishman in his article has linked India’s constitution and the provision of public health in a multi-tier government under Covid-19 pandemic to suggest a way forward to bring greater coherence to all the elements of state power in public health. Using the lens of Indian demography, Prof. Udaya S Mishra and Mr. Rimon Saha have argued that although Covid-19 has affected all but safety nets are for few due to differential vulnerability across several sections of population owing to age composition, predisposed health status and livelihood conditions in terms of unequal health risks. Article by Dr. V. Anbumozhi and Prof. Kaliappa Kalirajan looks at effects of Covid-19 on India’s economic growth in terms of workability of self-reliant strategies and its impacts on India’s integration with the global economy if those strategies shall not be a road to the restrictive economic nationalism. Prof. N R Bhanumurthy and Dr. Muhammed Rafi analyses the impacts and prospects of fiscal and monetary policy responses to Covid-19 and they argue that for the whole year, India could achieve a positive nominal GDP growth in 2020-21 while the real GDP growth will depend on the inflation expectations as well as supply responses. Using data from 450 households in five districts of Karnataka, Prof. D.Rajasekhar has meticulously offered insights into the impacts of Covid-19 on the poor and unorganized sector by food and cash support schemes and he finds that the food support was confined to rice distribution, while cash support was inadequate. Prof. Mukul Asher has applied a Growth Diagnostic Framework to analyse initiatives taken by the State of Uttar Pradesh while managing the Covid-19 pandemic and its aftermath. This analysis brings lessons from the policy interventions in physical investment, knowledge application and productivity, productive livelihoods, skill-sets, and cooperative federalism and strongly suggests
that the Framework is amenable to context-specific adoption by other states for managing the aftermath of the Covid-19 pandemic.

This issue also contains a Book Review of *A Research Agenda for Studies of Corruption*, edited by Alina Mungiu-Pippidi and Paul M. Heywood, Edward Elgar Publishing, 2020. It presents a research agenda for studies of corruption for the practitioners and scholars in academics, government and governance. The agenda is necessitated for lack of clarity on concepts, definitions and measurements of corruption that result in inconclusive evidence and lack of evidence-based anti-corruption policy interventions through institutional and organizational frameworks.

We hope this Special Issue of our Journal, like the previous ones, shall be of reference value and a knowledge source for students, teachers, researchers, practitioners and policy makers, especially those who deal with the policies and programmes for management of Covid-19 and its aftermath at the national and state levels.

Fiscal Policy Institute is grateful to Sri. I. S. N. Prasad, Additional Chief Secretary (Finance Department), Government of Karnataka and Chairperson, Governing Council (FPI), for his continued support and guidance for all its institutional activities and initiatives as well as its efforts to improve the quality of the Journal.

**Sujit Kumar Chowdhury**  
*Director*

Notwithstanding the Covid-19 pandemic, this Special Issue of our Journal has been published in time due to the (a) generous help and cooperation received from the top researchers in India and abroad by way of their outstanding contributions, and (b) timely completion of works by the copy-editor and printer. As before, Edward Elgar Publishing (UK) has kindly sent their scholarly book for review in our Journal. The contributors of this Special Issue are internationally known and recognized scholars for their significant professional and policy research contributions in premier institutions of global repute. We are grateful to them for accepting our invitation for contribution to this Special Issue.

We are grateful and thankful to all for the all-round professional development of our Journal in 2020 and look forward to their continued help and support in the New Year 2021 as well.

**Dr. M.R. Narayana**  
*Editor-in-Chief*
The Interplay among Demography, Health, and the COVID-19 Pandemic in India

Arunika Agarwal1, David E. Bloom2, and Anita Shet3

Abstract

The COVID-19 pandemic has hit India extremely hard, with India trailing only the United States in terms of the number of confirmed cases of infection. As of November 20, 2020, COVID-19 infections have been reported in 35 of India's 36 states and union territories. However, the spread of the disease and its effects have varied across the country, attributable to state-level differences in socio-demographic profiles, the prevalence of non-COVID-19 diseases, the provision of health services, and health spending. In this paper, we examine how health and socio-demographic factors might have affected the uneven spread of COVID-19 infections across states in India. We also explore the expected short-, medium-, and long-term effects that the COVID-19 pandemic might have on the future health and demographic profiles of India's population.

1. Introduction

On January 30, 2020, the World Health Organization (WHO) declared the corona virus disease 2019 (COVID-19), a disease caused by severe acute respiratory syndrome coronavirus-2 (SARS-CoV-2), a public health emergency of international concern. On the same day, India confirmed its first case of COVID-19. Since then, the country, which is home to more than 1.3 billion people, has seen exponential growth in the number of cases and deaths due to COVID-19. India is one of the worst-hit countries in the world, with around 9 million confirmed cases and more than 133,000 deaths, just behind the United States’ 12 million confirmed cases and more than 256,000 deaths as of November 22, 2020 (1).

COVID-19, which was initially limited to metropolitan areas, has officially spread to 35

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All opinions in this article are of the authors and usual disclaimer applies.
Although COVID-19 cases have been declining steadily since the first week of September 2020 (Figure 1), multiple future waves of COVID-19 cases and deaths are possible. Furthermore, the situation varies across states: Maharashtra, Karnataka, and Tamil Nadu have higher rates of detected infection and fatalities than most other parts of the country (Figure 2). Substantial evidence indicates that socio-demographic factors such as age, gender, occupation, and household size, and health factors such as comorbidities and access to health services, have played a significant role in the transmission of the COVID-19 infection (5–7). At the macro level, factors such as population density, the prevalence of noncommunicable diseases (NCDs), population age structure, and the accessibility and availability of quality healthcare services influence the geographical trends in COVID-19 incidence and outcomes (8).

Socio-demographic factors vary across India’s states, and because health is a state subject in India, state variations also occur in the prevalence of diseases and their morbidity and mortality burdens, in the provision of health services, and in health spending.

This paper examines the interaction between health and socio-demographic factors and COVID-19 cases and deaths. The paper is divided into two parts: in part 1, we elaborate on how health and socio-demographic factors might have affected the spread of COVID-19 infection across states in India; in part 2, we elaborate on the expected short-term, medium-term, and long-term effects that the COVID-19 pandemic might have on the health and demographic profiles of the country.

**Part 1: Health and socio-demographic factors as determinants of COVID-19 infection and death rates**

To assess the association between health and socio-demographic factors and COVID-19 cases and deaths, we obtained state-level data on COVID-19 cases and deaths from an online tracker, covid19india.org (9). The data on socio-
demographic factors—population size,

**Figure 2: COVID-19 confirmed cases and deaths (as of Nov. 20, 2020)**

![COVID-19 confirmed cases and deaths](image)

Source: covid19india.org

COVID-19 incidence per 100,000 people was calculated using the total number of confirmed cases in a state from January 30, 2020, to November 20, 2020. The COVID-19-specific fatality proportion was estimated by dividing the total number of reported COVID-19 deaths in a state by the total number of confirmed cases between January 30, 2020, and November 20, 2020.

**Results and discussion**

In this section, we look at very basic descriptive statistics of the association between state-level health and socio-demographic indicators and the COVID-19 incidence rates and death rates. (Table 1). Table 1 reveals a significant positive correlation between the percentage of the urban population, the proportion of the literate population, and the proportion of the migrant population in a state and the incidence of COVID-19 cases at the state level. These findings conform to the findings...
reported for many other countries (14,15) and highlight why demographically-informed policy making is important for managing and controlling the COVID-19 pandemic. Interestingly, the total population and population density of the states were not found to be associated with COVID-19 incidence rate (p>0.05). This could be because the COVID-19 cases are not homogeneously spread across a state and have existed in small clusters thus far. However, we did find a positive association between total population and COVID-19 death rates, which could be because larger states such as Uttar Pradesh, Madhya Pradesh, Karnataka, Maharashtra, and Andhra Pradesh have weaker healthcare systems, especially in the more remote and rural areas as well as in dense urban poor areas, which translates into poorer healthcare services and, thus, higher mortality.

Given that individuals with preexisting conditions have a higher risk of COVID-19 infection and mortality, data on the prevalence of comorbidities at the aggregate level may explain some of the differences in the trends of COVID-19 cases and deaths across states in India. We found that the prevalence of diabetes is significantly positively correlated with the incidence rate of COVID-19, while the prevalence of COPD is significantly positively associated with the death rate of COVID-19.

Higher GSDP per capita is also significantly associated with a higher incidence rate of COVID-19. Similarly, the number of hospital beds (both public and private) per capita in a state is also positively correlated with the incidence rate of COVID-19. This could be because having higher GSDP or more hospital beds per capita are indicators of a better-funded healthcare system, which means better access to and availability of healthcare services, in turn leading to more testing and reporting of COVID-19 cases.

Unsurprisingly, the results point towards demographic and population health being reliable predictors of the burden of COVID-19 disease.

### Table 1: Correlation between COVID-19 cases and deaths and state-level health and socio demographic indicators

<table>
<thead>
<tr>
<th>Health and Socio-Demographic Indicator</th>
<th>COVID-19 incidence Correlation coefficient (p-value)</th>
<th>COVID-19 fatality ratio Correlation coefficient (p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State population</td>
<td>-0.28 (0.11)</td>
<td>0.45 (0.01)***</td>
</tr>
<tr>
<td>State population density</td>
<td>0.22 (0.22)</td>
<td>0.26 (0.14)</td>
</tr>
<tr>
<td>Proportion of 60+ population</td>
<td>-0.22 (0.21)</td>
<td>0.49 (0.00)***</td>
</tr>
<tr>
<td>Proportion of female population</td>
<td>-0.07 (0.68)</td>
<td>-0.07 (0.68)</td>
</tr>
<tr>
<td>Proportion of rural population</td>
<td>-0.45 (0.01)***</td>
<td>-0.17 (0.33)</td>
</tr>
<tr>
<td>GSDP per capita 2018-2019</td>
<td>0.58 (0.00)***</td>
<td>0.29 (0.12)</td>
</tr>
<tr>
<td>Proportion of literate population</td>
<td>0.41 (0.02)**</td>
<td>-0.02 (0.90)</td>
</tr>
<tr>
<td>Proportion of migrant population</td>
<td>0.51 (0.00)***</td>
<td>0.04 (0.82)</td>
</tr>
<tr>
<td>Prevalence of COPD</td>
<td>0.13 (0.49)</td>
<td>0.51 (0.01)***</td>
</tr>
<tr>
<td>Prevalence of diabetes</td>
<td>0.60 (0.00)***</td>
<td>0.34 (0.07)</td>
</tr>
<tr>
<td>Number of hospital beds per capita</td>
<td>0.49 (0.00)***</td>
<td>0.03 (0.88)</td>
</tr>
</tbody>
</table>

**Source:** Authors’ calculations. Correlation is significant at **p<0.05 and ***p<0.01.

**Notes:** GSDP, Gross State Domestic Product; COPD, Chronic Obstructive Pulmonary Disease.
Part 2: Effects of the COVID-19 pandemic on future demographic and health trends

The COVID-19 pandemic has impacted the world in profoundly different ways. Its effects on the health and economic wellbeing of individuals, their households, communities, and countries are being investigated globally. In addition, the effects of the pandemic on population-level demographic and other health indicators are also significant and need to be studied by researchers and addressed by policymakers promptly. In the following sections, we have outlined some of the ways the COVID-19 pandemic is expected to impact future demographic and health trends in India.

Effects on demographic trends

**Mortality and life expectancy**

As of November 20, 2020, around 1.4 million people have died because of COVID-19 around the globe, with 10% of these deaths occurring in India, which inhabitates around 18% of the total world population (1). However, these numbers are grossly underestimated for various reasons, including low testing, problems associated with the incorrect identification of the cause of death, delays in updating death registries, and the failure to report all deaths. The death registration system in India is considered incomplete and inadequate (16), especially in rural areas, and thus does not reliably provide an accurate number of COVID-19 deaths. In addition to the deaths that can be directly attributed to COVID-19, the number of indirect deaths due to the COVID-19 pandemic (e.g., deaths from other causes because of healthcare shortages, fear of visiting health facilities, overburdened healthcare systems, or because of loss of income that leads to a shortage of food and, in turn, causes morbidity and mortality) is also increasing (17). Several studies are underway to estimate these indirect deaths or excess deaths (that is, the difference between the number of deaths during the pandemic and most recent pre-pandemic mortality data). In Mumbai, close to 13,000 excess deaths were reported between May and July 2020 compared with the same period in 2019 (18). Around 11,000 of these deaths were later attributed to COVID-19, and the remaining 2,000 were categorized as excess mortality due to indirect effects of the pandemic (18). Similar findings have been reported from other countries as well. In England, Spain, and Wales, the mortality rates are 37% higher than the normally expected mortality rates. In the United States, the number of deaths was around 20% more during the pandemic compared with a similar period in previous years (19). Marois et al. (2020) suggest that if the number of COVID-19-related deaths continues to rise, we could see a drop in period life expectancy (20). More specifically, the authors estimate that with a 50% prevalence of COVID-19 infection, countries like India, which have medium life-expectancy, could see a temporary drop of 2 to 7 years in their life expectancy. Previous epidemics, such as the Spanish flu of 1918, resulted in a drop of around 11.8 years in life expectancy in the United States (21). Similarly, the Ebola outbreak reportedly caused a drop of 1.6–5.6 years in life expectancy in Liberia (22). Though the fields of science and medicine have made huge advancements since the Spanish flu, COVID-19, if not handled well, could still result in a significant number of excess deaths and a temporary drop in life expectancy around the world. The drop in life expectancy will be more visible in aging nations than in their younger counterparts, especially because youths are less susceptible to both infection and disease severity in comparison to older people.

**Fertility**

India has made great strides in reducing the fertility rate over the last few decades. Currently, the total fertility rate in India is down to 2.2 births per woman from around six in 1960 (23). Aggressive family planning measures have lowered fertility levels in at least 13 states in India.
to below the replacement level of 2.1 (23). The effect of the COVID-19 pandemic on the birth rate is debatable: some predict an increase in the number of births in the next nine months, whereas others expect a decline in birth rates because people will be postponing or even canceling their childbearing plans due to economic losses and uncertainty (24). However, another issue could influence birth rates: unintended pregnancies. A study estimated that around 1.85 million women in India were unable to access abortion services, which they would have accessed otherwise, during the lockdown between March and May of this year (25). Another study estimated that around 25 million couples might not have been able to access birth control services in May because of the lockdown (26). If these estimates are reliable, India could experience a significant increase in unintended pregnancies and births. However, job losses, poor health, poor access to maternal health services, and other economic uncertainties may lead couples to postpone having children. In previous pandemics, the birth rate declined and then rose after the health crisis passed (27). A similar trend is expected with COVID-19 as well (28), but COVID-19 is not just a public health crisis: it has affected all aspects of well-being and could have effects that were not observed in previous epidemics such as the 1918 Swine flu or 2009’s H1N1. More data on the perceptions of couples about their immediate and future plans for childbearing is needed to reliably predict temporary or permanent changes in the birth rate.

Migration

The Economic Survey of 2016–2017 estimated there were 100 million migrant workers in India, constituting 20% of the total workforce and contributing 10% to the nation’s GDP (28, 29). The majority of internal migration takes place from poorer states such as Bihar and Uttar Pradesh to the economically-advanced urban areas of Maharashtra, Delhi, and Gujarat. The nationwide lockdown that started on March 24 in India left around 40 million migrant workers jobless, homeless, and vulnerable to the COVID-19 infection (30). In addition to disruptions in internal migration, restrictions on travel and border closures have affected international migration in an unprecedented manner. During the global lockdowns triggered by COVID-19, thousands of Indian migrants were stuck abroad with no job and no health insurance, and it took months for the government to help them return home. Additionally, due to these disruptions, the World Bank estimates that remittances to India could drop by 9% in 2020 (31). Those who migrate—for work or for education or for better quality of life—are usually from low-income families. The loss of a job and income affects not only the lives of the migrants but also the lives of their extended families, who mostly depend on these migrants’ earnings.

Effects on health trends

India currently faces a triple burden of disease: communicable diseases, a leading cause of death among children; noncommunicable diseases (NCDs), a leading cause of death among older adults; and injuries, which cause a third of the deaths in the working-age population. Moreover, women of reproductive age face additional mortality risks due to maternity and reproductive health–related causes (32). Although India has made remarkable progress in its health indicators, and especially toward the UN-Sustainable Development Goals4, much work remains to be done to achieve those goals. The COVID-19 pandemic has severely impeded this progress. Below, we explore how the pandemic could affect the prevalence of communicable and noncommunicable diseases, injuries and violence, and maternal and child health in the future.

4The Sustainable Development Goals include 17 integrated goals, adopted by all United Nations Member States in 2015 are a call to action to end poverty, protect the planet, and ensure peace and prosperity by 2030.
Communicable diseases

Social distancing and other restrictive measures necessitated by the COVID-19 pandemic have contributed to an apparent decline in the incidence of infectious diseases such as influenza, pneumonia, and upper respiratory infections, especially among children in the short term (33, 34). For example, Hong Kong reported that the 2019–2020 influenza season saw a markedly decreased case count of influenza illnesses (35). Decreased influenza activity was also noted in the United States and in countries in the Southern Hemisphere (33). These decreases could be attributed to actual decreased transmission due to the diminished movement of people, more frequent handwashing, and the effects of social distancing, or they may be due to people avoiding seeking care because of fear of going to a health facility, inaccessibility of healthcare services, and/or a lack of testing resources for non-COVID-19-related illnesses.

However, the pandemic is likely to compound the hazards of infectious diseases such as dengue, malaria, and tuberculosis in India because of the dangers of coinfection and because the health system is preoccupied with dealing with COVID-19, thereby suspending most of the preventive and control measures for these deadly infectious diseases. Severe dengue, when clinically managed, usually has a mortality rate of 2–5%, but if not medically attended, the mortality could be as high as 20% (36). Dengue is likely to continue undeterred by the pandemic, as its vector is predominantly a day-biting mosquito that is well suited to transmit the disease when people are cloistered indoors. The onslaught of dengue cases in the middle of a COVID-19 pandemic could significantly strain Indian health systems (37).

The effect of pandemic-related restrictions is also seen on the tuberculosis (TB) control program run by the government. A recent study by Husain et al. (2020) estimated that India will need to manage around 232,000 excess TB cases for every month of lockdown and more than 70,000 excess TB deaths (38). Dengue, malaria, and TB are long-term health issues for India, and the government needs to ensure the continuation of control and preventive measures for these diseases to avoid overwhelming the health system once the COVID-19 pandemic is over.

Noncommunicable diseases

COVID-19 has been particularly lethal for the older population and for those with underlying chronic conditions such as diabetes, respiratory problems, and cardiovascular diseases (39). Beyond the overlapping epidemiology between COVID-19 and NCDs, restrictive measures such as physical distancing, self-isolation, and travel restrictions have affected people living with NCDs the most. These measures restrict their physical activity, access to nutritious food, and follow-up visits to doctors, making it difficult for them to manage and control their chronic conditions (40). Moreover, social distancing, isolation, loss of income, and loss of care have led to sharp increase in stress, anxiety, depression, and other psychological problems (41), adding to the already mounting mental health burden in India. The pandemic-related restrictions have also severely affected the access to and availability of healthcare services, especially for the routine care of NCDs (42). In most parts of the country, NCD-related clinical staff were reassigned to COVID-19 relief, which led to the postponement of routine care appointments, the cancellation of elective surgeries, and the suspension of most population-level surveillance programs for NCDs (43). Additionally, the long-term pathophysiology of COVID-19 infection is yet to be fully understood, but numerous case reports already suggest that the infection can have long-term health consequences in some individuals. Some patients have reported continuing lung- and heart-related problems and mental health issues many months after contracting the infection (44, 45). These long-term health effects of COVID-19 could possibly adversely affect the future incidence and severity of NCDs (46).
Injuries and violence

The COVID-19 pandemic has had some positive spillover effects as well. In particular, lockdowns put in place due to the COVID-19 pandemic around the world have reduced injuries and road accidents. For instance, California saw a drop of around 50% in total road collisions and casualties from March 1, 2020, to April 30, 2020, compared with the same period in 2019 (47). In India, a similar drop (47%) in road accident–related deaths occurred between April and June 2020 as compared with the same period in 2019. In addition to the reduction in casualties, 60% fewer road accidents and 55% fewer road injuries occurred from April–June 2020 compared with the same period in 2019 (48). Waghmare et al. (2020) estimated that trauma cases fell to almost one-third during the lockdowns compared to just two weeks before the lockdown, with a significant drop in high-velocity trauma (which includes road accidents). This study did not find any difference in geriatric trauma and, interestingly, found an increase in low-velocity trauma cases (which are usually prevalent in rural populations engaged in agriculture and other labor-intensive jobs) (49).

However, during the lockdown, the number of cases of violence, especially violence toward women and children, has increased significantly across the world (50). According to an analysis performed by The Hindu during the pandemic, Indian women filed the highest number of domestic violence complaints in the last 10 years. Experts are speculating that this increase could be the tip of the iceberg, as they estimate that around 86% of women do not report violence against them (51). UN Women is calling the violence perpetrated against women during the pandemic a “shadow pandemic,” which is an alarming escalation of a significant health risk (52).

Maternal and child health

Disruptions to the provision and utilization of essential maternal and child healthcare services, including immunization, are expected to cause additional maternal and child morbidity and mortality across India, especially in economically disadvantaged states.

According to an analysis conducted by Mint (53), the Indian financial daily newspaper, using data compiled by the National Health Mission and representing approximately 150,000 health facilities across 627 districts in March 2020, striking declines occurred in the number of institutional deliveries, including cesarean-births. Their calculations suggest that home births and the subsequent morbidities for high-risk pregnancies would have increased. Immunization services were also disrupted: in March 2020 alone, at least 100,000 children did not receive BCG vaccination (for protection against tuberculosis) and 200,000 children may have missed their pentavalent vaccine dose (that protects against diptheria, pertussis, tetanus, Haemophilus influenzae type B, and hepatitis B diseases) and the newer rotavirus vaccine. Another source suggests that the disruptions could have led to more than 15 lakh children in the country missing out on their routine immunizations completely or partially (54).

Additionally, the disruptions to pharmaceutical and food supply chains have disrupted (or, in some cases, halted) various health programs such as routine childhood immunization, the distribution of bed nets, the provision of Vitamin A, and midday meals at schools. The effects of these disruptions might not be visible now but are expected to have severe negative long-term impacts on population health, especially maternal and child health (55).
Researchers using the Lives Saved Tool estimate that the unavailability of essential maternal and child health services could lead to as many as an additional 49,000 child deaths and 2,300 maternal deaths in a month in India (56). Additionally, disruptions to the food supply chain will also affect food security, especially in vulnerable populations (57). Lack of food will only compound the effects of the pandemic on maternal and child health. Although many states have resumed some essential healthcare services, identifying which services to prioritize to minimize the adverse effects of the pandemic is critical. Roberton et al. (2020) estimate that prioritizing childbirth interventions, such as the administration of uterotonic, antibiotics, and anticonvulsants and ensuring clean birth environments, could avert 60% of excess maternal deaths. The authors also estimate that maintaining the pre-pandemic provision of antibiotics for neonatal sepsis and pneumonia and oral rehydration solution for diarrhea could save 41% of excess child deaths (56).

Source: Authors’ construction

The Lives Saved Tool is a mathematical modeling tool used to estimate the impact of coverage change in maternal, child, neonatal, and nutrition health services on mortality, especially in low and middle income countries.
Summary and Conclusion

The COVID-19 pandemic in India is producing a multiplicity of significant health, social, and economic effects. Figure 3 summarizes the complexity of the effects, both direct and indirect of the COVID-19 pandemic, and will help readers to understand the overall net health and economic impact of the pandemic. Some of these effects will be temporary, but some are expected to have long-term impacts. Thus, it is important to not only address the direct effects of the pandemic, but to adopt a whole population health approach. Under current circumstances, one factor that can relieve India from some of the burden of the pandemic is an effective and safe vaccine. COVID-19 vaccines developed by Moderna, Pfizer, AstraZeneca, and Indian pharmaceutical companies such as Bharat Biotech and Serum Institute have shown promising results. What India needs is a robust plan that translates these available vaccines into the actual widespread vaccination of the population. Until there is a safe and effective COVID-19 vaccine, and an effective way to deploy the vaccine to ensure that it reaches the population, our hope is to continue non-pharmaceutical interventions such as wearing masks, social distancing, and hand washing, as well as encouraging a renewed focus on public health and vulnerable populations, to help India get back on the road to improve its population health.

Acknowledgements

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Constitution of India and the Provision of Public Health in a Multi-tier Government under Covid-19 Pandemic

K.P. Krishnan 1

Abstract:

Covid-19 has drawn fresh and much needed attention to problems in health care and delivery everywhere. In a multi-level government system, public health responsibilities are discharged by various tiers of government depending on the spatial impact of the policy instrument. This article examines the very elaborate distribution of these responsibilities and powers in our Constitution across the three tiers of the Indian government system namely the Union government, State governments and rural and urban local bodies in the light of the recent pandemic. It also briefly looks at the legislative instruments that were used for public health purposes (as distinct from curative aspects of health care) and suggests a way forward to bring greater coherence to all the elements of state power in public health. Applying basic principles of micro-economics, it aims at building a framework to understand the various tasks of public health in India and allocation of these tasks across levels of government and how to equip these levels with the requisite capacity to successfully execute these functions.

1. Introduction

The Covid-19 pandemic has provided us with fresh insights on various aspects of health policy in India. While a lot of immediate attention has been on the inadequacy of the health infrastructure and facilities for treatment in many parts of India, there has also been some discussion on the non-curative aspects of health policy. One key element of this thinking lies in a careful understanding of what elements of public health are best done at the city/district level, at the state level or at the union government. The Constitution of India has allocated the tasks in some detail. Considerable policy research work is now required, to bring life to the Constitutional scheme, based on a first principle of understanding of the work that is required in public health and drawing on our experiences of 2020.

2. Market failure in health policy

There are great insights that can be obtained in the field of health policy by applying the toolkit of market failure. It is best to define the task of government as addressing market failure, and market failure comes in four categories: concentration of market power, presence of positive or negative externalities, presence of information asymmetry, and the need to provide public goods. There is a neat split in the field of health: public health is about public goods and externalities, while health care may contain market power and asymmetric information.

Public goods are a compelling example where the government is central, and the things that are not done by the government are hard to achieve

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All opinions in this article is of the author and usual disclaimer applies.
through purely private initiatives other than pure philanthropy. Knowledge is the ultimate public good - once a research paper is released on a website it is non-rival and non-excludable - and we need public funding for research. When one person coughs and communicates Covid-19 to another, this is a negative externality, and there is some role for the government in reducing this externality. The main task of health policy thinking lies in analysing the landscape of public health, identifying the market failures (public goods and externalities), defining the tasks of the government, and finding a path to achieving state capacity on these functions.

3. Where should each function be placed?

Once we have a picture of the various functions which have to be performed in public health, we come to the question about the best place where it should be performed: the union government or the state government or the local government. The famous `Subsidiarity principle' of public economics asserts that every function should be placed at the lowest level of government where it can possibly be performed. The same principle is also referred to in the literature on the subject as the `incidence of benefit principle'. If the provision of a public good or service benefits the entire nation, e.g. national defence from external aggression, then the responsibility for the provision of that public good or service ought to be with the national government i.e. Government of India, in our case. Likewise, a local park which primarily benefits the residents of a neighbourhood is classified as a local public good to be provided by the local government i.e. village panchayat or urban municipality. In addition, there is a range of goods and services that are likely to be in between these two in their incidence of benefits and these are classified as regional public goods.

As an example, Harman and Stockman (2020) in an article in the New York Times, describe the treatment of travellers from China into the US. The federal government (which we in India call the union government) is the right agency to track flights and obtain lists of passengers. After this, there is a handover of information, that person x flew in from China, to the local government where that person resides. At this point, the local government is the one best equipped to work on contact tracing, testing, and isolation. This is an optimal allocation of the two tasks. It is hard for a local government to keep track of who flew in from China. It is hard for the union government to manage front line staff in a city or a district.

It is interesting and important to think about the elements of a public health system, and to think about the optimal placement of each of these elements, between the union, state and local governments. However, we do not engage in policy thinking on a tabula rasa. We do policy thinking in India where the Constitution of India has a well-developed point of view on these questions, and amendments to the Constitution on this aspect are rare. Hence, our puzzle in thinking about public health in India lies in taking full cognisance of the Constitutional scheme and best adapting it for our present understanding.

4. Indian Constitution and distribution of legislative and executive powers

The Indian Constitution has a detailed scheme of distribution of legislative powers. Chapter 1 of Part X of the Constitution titled ‘Legislative Relations: Distribution of legislative powers’ in Article 246 says the parliament has exclusive powers to make laws with respect to any of the matters enumerated in list 1 in the Seventh Schedule of the Constitution. This list is called the Union List. Likewise, the legislature of any State has exclusive power to make laws for such State or part thereof with respect to any of the matters enumerated in list 2 of the Seventh Schedule.
This list is called the State List. Finally, both the parliament and the legislature of any State have powers to make laws with respect to any of the matters enumerated in List III of the Seventh Schedule of the Constitution. This list is called the Concurrent List.

The Seventh Schedule basically contains the distribution of subjects between the parliament and the legislatures. As held in various pronouncements of the Supreme Court of India, this is also the distribution of executive powers between the Union and State governments even in the absence of legislations on the subjects.

The Constitution originally only had this Schedule and the distribution of subjects across two levels of legislatures and governments. The 73rd and 74th amendments to the Constitution carried out in 1993 introduced the third tier of government into the Constitution. These amendments inserted parts IX and IXA and some additional schedules in the Constitution. Article 243G in part IX says that the legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary with respect to the preparation and implementation of schemes in relation to the matters listed in the Eleventh Schedule of the Constitution. Likewise, Article 243W states that the legislature of a State may, by law, endow the Municipalities with such powers and authority as may be necessary with respect to the preparation and implementation of schemes in relation to the matters listed in the Twelfth Schedule of the Constitution.

5. Health related subjects in the Indian Constitution

As noted above, the distribution of subjects in the Constitution across the Union, the State and local governments is comprehensive and reasonably elaborate. Every policy thinker in India needs to fully understand these three schedules mentioned in the previous section. Table 1 summarises the distribution of subjects across these lists in the domain of public health.

There is a significant role of union government in subjects relating to contagious diseases and pandemics. It is also responsible for setting standards of medical education and profession along with the state government. On the other hand, state and local bodies are responsible for most public health functions such as sanitisation and family welfare.

A simple reading of the distribution of functions poses many questions. For instance, vaccination is a public health function which is a part of state list under the Constitution. This is logical, given that immunisation programs require a large front-line workforce that interacts with the population. However, the design of the standard package of vaccinations for all kids, and envisioning ambitious projects like the eradication of smallpox or polio, require thinking and coordination by the union government.

Similarly, in a public health crisis such as COVID-19 all levels of government are required to perform their specific functions that are elements of the overall public health response. These elements include tasks such as planning, funding, managing and on-ground implementation. These elements are not described in detail in the Constitution but are an important part of the legal and policy mechanisms adopted by the government.

There is at present relatively little in place, in India, by way of Parliamentary law which shapes and circumscribes the work of public health. The British-era Epidemic Diseases Act, 1897, has many problems. The legal framework under which India is responding to the COVID-19 crisis is the Disaster Management Act, 2005 which sets up a National Authority whose role is briefly discussed below.
Table 1: Distribution of ‘health’ related subjects in the Indian Constitution

<table>
<thead>
<tr>
<th>Level of Government</th>
<th>Subject/s</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union</td>
<td>Port Quarantine</td>
<td>Schedule VII, List I, Item 28</td>
</tr>
<tr>
<td>Union</td>
<td>Union agencies and institutions for professional, vocational or technical</td>
<td>Schedule VII, List I, Item 65</td>
</tr>
<tr>
<td></td>
<td>training, etc.</td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td>Co-ordination and determination of standards in institutions for higher</td>
<td>Schedule VII, List I, Item 66</td>
</tr>
<tr>
<td></td>
<td>education or research and scientific and technical institutions</td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td>Inter-state migration and inter-state quarantine</td>
<td>Schedule VII, List I, Item 81</td>
</tr>
<tr>
<td>State</td>
<td>Public health and sanitation; hospitals and dispensaries</td>
<td>Schedule VII, List II, Item 6</td>
</tr>
<tr>
<td>Concurrent (both union and state</td>
<td>Lunacy and mental deficiency, including places for reception or treatment</td>
<td>Schedule VII, List III, Item 16</td>
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<td></td>
<td>of lunatics and mentally deficient persons</td>
<td></td>
</tr>
<tr>
<td>Concurrent</td>
<td>Medical education and profession</td>
<td>Schedule VII, List III, Items 25 and 26</td>
</tr>
<tr>
<td>Concurrent</td>
<td>Prevention of the extension from one State to another of infectious or</td>
<td>Schedule VII, List III, Item 29</td>
</tr>
<tr>
<td></td>
<td>contagious diseases.</td>
<td></td>
</tr>
<tr>
<td>Panchayat</td>
<td>Health and sanitation, including hospitals, primary health centres and</td>
<td>Schedule XI, Item 23</td>
</tr>
<tr>
<td></td>
<td>dispensaries.</td>
<td></td>
</tr>
<tr>
<td>Panchayat</td>
<td>Family welfare, women and child development</td>
<td>Schedule XI, Items 24 and 25</td>
</tr>
<tr>
<td>Panchayat</td>
<td>Social welfare, including welfare of the handicapped and mentally</td>
<td>Schedule XI, Item 26</td>
</tr>
<tr>
<td></td>
<td>retarded</td>
<td></td>
</tr>
<tr>
<td>Municipality</td>
<td>Public health, sanitation conservancy and solid waste management</td>
<td>Schedule XII, Item 6</td>
</tr>
<tr>
<td>Municipality</td>
<td>Safeguarding the interests of weaker sections of society, including the</td>
<td>Schedule XII, Item 9</td>
</tr>
<tr>
<td></td>
<td>handicapped and mentally retarded</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled by author.

6. The role of the National Authority

The Disaster Management Act 2005 is the union law that was used by the union government in its Covid-19 response. In this Act, a disaster is defined to be:

- a catastrophe, mishap, calamity or grave occurrence in any area, arising from natural or man-made causes, or by accident or negligence which results in substantial loss of life or human suffering or damage to, and destruction of, property, or damage to, or degradation of, environment, and is of such a nature or magnitude as to be beyond the coping capacity of the community of the affected area;

Under this law, the National Authority is responsible for drawing a national plan for disaster mitigation, prevention, and preparedness. This plan is to be reviewed and updated periodically. The law also recognises the role of multi-level governments as it sets up the national, state and district level authorities which are responsible to follow the guidelines of the National Authority.

The National Disaster Management Plan in India was last updated in November 2019, its only revision after the first plan was released in 2016. While the plan deals with Biological and Public Health Emergencies (BPHE), it does not provide detailed guidelines on the structural framework.
required for dealing with a global pandemic at the scale of COVID-19. In this sense, India does not have a national plan to deal with the COVID-19 crisis as of now. It would be useful to design a national plan which guides the government in undertaking a well-coordinated action to deal with the crisis. The national plan should be mindful of the spatial element of the public health interventions in COVID-19 such as:

1. Inter-state migrations and operations of flights require intervention by the union government.

2. Hospital preparedness, such as the presence of an adequate number of hospital beds, medical equipment such as ventilators and oxygen etc. require intervention at the state level.

3. Contact tracing and quarantine enforcement require intervention at the municipal or local level.

A guidance document by the National Authority with conceptual clarity about the elements of public health will be useful to minimise policy failures in COVID-19 management. At present, some clear policy failures in COVID-19 management are being observed. These failures are at all levels of the government, the union, state, and local levels. Some of them are described below by four illustrations.

(i) Union-state coordination:

Actions taken by the government during a pandemic have political repercussions and, therefore, tensions between the state and union governments’ priorities can exist. For instance, in Delhi, the elected government and the Lieutenant Governor had disagreed on the conditions being imposed on businesses during the lockdown period leading to uncertainty for the public.

(ii) Varying state priorities:

Border state conflicts relating to inter-state travel of persons became common in the early period of the COVID-19 pandemic. In the first week of April, Karnataka state sought intervention of the Supreme Court to resolve a dispute regarding border movement with the neighbouring state of Kerala during lockdown imposed due to COVID-19. This was after the Kerala High Court passed a verdict asking Karnataka to allow movement of persons between the states. Eventually, the union government was involved in reaching an amicable settlement between the states regarding conditions of movement of persons during the lockdown.

(iii) Varying priorities of local bodies:

The local bodies are empowered to take action in public interest under the Disaster Management Act. During the COVID-19 crisis, it was observed that local bodies failed to take into consideration the impact of their decision on neighbouring districts. For instance, the Noida district administration barred entry of persons from the Delhi border without a pass issued by them. This caused trouble to essential workers such as doctors and nurses who worked across the district border who were left stuck at the border without knowledge of requirements for such a pass.

(iv) Heterogeneity within the vast country:

There is a great deal of heterogeneity within the 3.3 million square kilometres of India, in the state of the epidemic, in trade-offs between mobility and disease control, and in state capacity. There is also a great value in having democratic legitimacy in each city or each district in choosing the optimal path of the pandemic management.

While working through the Disaster Management Act was expedient when faced with the pandemic, as the dust settles, there is a need for health policy thinkers to envision a public health system for India. It is important to lay these on sound legal foundations, whereby the Disaster Management Act is ultimately focused on natural disasters like earthquakes, and public health has
its own legal and institutional architecture that is fit for this purpose.

7. Conclusion

There is a need to bring greater coherence to all the elements of state power that are in play in the response to Covid-19. This has led to twin challenges of a) micro-management by the union bodies, and b) excessive delegation of powers to the state and local governments without adequate checks and balances. For instance, approval for Covid-19 testing labs throughout the country is done by a single body, the Indian Council of Medical Research (ICMR), an approach that has difficulties. Similarly, certain orders by district and state authorities have also been criticised during the course of the pandemic for being arbitrary.

We should utilise our fresh understanding of the present problems, to build a body of knowledge on (a) What are the tasks of public health in India, (b) What is the role of the union / state / local government in each of these and (c) How to achieve the state capacity on each of these components?

Acknowledgement

An earlier and shorter version of this appeared as a blog piece and has been reprinted in Krishnan (2020).

References


COVID for All, Safety Nets for Few: Through the lens of Indian Demography

Udaya S Mishra1 and Rimón Saha2

Abstract

Covid-19 has disrupted the economies worldwide, bringing social life to a standstill and restricting the mobility of people within a limited space. The pandemic proved to be one of the largest global public health emergencies; however, the demographic features of India have led to unequal health risk across different sections of the society. Differential vulnerability across several sections of population exists owing to age composition, predisposed health status and livelihood conditions. Even the morbidity days related to mental ailments during social distancing have been diverse, disproportionally affecting various sections of the Indian society. Similarly, the conventional measures taken by the government to fight the infection revealed inherent inequality in them. Lockdown, social distancing, home isolation policies proved to be biased towards the affluent class and formal sector workers of the society, thus making the poorer households and casual labourers more vulnerable than others. Shutting down economic activities for indefinite period reduced the revenue generation, increased unemployment rate, and intensified the difficulty of the low-income workers, in particular the migrant labours. With poor housing condition and inadequate sanitation facilities, poorer Indians are left defenceless against the disease. Lack of good hygiene habits and inability to follow social distancing has made them more susceptible to infection. But this crisis has proved beneficial in certain aspects such as inculcating healthy habits in Indian society and improving sanitation facilities in a very short span of time. Along with the fear of the disease and extensive use of Behaviour Change Communication strategies regarding the prevention measures and awareness related to COVID, the Indian communities are likely to demand proper housing conditions and better sanitation facilities in the near future. Furthermore, the changing order of life with greater digital dependence is here to stay even beyond the pandemic. In the coming days, people are also expected to depend more on public services, given the tireless services provided by the government in every sphere during the COVID crisis.

1. Introduction

Covid-19, declared as ‘global pandemic’ on 11th March, 2020 by World Health Organization is by far one of the most contagious diseases in human history and has heavily impacted the world population. Starting from global recession, high unemployment, and increased morbidity days to mental depression, the novel corona virus has hit the world population in very unpredictable ways. It has challenged the country’s health care system, economic stability and tested people’s tolerance to stay indoors for more than eight months since the first phase of lockdown. People lost their near and dear ones, their jobs, their mode of relaxation, entertainment and the normal way of leading a life. The unavailability of an effective vaccine for COVID, public panic and uncertainty of the future has made the situation worse.

The unprecedented crisis emerged in November 2019 in Wuhan, China compelled the
government to adopt a set of measures to contain the spread of the contagious disease following the guidelines of World Health Organization (henceforth WHO). The key measures to break the chain of transmission are to practice social distancing, maintain healthy habits and basic hygiene practices. To follow such measures, most of the countries advocated complete lockdown and shutting down of economic activity for an indefinite period. But arresting economic activity on such a wide scale had its own consequences, both short term as well as long term. People suffered the double burden of COVID: firstly, the vulnerability of the disease itself and secondly, on account of the prevention measures taken to combat the disease that threatened livelihood.

But the impact of COVID has been unequal, given the varying levels of vulnerability across the Indian population. For example, the virus is deadlier for people, who are old and with pre-existing co-morbidities. Again, people with greater exposure to the virus have higher risk of getting the infection, for example, all kinds of essential service providers, such as health care workers, police, cleaners and also the workers who cannot work from home (Drefahl et. al., 2020). Thus, the burden of the disease is divided unequally with regard to specific demographic characteristics of Indian population.

Even the protective measures taken by the Government to fight the pandemic are inherently unequal and impractical for majority of Indians, given the limited access to the amenities and their current living conditions. Thus, looking at demographic features such as age composition, pre-existing burden of chronic disease and difference in livelihood condition is critical to the assessment of the differential vulnerability of people to COVID. Other demographic features such as poverty levels and labour composition will help us understand the inclusivity of the measures taken by government in response to the pandemic.

2. Indian demography and unequal health risk of COVID

Demographic features such as variable proportion of old age population across Indian states, gender and rural-urban residence generates differential vulnerability across population. The risk of infection and recovery will be unequal, given the characteristics of Indian demography such as pre-existing ailment burden, different exposure level of people owing to their livelihood pattern and diverse degree of domestic violence and mental ailments due to COVID.

2.1 Age-specific vulnerability of COVID

COVID has unequally claimed lives across age as the survival chances decreases sharply with the increase in the age (Kashnitsky and Aburto, 2020). The virus poses great challenge to populations having large proportion of older age and India, as of 2011, has 8 percent of total population above age 60 and 5.3 percent above age 65. However, the varied age composition of Indian population across states, gender and rural v/s urban location poses higher risk to population of certain category compared to others. Given the unequal age-specific death risk associated with the virus, rural populations (8.1 percent above age 60) having higher percentage of older population are more vulnerable compared to urban population (7.9 percent above age 60). Similarly, females (8.4 percent above age 60) are more at risk compared to males (7.7 percent above age 60). Meanwhile, given its large proportion of population above 60 years, people in Kerala (12.6 percent), Tamil Nadu (10.5 percent) and Himachal Pradesh (10.4 percent) are susceptible to greater death risk from virus compared to other states (Census, 2011). Thus, within India, differences in population age structure alone could imply unequal risk of fatality due to the virus.

India not only has higher fatality rate among elders and critically ill patient but also has seen
visible impact on mortality with loss of productive life years in working age population (Mohanty et. al, 2020). India, being one of the countries having large demographic dividend, is likely to lose more in terms of productive years of its population than other similar countries.

### 2.2 Predisposed ailments and differential chances of survival

The higher fatality rate for people with chronic ailments and pre-disposed conditions has made people unequally vulnerable to the disease. The disease proves to be riskier for those who have certain co-morbidity like diabetes, heart disease, cancer and so on. Thus, owing to differences in prevalence of predisposed ailments across India, the degree of vulnerability of people will also vary greatly. India being the hub of chronic illness such as diabetes, stroke, cancer, hypertension and heart/cardiovascular diseases (Karki, 2019) is already at higher risk of fatality rates. This is despite the fact that India records low case fatality among world nations, which is perhaps not adjusted for these risk factors and a large majority without these risk factors do recover without much complications. The prevalence of such diseases varies widely across states, age group and rural v/s urban location. Most of the chronic diseases like cardiovascular diseases, diabetes, and cancer are prevalent in poor and rural populations (Patel et. al, 2011). During 2012-14, overall diabetes was found to be 6.1 percent among women and 6.5 percent among men with wide variation across Indian states and prevalence of diabetes among middle-aged adults in the poorest households in rural areas was also very high (Geldsetzer et. al, 2018a). There is substantial variation in cardiovascular disease (CVD henceforth) risk among states and socio demographic groups in India. For instance, Keralites and urban Indian males are more at risk of CVD than others (Geldsetzer et. al, 2018b). This gives rise to differential vulnerability across Indian population with regard to pre-existing ailments.

### 2.3 Livelihood pattern and varied exposure to the infection

Apart from differential vulnerability owing to varied age structure and severity of the predisposed ailments, the risk of infection also varies according to the livelihood conditions of people. Continuous face to face human interaction and inability to maintain social distancing at workplace also result in greater exposure to the virus. Mainly small businesses, petty shopkeepers, street vendors, and other informal sectors wherein social distancing and maintaining hygienic habits are practically impossible, given the constraint of space and resource, bear the brunt of the burden of this disease. Migrants in particular are also extremely vulnerable, owing to their frequent work-related mobility and the congested living conditions in their workplace having no room to maintain physical distancing. Thus, workers engaged in the informal sectors have a greater risk of infection and fate of their survival will entirely depend on their immune system.

Additionally, with limited technology know-how and low purchasing power, poorer households will face higher exposure to the virus while carrying out the day to day shopping, as they are unlikely to shop online. The well-off section of the society with affordability to shop online will be less exposed to the virus. Meanwhile, the hand to mouth living conditions of the poor leave them with no choice but to be physically present in their workplace to earn their daily wages, increasing the exposure to the infection. Low levels of savings restrict them to buy weekly ration and compel them to visit the marketplace on a daily basis further increasing the exposure. So, the differential income level and livelihood conditions of Indian population itself create unequal exposure to the infection, leading to differences in vulnerability levels.
2.4 Varied morbidity days related to mental ailments

Along with physical ailment, fear and anxiety related to the perceived and real illness pose a threat to mental health. The changes in the order of living such as restricted movement, job loss/work from home, home education, lack of social gathering with friends and colleagues are likely to increase emotional distress and psychiatric ailments. The ‘new normal’ of wearing mask in public places and avoiding social gathering is emotionally exhausting and difficult to sustain for a longer period. With multiple new stresses and isolation, psychological cost has increased many folds, resulting in the surge of domestic violence cases. The increased time spent at home raises the chances of family violence including child abuse, elder abuse and sexual violence. Such risks are higher for pre-existing abusive relationships and particularly for women and children who are disproportionately affected by domestic violence (Fraser, 2020). Due to recent pandemic, the rates of domestic violence escalated worldwide causing more mental distress and depression (Jones and Isham, 2020). Thus, the segments of population having larger proportion of abusive relations and women and children in particular become more vulnerable to violence and mental ailments (Peterman et. al., 2020).

3. Indian demography and biased COVID policies

The key measures adopted worldwide to contain the spread of virus include social distancing (practiced by complete or partial lockdown of the economy during initial phases), home isolation when the person is infected or exposed to the virus, and maintaining good hygiene habits such as washing hands with soap water or alcohol based hand rub, and cover the mouth and nose while sneezing and coughing and wear a mask in public places. These measures may seem simple and basic but when adopted by India with its diverse demographic characteristics reveal the inherent inequality, thus unequally impacting the population. For instance, policies like lockdown had a severe impact on casual labourers, migrant workers and poor households as compared with others. The measure of home isolation may well be possible for only those 25 percent of Indian population who can afford more than a room. Similarly, overnight adapting the basic hygiene habits such as frequent hand washing with soap and water, regularly disinfecting the high touch surface and cleaning the house is impractical for 40 percent of urban households and 75 percent of rural households as they have no access to running water within their residential premises (Khan and Abraham, 2020). With such a diverse and unequal profile of Indian households in terms of amenities and infrastructure, the proposed measures to contain the pandemic is highly biased towards certain sections of the population.

3.1 Unequal impacts of Lockdown

When COVID-19 first broke out, like several other countries, India also imposed complete lockdown to contain the spread of the disease, prematurely and abruptly increasing peoples’ miseries. The closure of all services, establishments, and businesses led to loss of pay and job loss, especially for the working age population. But the impact of the nationwide lockdown starting from late March 2020 continuing until May 2020 was highly unequal across different sections of the population. The suffering of informal workers and less privileged class was unparalleled. The lockdown disproportionately affected poorer segments of the society, as their work could not be performed remotely and required physical presence on the worksite. For instance, those who perform low-skilled jobs in the unorganized sector such as taxi drivers, construction workers, housekeepers, domestic help, have essentially lost their livelihood due to the shutdown of their workplace. However, the educated, skilled white
collared job holders, having the privilege to work from home were insulated from the impacts of lockdown. The low-income migrant labors were the worst hit of all, suffering from the initial phases of lockdown. During late March 2020, with restriction in travel, migrant workers were stuck in their work place with no work, running down their savings, desperate to return to their native places. With no option left other than returning to their home state amidst lockdown, they undertook arduous journeys, by walking, cycling or irregular mode of public transportation, causing them to face hardship like ill health, hunger and even death. Due to such unplanned and sudden measure of complete lock down, some were even stranded outside their native places for months. With such a scenario, inter-state migration took a backseat even after several months of ‘phased unlock’ of economy.

Given the proportion of informal workers (92 percent) and national unemployment rate (3.4% in 2017-18) majority of the workforce in India migrates within as well as across country borders to find formal employment, decent wages and job security (ILO, 2016 and 2017). An ILO study estimated that the low skilled Indian labors earn approximately 1.5 to 3 times higher in their destination countries such as Kuwait, Kingdom of Saudi Arabia and United Arab Emirates compared to highest rate of minimum wages in Indian states. The major driving forces for both internal and international migration are unemployment rates and substantial wage differences between the source and destination places.

According to 2011 census, internal migration among males was largely to find employment and is much higher than international migration in India; the labourers mainly migrate from Uttar Pradesh, Bihar, Rajasthan and Madhya Pradesh to metro cities such as Bangalore, Chennai, Delhi and Mumbai. There were around 5.4 crore inter-state migrants in 2011, among which 83 lakh and 63 lakh of residents alone came from Uttar Pradesh and Bihar respectively, whereas 60 lakh people had migrated to Maharashtra from all over India in 2011. During 2011-16 on an average 90 lakh people migrated for work across state borders (Economic Survey, 2016-17) which means around 50 percent of inter-state migration happens due to work. Migration choices are frequently made out of desperation to get employed, work with a formal contract and better wages. The recent data on employment reveals that high migration zones like Uttar Pradesh and Bihar which are the largest sources of migrant labors have higher unemployment rates during 2011-19, both in rural and urban areas as compared to Maharashtra which is the largest receiver of migrant labor (Table 1). This is indicative of the fact that people are more likely to get employed in Maharashtra, compared to Uttar Pradesh and Bihar given the unemployment rates which presumably justify such inter-state migration apart from wage differences and formal contract.

People typically migrate for work from states with low job opportunities to states with better livelihood options where he/she can earn a living. So, migration is not a choice but it is rather a compulsion for labourers to be employed as it increases the likelihood for employment. The pandemic and lockdown resulted in loss of pay and in some cases complete loss of income among the migrants. With scarce job opportunities in their native places and probable reduction in long distance internal migration due to the fear of being stranded again, migrants will be enormously poverty stricken. Thus, having no safety nets against the risk of pandemic, migrant workers are, by far, the most vulnerable section of the society. Furthermore, reverse migration with uncertainty of the future regarding work will create enormous pressure on the previously ‘out-migrating’ states to create new job opportunities and provide for minimum livelihood to its people.
Table 1: Unemployment Rate: Usual Status (Adjusted), Per 1000

<table>
<thead>
<tr>
<th>Year</th>
<th>Uttara Pradesh</th>
<th>Bihar</th>
<th>Maharashtra</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urban</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011-12</td>
<td>41</td>
<td>56</td>
<td>23</td>
</tr>
<tr>
<td>2017-18</td>
<td>97</td>
<td>90</td>
<td>74</td>
</tr>
<tr>
<td>2018-19</td>
<td>106</td>
<td>105</td>
<td>64</td>
</tr>
<tr>
<td><strong>Rural</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011-12</td>
<td>9</td>
<td>32</td>
<td>7</td>
</tr>
<tr>
<td>2017-18</td>
<td>55</td>
<td>70</td>
<td>33</td>
</tr>
<tr>
<td>2018-19</td>
<td>43</td>
<td>102</td>
<td>42</td>
</tr>
</tbody>
</table>

**Note:** Employment figures are the sum of principal status and subsidiary status.


Additionally, people living hand to mouth tend to have very little and no savings making them more vulnerable to poverty due to the lockdown. The states where the poverty rate is already high are supposed to be most hit by the lockdown. For example, Arunachal Pradesh (34.67), Assam (31.98), Bihar (33.74), Chhattisgarh (39.93), Jharkhand (36.96), Madhya Pradesh (31.65) and Odisha (32.59) with more than 30 percent people below poverty line as of 2011-12 will be seriously affected as against Kerala (7.05) and Andhra Pradesh (9.20) having less than 10 percent poverty rate (RBI Bulletin, 2019). Thus, the measure of lockdown had inherent bias towards the high-income states, elite group and formal sector workers, disproportionately affecting poorer households and low-income workers.

### 3.2 Unequal affordability for home isolation and social distancing

To break the chain of transmission, people visiting corona virus affected area, or exposed to the virus, asymptomatic patients and patients with mild symptoms are advised to get themselves isolated at home for at least 14 days. Such measure of home quarantine has an in-built inequity and is not feasible for all; it is an impractical and costly measure for a densely populated country like India and can be followed only by a small section of the people, presumably the rich. The primary requirement of home isolation is to live in a separate room without sharing any immediate space with others and use a separate bathroom. Additionally, they must clean the room regularly, have access to food supplies, other necessities and have appropriate care givers at home. In developed countries, where population density is much lower than low or middle income countries, people can afford separate rooms and bathrooms. But in India, with a population density of 382 persons per square meter (Census, 2011), home quarantine becomes a luxury that common people cannot afford. In fact, 60 percent of Indian population with per capita space less than a room, 8 percent using shared bathroom and more than 25 percent with no bathroom facilities will have no scope for home isolation (Khan and Abraham, 2020). Furthermore, a quarter of Indian urban households lack adequate housing facilities including 0.53 million of homeless households (Housing for All, Ministry of Housing and Urban Poverty Alleviation, 2012). In congested urban pockets, the living space and housing structure varies from single apartment to over-crowded slums limiting the possibility of home quarantine.
Apart from home isolation, social distancing in public spaces is also very difficult especially where work commute is done mainly using public transport in India (Census, 2011). Majority of the labour force uses public buses, trains and shared autos/cabs as mode of transportation to commute to work, in case of long distance. With such high population density and limited public transport, it is difficult to maintain one-meter distance from each other in public spaces, which is one of the prime criteria of social distancing.

3.3 Unequal sanitation facilities and basic hygiene habits

The hygiene instruction given by WHO to contain the spread of corona virus is to wash hands frequently with soap and water, clean and disinfect the high-touch surfaces, and maintain sneezing and coughing etiquette. But the unavailability of running water round the clock in houses and lack of hand washing practices with soap water make it more difficult to adhere to WHO guidelines (Khan and Abraham, 2020). Cleaning houses regularly with disinfectant and maintaining the coughing and sneezing etiquette by covering the face with hand or tissue is something Indians still need to cultivate in their communities. The lack of knowledge and basic facilities make it difficult for Indians to comply with all the preventive measures suggested by WHO, especially when such curative and preventive measures increase household health expenditure. Thus, maintaining good hygiene and following hygiene related instructions seem costly for certain section of Indian population. Without proper public provision of sanitation facilities for all and lack of adequate infrastructure to maintain basic hygiene, adaptation of the primary measures becomes difficult for majority of Indians.

All the policies taken to contain the disease seem to favour those who already have all the facilities. The measures could have been inclusive if it was possible to change the population characteristics overnight so that they fit the policies. The poorly designed measures, with their inherent strong biases to certain sections of society, have increased the woes of the poor Indians.

4. The silver lining and new order of life

However, in the gloom of the pandemic, its positive effects often remain overlooked and go unnoticed. The crisis indeed has a silver lining in inculcating healthy habits in Indians through the learning-by-doing process. One of the crucial problems in achieving ‘Sanitation for all’ was the low utilization of the facilities by the Indians, despite the access and availability; it was observed that Indians were reluctant to use the facilities to its full potential. For example, the problem of open defecation still remains prevalent despite the availability of toilets and comprehensive awareness programmes such as total sanitation campaign (Bhattacherjee, et. al., 2017). Awareness programmes to educate people regarding the positive effects of clean habits and good hygiene could not effectively change sanitation behaviour of the society (Nath, 2003). For example, programmes to educate people regarding hand hygiene starts right from elementary schools but only 34 percent of Indians wash their hands with soap water before a meal (Khan and Abraham, 2020).

With rapid spread of COVID and uncertainty involved with its cure, people were pushed over the edge to adopt clean and healthy habits. To avoid the risk of infections, government and non-government agencies launched several Behavioural Change Communication (BCC henceforth) campaigns related to good hygiene habits and clean environment. One of its key interventions was to advertise the accurate information through multiple channels such as internet, television, newspapers, online news and social media. In few months, agencies rolled
out multiple BCC materials such as information dissemination through the caller tunes, road banners and frequent announcements by mobile trucks to increase coverage. The process was accelerated with the help of personal video message by celebrities and frequent social media posts. The awareness was raised by playing COVID related songs in the streets and essential service workers also spread awareness by singing and dancing in public places during their duty hours. Such communication strategies encouraged individual/community to change their behaviour by adapting healthy and beneficial behavioural practices. With these interactive policies, change in community behaviour towards maintaining good hygiene, washing hands before meal with soap water, washing vegetables in running water, eating healthy food is likely to increase among Indians. Even the poorest of the poor will try to adhere to the practice of hand washing in the fear of contracting the disease. The fear of COVID has brought about a change in the order of life and compelled people to inculcate healthy habits and people are expected to incorporate healthier life styles in their day to day living by acclimatizing to cleaner habits such as washing hands, cleaning homes, proper washing of vegetables, clothes and utensils.

The intervention of COVID and active BCC strategies to promote knowledge and precautionary measures about the disease are expected to improve the basic sanitation and hygiene among people. The threat of sickness is likely to generate demand for proper sanitization facilities like clean drinking water, separate wash room and fully functional drainage system. These habits being internalized among the societies will surface very soon as market demand. Subsequently, people will be hesitant to use shared public toilets as they did previously. For example, in slum areas, where multiple tenants used to share single bathroom, people might demand for a separate bathroom for each rented house/apartment to avoid the transmission of the disease. Again, to be able to maintain social distance and quarantine, if need be, the preference for separate housing with a separate room, kitchen and bathroom will be revealed in the near future. Thus, changes in the patterns of demand for certain goods and services will be seen in the wake of current COVID-19 pandemic.

Additionally, the conventional containment response such as lockdown and social distancing considered by governments for the pandemic has altered the order of life across population. With the inclusion of healthy habits to one’s lifestyle, people have also changed their shopping behaviour. To avoid public places, people have shifted largely to e-commerce and to digital platforms. The pandemic has changed the way people use e-commerce and digital solution, the frequency of online shopping has increased substantially and there is increased reliance on internet for digital entertainment, news and vital information (revealed by ‘COVID-19 and E-commerce survey’ conducted by UNCTAD in 2020). Even the goods that were bought traditionally from the superstores are now being bought online. From durable goods to pantry goods, people have majorly shifted to online shopping. The corona virus has impacted e-commerce immensely by changing its trend worldwide (Bhatti et. al., 2020). Even the customer base has been broadened as people from different age groups have started shopping online compared to the mainly young urban population which constituted the bulk of online shoppers during pre-COVID days. This change in shopping behaviour is likely to have lasting effects and become a routine of the new order of life even after world moves from pandemic response to recovery. Such quick and drastic change in e-commerce seems to be a huge opportunity for giant market players to expand the online shopping globally.

Another consequence of the pandemic is the
increased government expenditure in essential sectors. To combat the corona virus, Indian government has increased the expenditure on health sector by investing in its infrastructure and efficient service delivery which will offer a strong and vibrant health service to all its citizens in future. Government spending on essential services such as sanitation and food sector is likely to provide citizens a well organized and dependable public sector in the coming days. The extensive usage of public services such as aviation for repatriation purpose, hospital services for testing and treating, public distribution system for distribution of free ration and untiring police services during the crisis is likely to gain the trust and confidence of common people. Thus, India is expected to witness a surge in demand for public services making government a major market player in shaping the growth and development of the country.

5. Conclusion

The outbreak of COVID-19 in India has led to enormous change in social and economic life of people. Fear of corona virus has limited peoples’ movement which has impacted the economy as a whole. Apart from the public health emergency, the economic impact of the pandemic is also one of the largest challenges India is facing in recent times. Several business sectors like entertainment, tourism, hospitality and aviation have suffered major setbacks. The virus has also disrupted the day to day activity of people around the world.

With the ongoing crisis, each country faced its own set of challenges. Given the Indian demography, its population not only faced unequal health risk but also was unequally impacted by the standard government measures adopted to arrest the spike in COVID cases. For instance, states with higher old age population and greater prevalence of chronic illness were more vulnerable than others. Similarly, the poorer class and low-income workers also were extremely vulnerable and severely impacted by COVID measures. With partial closure of businesses for months and stagnation of labour forces in their home states, it is very likely to add to the miseries of the migrants in the coming days. Social distancing and home isolation are other challenges for Indian population given its high population density, lack of proper housing condition and unavailability of essential public transportation. Such bottlenecks have made poor people more vulnerable to the infection and delayed the process of returning back to normal life. The current health crisis and lack of good hygiene practices like, hand washing with soap water, clean habits among majority of Indians has made the situation tougher to deal with.

But COVID-19 crisis has had positive effects too which need a mention; it has brought about an improvement in the sanitation behaviour of common people in a very short time using BCC strategies. This change in behaviour is also expected to generate demand for better sanitation and hygiene in the near future. It will also instigate demand for proper housing condition with separate room, kitchen and bathroom to avoid infection and to be able to self isolate, if needed. Such choices will be internalized and may augment the demand for better living without a compromise on basic needs. In addition, the compulsion of altering the crowding behaviour whether it be market place or public space would perhaps become a thing of the past with digital dependence and im-personalization of interactions which will constitute the changing order of life. Moreover, the public provisioning by the state in multiple sectors seen during the COVID pandemic may increase expectations and trust of the common people on the public services in the days ahead. The changed order of living owing to the pandemic may well sustain for a better tomorrow with reduction in divides exposed during the crisis.
References


From Covid-19 Containment to Economic Growth: Will India’s Self-Reliant Strategy Work for the Integration with the Global Economy?

Venkatachalam Anbumozhi1 and Kaliappa Kalirajan2

Abstract

India’s average population is young at the age of 28 years. This demographic dividend is only an opportunity, not a boon. This working population needs to be employed, and employed with a decent pay. Combating Covid-19 has opened up significant opportunities for innovations, such as using digitalization in commerce, and in the field of education. Though Covid-19 rang the alarm bell of the importance of being self-reliant, it is a blessing in disguise to increase the awareness of the need for India’s faster integration with the global economy to achieve its potential growth. With forward looking policy reforms and partnerships with countries across the world, there exist significant opportunities for India. ‘Make in India 2.0’ is not only beneficial for India in moving forward, but also for many other emerging economies in the region to build a better sustainable future. Hence, this dynamic concept should embrace the inevitability of the open globalization and should not be a road to the restrictive economic nationalism.

1. Setting the Scene: From Pandemic Crisis to Systems Change

The world is in recession and according to International Monetary Fund (IMF, 2020) World Economic Outlook (WEO) June 2020 forecast, the global growth is projected at -4.9 percent in 2020. The IMF has termed this COVID 19 pandemic driven recession as ‘a crisis like no other’. This crisis is different because countries have experienced a systemic economic shock due to synchronized nature of downturn, both in terms of supply and demand that brought on domestic disruptions, as COVID 19 spread across the countries. In other crises, the shocks were mostly idiosyncratic, affecting differently across countries, due to the countries’ relative exposure to the demand-shock originating countries. For example, in 2007 there was sub-prime crisis in the US, the downturn effects of which later merged with the Global Financial Crisis (GFC) that took place in the last quarter of 2008 due to the fall of Lehman Brothers. The World output growth reduced to -1.67 percent in 2009. Through financial channels, the shock spread to Europe that later brought downturn in the real sectors of the various countries’ economies due to fall in demand in major advanced economies.

Due to COVID 19 pandemic, the global trade contracted by approximately -3.5 percent (year-on-year) in the first quarter of 2020 due to weak demand, collapse in cross-border tourism, and supply disruptions, which further deteriorated due to trade restrictions in certain cases. According to the IMF (2020) World Economic Outlook (WEO) June 2020 forecast, the advanced economies are projected to experience a reduction in their output by -8 percent in 2020, while emerging market and developing economies are expected to show

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All opinions in this article are of the authors and usual disclaimer applies.
reduction by -3 percent. In emerging and developing Asia, the Gross Domestic Product (GDP) growth is expected to reduce by -0.8 percent and in emerging and developing Europe by -5.8 percent in 2020. Latin America and the Caribbean will observe a reduction of -9.4 percent, Middle East and Central Asia by -4.7 percent, Sub-Saharan Africa by -3.2 percent and low-Income Developing Countries by -1 percent. There are, however, differences among the individual countries due to differential spread of pandemic, containment strategies impact, differences in economic structures (for example, tourism and oil dependent economies), reliance on external financial flows (including remittances) and growth trends before crisis. The World trade in goods and services is projected to reduce by -11.9 percent in volume terms while commodity prices, interest rates (London interbank interest rate) and inflation are also expected to remain stable without experiencing any growth in 2020.

The containment measures such as social distancing, lockdowns, business closures, disruptions in supply chains and restrictions on cross border movement of people and air travels were employed to slow the COVID 19 transmission rate to achieve better health outcomes globally. However, these measures led to steep income losses resulting in weak consumer and investor confidence. The aggregate demand declined which was further compounded by supply interruptions and lockdowns. This had a catastrophic effect on the labour market as 300 million full-time jobs have possibly been lost in the second quarter of 2020 compared to the same period of last year (ILO, 2020)

Governments have responded to the crisis by employing fiscal and financial counter measures to forestall and minimize the adverse effects of the crisis as shown in Figure 1. Assistance has been provided to firms to retain workers and also financial support and regulatory actions to ensure continued credit provision to avoid bankruptcies.

**Figure 1: Country Fiscal Measures in Response to the COVID-19 Pandemic**

![Figure 1](source: IMF (2020))
The governments have relied on the fiscal and financial support measures to mitigate the recessionary effects of crisis and position the economies on the path to recovery as they did during GFC. However, the abrupt contraction in output has resulted in fall in revenues which has led to sudden surge in government debt and deficits. As Figure 2 presents, the pattern of global debt and overall fiscal balance is similar as during GFC, though it is rather more pronounced during the COVID 19 recessionary impact in 2020.

Figure 2: Change in Global Government Debt and Overall Fiscal Balance

![Figure 2](image)

Source: IMF (2020)

The crises affect the competitiveness and exporting environment of the exporting countries and create inefficiencies both ‘behind and beyond the borders’ due to aggregate demand and supply shocks, tariffs and non-tariff barriers, distortions in the factor markets, restrictions in movement of people and goods, exchange rate movements, labour market and business regulations, and many others.

2. The Impact of Covid-19 on the Indian Economy at large

In the light of the above cited global scenario, the Indian situation is not an exception. A recently published report by CRISIL, an S & P Global Company, had reduced its earlier forecast of India’s GDP growth for 2020 from 3.5% to 1.8%. However, with the extended full lockdown until 31 May 2020, CRISIL had raised the alarm by noting that the growth rate would be -5% in fiscal 2020-2021.

The major sector wise impact of the Covid-19 situation in India is shown in Table 1 with a forecast for the first quarter 2021. Automobile industry, trade including both imports and exports, and consumer durables are the sectors heavily negatively affected, which certainly has implications for rise in unemployment.

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Table 1. Impact of Pre- and Post- Covid-19 on the Indian Economy

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Consumer Durables</th>
<th>Consumer Non-Durables</th>
<th>Non-Oil Non-Gold Imports</th>
<th>Auto Sales</th>
<th>Rail Freight</th>
<th>Index of Industrial Production</th>
<th>Exports</th>
<th>Foreign Tourist Inflows</th>
<th>Purchasing Manager’s Index</th>
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</thead>
<tbody>
<tr>
<td>Q4FY19</td>
<td>0.1</td>
<td>3.4</td>
<td>-1</td>
<td>-9.1</td>
<td>4.6</td>
<td>3.2</td>
<td>6.4</td>
<td>1.4</td>
<td>53.4</td>
</tr>
<tr>
<td>Q1FY20</td>
<td>-2.6</td>
<td>6.8</td>
<td>-4.2</td>
<td>-12.3</td>
<td>2.7</td>
<td>3.2</td>
<td>-1.4</td>
<td>3.2</td>
<td>51.4</td>
</tr>
<tr>
<td>Q2FY20</td>
<td>-5.9</td>
<td>6.3</td>
<td>-6.8</td>
<td>-21.5</td>
<td>-3.7</td>
<td>-1</td>
<td>-3.6</td>
<td>2.4</td>
<td>52.1</td>
</tr>
<tr>
<td>Q3FY20</td>
<td>-9</td>
<td>-1.3</td>
<td>-10.4</td>
<td>-5.5</td>
<td>-1.2</td>
<td>-1.7</td>
<td>-1.1</td>
<td>5.6</td>
<td>52</td>
</tr>
<tr>
<td>Q4FY20</td>
<td>-15.5</td>
<td>-7.7</td>
<td>-12</td>
<td>-26</td>
<td>-1.6</td>
<td>0</td>
<td>-11.1</td>
<td>-23.9</td>
<td>54.8</td>
</tr>
<tr>
<td>Q1FY21</td>
<td>-67</td>
<td>-15.2</td>
<td>-42.4</td>
<td>-75.5</td>
<td>-21.4</td>
<td>-24.6</td>
<td>-36.3</td>
<td>-</td>
<td>19.9</td>
</tr>
</tbody>
</table>


Interestingly, India’s average population is young at the age of 28 years (Statista, 2020). This demographic dividend is only an opportunity, not a boon. This working population needs to be employed, and employed with a decent pay.

The current pessimistic outlook of economic growth mainly stems from the abrupt change in supply and demand due to the lockdown that was imposed to control the spread of the pandemic Covid-19. Nevertheless, the Government is keen to save lives by controlling the spread of the virus than protecting the livelihoods. No doubt, it is a noble objective to save lives, but equally important is to sustain the lives by providing at least minimum support, as the majority of the people affected by the lockdown come from the informal sector. Informal sector in India, which often serves to cushion the impact of economic shifts, might not do the same this time, due to the severe restrictions being placed on the movement of people, goods and services within India and across the borders. Interestingly, most of the people working in the informal sector are migrant workers from rural areas both within and outside the states.

In the absence of official data for inter-state migrants, Professor Amitabh Kundu (2019) of Research and information System for Developing Countries in Delhi, using the National Sample Survey (NSS) data drawn on the 2011 Census, had estimated that there are 65 million inter-state migrants, of whom about 8 million workers are employed as casual workers and another 8 million workers are employed on a regular basis in the informal sector. The rest of the migrants are working in the formal sector including the banking and IT sector. The lockdown has forced those migrant workers in the informal sector to be out of jobs for more than 2 months. Those companies and factories that employed them did not provide enough support for their livelihoods during the lockdown periods. It may not be logical to expect those companies to help the distressed workers, as the companies themselves did not have any sales. Therefore, the onus lies with the State and the Central Government to protect those migrant workers.

On 12 May 2020, the Central Government announced its package of Rupees 20 lakh crore, which is 10% of GDP at current prices, to help the poor and some industries, such as the auto industries through the State government institutions. In this package, the liquidity injection has the majority share and fiscal component has the least.

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3. India’s Self-Reliant Policy and its Integration with the Global Economy

When economic-historians write a book on Covid-19 pandemic, how it was contained would probably take only part of it, but the bulk of the emphasis would be on what happened next. Many countries are still struggling to flatten the Covid-19 pandemic curve, and India with the largest population, is no exception. On 24 March 2020, the Government of India ordered a nationwide lockdown, limiting the movement of the entire 1.3 billion population, and insulating the fifth largest economy from the rest of the world. Even though phased reopening of the economy to stimulate recovery started in June, the state and local governments’ inability to contain the pandemic so far poses a significant challenge to achieving a meaningful recovery.

Addressing the nation on the Covid-19 pandemic recovery, on 12th May 2020, the Prime Minister of India announced a historic $266 trillion stimulus package and advocated the dynamic concept of ‘Self-reliant India’. He explained that there are five pillars, which are imminent for making India self-reliant: economy, infrastructure, system, demography, and demand. These pillars will lift up the Indian economy to achieve a quantum leap in the growth trajectory. “Infrastructure should become the identity of India; system should be based on 21st century technology, vibrant democracy is source of energy, whereby supply chain should be utilized to full capacity” he told. These changes will promote business, attract investment, and further strengthen the Make in India mission. “Self-reliance would bring happiness, growth and peace to the world”, the Prime Minister emphasised in his address to the Nation on that day.

Apart from providing near-term working capital, loan financing and tax holidays for small businesses during an unprecedented health crisis, the announced fiscal stimulus, which amounts to nearly 10% of GDP, laid down a bold intent to reenergise, revamp, and reinforce a strong industrial manufacturing sector for India’s long-term growth in a post-Covid era.

India is often considered as a poster child of an emerging economy, based on its relative success in achieving high growth rates, despite almost skipping the industrial manufacturing phase. Services sector is the fastest growing since 1990s, while manufacturing share has stagnated between 14-16% since the 1970s. Agriculture despite growing at an average rate of 3% per year, accounts for more than 50% of employment.

In 2014, India came up with the ‘Make in India’ initiative with the identification of sectors like automobiles, chemicals, information technology, pharmaceuticals, textiles, ports, aviation, leather, tourism and hospitality, wellness, railways among others as growth drivers and appropriating sector specific Foreign Direct Investment (FDI) policies. Subsequently, India’s ranking among the countries in ease of doing business and competitiveness has improved and it has primarily become an assembly hub in manufacturing industries such as mobile phones, light consumer electronics and pharmaceutical products. Nonetheless, the domestic value addition of imported components continued to be low at fewer than 30%. With the catch phrase and market pitch of ‘Make India 1.0’, India moved in the direct direction, albeit not enough. The targeted annual industrial growth rate of 12-14% was not achieved; FDIs in several sectors have not picked up; regulatory environment remains far from ideal; and non-tariff barriers for Indian goods in key markets of Europe and US have only increased.

As things stand, the self-reliant India, as a recovery response to Covid-19, is indeed, the new version of ‘Make in India’ that seeks to protect domestic manufactures and push them up
into the global value chain. It is likely to press vertical integration, where the component of regional supply chains is coerced to be more local to help domestic companies in order to become competitive in the longer run. The economic rationale behind the ‘Make in India 2.0’ is to generate learning, which would lead to efficiency gains, but the economic history of this approach is working in a mixed way. Self-reliance in the state-run heavy industries such as steel and strategic sectors such as railways, in the decades following independence had placed India ahead of the most developing countries in the world. However, since the 1970s, India could not modernise these industries to climb high up the technological ladder. India completely missed out on the third industrial revolution comprising the manufacturing of electronic goods, microprocessors, personal computers, mobile phones, and decentralised manufacturing and failed to become part of global value chains or regional production networks.

Learning from Japan’s post war success, East Asian countries like South Korea, Taiwan, Singapore, and later China, took huge technological and industrial strides since the 1980s. They determinedly moved up in the global value chains in electronic goods, consumer durables, automobiles, and heavy machinery. They have also developed manufacturing capacities in advanced technologies in niche areas such as robotics. Their self-reliant capabilities were enabled, among other factors by planned state investments in research and development (3 to 5% of GDP), vocational education and skill development (4-5%), targeted incentives to private corporations (5-8%) and priority spending on infrastructure connectivity (8-12%). Countries like Thailand, Malaysia, Indonesia and Vietnam have focused on off-shore manufacturing, lower down in the global value chain, which created millions of jobs.

China has a self-reliant model, unique in scale and in its determination. It advanced purposefully from low-end mass manufacturing, to a dominant player in global supply chains, and now to become self-reliant in advanced manufacturing of 4th Industrial Revolution. It has itself set a target of becoming a world leader by 2035 in 5G, Internet of Things, artificial Intelligence, automated vehicles, and biotechnology infrastructure. China’s spending on research and development increased by 11.8% in 2018 to US$275 billion, which is its third consecutive double-digit annual rise. It is hoping to reap the benefits of internalization of Chinese standards and gain a dominant position in the global economy, as other industrial nations struggle to recover from the devastation caused by the Covid-19 pandemic.

Unfortunately, India may have missed the opportunity in many of these manufacturing areas in which US, Europe and East Asia have established insurmountable leads. Yet self-reliant capabilities in artificial intelligence, biotechnology, electric and fuel cell vehicles, electricity storage systems, green energy, pharma, municipal solid waste management, prefabricated housing, supercomputing, space communication and others are within its reach, but need a strategic focus and sharp innovations along the value chains.

4. Suggested Policy Implications

To successfully sustain the momentum and the strategy of ‘self-reliant India’, it is important for India, first, to outline and carry out a new industrial policy. Both the central and state governments should re-examine, reorient, and redirect macro-economic policies, incentives, FDI regulations, special economic zones, digital connectivity, and intellectual property rights, among others, towards building a cohesive and comprehensive manufacturing eco-system to reap the benefits of the sectoral competitive advantage in the local and global markets.

Second, large scale and concerted endeavour
is needed to ramp up the research and development expenditure, including vocational education and skill development for its young workforce, to increase the share of manufacturing in GDP. State funded industrial research by national institutes, universities and public sector enterprises are to be scaled up significantly, well above the current dismal 1% of GDP. Private sector driven delivery-oriented innovation networks also need public support for meaningful participation in manufacturing at appropriate levels of the supply chain.

Third, existing Free Trade Agreements (FTAs) should be recalibrated to tap into export potential of micro-small and medium enterprises. India’s utilization ratio of the bilateral trade agreements remains as low as 10% to 15%. To reinforce the economy towards full utilization of global demand, channelization of FTAs, and India’s support for the successful conclusion of mega trade agreements like the Regional Comprehensive Economic Partnership (RCEP) become critical.

Fourth, a range of new low-carbon technology options, such as carbon capturing and utilization, as well as digital technologies are emerging, but need to be scaled up across the States. Technology investment roadmap needs to be tailored and implemented effectively to drive innovation that might attract investment from advanced economies too.

Some large-scale low carbon projects such as ASEAN Power Grid, Trans ASEAN Gas Pipe line, Common energy efficiency standards were already underway before the pandemic. But there are many small-scale projects that can have multiplier effects in terms of local economy, jobs, climate change and SDG payoffs, and can be implemented under the green stimulus in a faster way.

When complex economic systems come to a critical point of instability, they remerge in distinctly new forms. Combating Covid-19, while driving self-reliance, is a blessing in disguise for India. With appropriate policy reforms and partnerships there exist significant opportunities for India. ‘Make in India 2.0’ is not only beneficial for India in moving forward, but also for many other emerging economies in the region to build a better sustainable future. Hence, this dynamic concept should embrace the inevitability of the open globalization and should not be a road to the restrictive economic nationalism.

Reference


Fiscal and Monetary Policy Responses to Covid-19 Pandemic in India: Impacts and Prospects

N.R. Bhanumurthy1 and O.P.C. Muhammed Rafi2

Abstract

In this paper an attempt has been made to review and understand the impacts of various macroeconomic (fiscal and monetary) policy measures introduced in India in the context of Covid-19. We argue that India has adopted timely and broad-based policy measures to mitigate the adverse impacts of the pandemic. As the leading indicators suggest, because of these timely measures, economic revival appears to be much earlier than most analysts predicted. One of the main reasons for this optimism could be due to improved transmission of monetary and fiscal policy changes on to real economic activity. Going forward, we argue that for the whole year, India could achieve a positive nominal GDP growth in 2020-21 while the real GDP growth will depend on the inflation expectations as well as supply responses. Now the focus of the public policy should be on how to improve medium term growth prospects.

1. Introduction

In the beginning of 2020, Corona Virus of 2019 (COVID-19) pandemic hit the world and following this, severe lockdowns in most parts of the world have wrecked the global economy. Indeed, most of the agencies predict a deep recession in the year 2020 with the World Economic Outlook by IMF projecting a growth of -4.4 percent for the global economy (IMF, October 2020). Unlike the 2008 global financial crisis, which spread from financial sector to real sector gradually, this time around the pandemic and the subsequent lockdowns have led to sudden stop of economic activities, the impact of which is expected to be much deeper, broader as well as long lasting with permanent loss of output. With the harshest lockdown, similar effects are expected in Indian economy as well. The IMF projects India’s growth for 2020 to contract by 10.3 percent, although it expects to see some rebound in 2021 as it projects a positive growth of 8.8 percent (IMF, October 2020). Many institutions as well as analysts have projected much larger contraction with some projecting contraction by over 10 percent. Recently the Reserve Bank of India projected a contraction of 7.5 percent. While the data gaps during the pandemic and uncertainty surrounding the pandemic do not provide much lead to assess or predict the actual impact on the economy, it is clear that India could experience what is called a technical recession with negative growth in the first two quarters, although many analysts predict a deeper recession with negative growth for more than two quarters. The recent second quarter (July-September 2020) GDP estimates by the National Statistical Office suggest that India has indeed entered a technical recession stage with -7.5 percent on the top of -23.9 percent growth in the first quarter (April-June 2020).

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All opinions in this article are of the authors and usual disclaimer applies.
However, what is more important is to understand the future trajectory of the growth based on the proactive policy measures taken up by the government as well as RBI. Further, it is necessary to understand and assess the impact of these measures on economic growth as well as other macroeconomic variables such as inflation. In this paper, we analyse the impact of these policy measures and assess their outcomes in terms prospects.

2. Indian Economy in the pre-Covid-19 period

Before we discuss the policy responses to Covid-19 pandemic, a brief discussion on the trends in the GDP growth is a useful background. Here, it is important to note that Indian economy was already in a slowdown phase even before the pandemic. For 2019-20, India registered a GDP growth of 4.2 percent, slowest in a decade, with about 3 percent growth in the last quarter. While the inflation rate was within the RBI’s acceptable range of 2 to 6 percent, the inflationary pressures were building. Most important of all, there was a fiscal crisis, which led to Government of India invoking the escape clause of FRBM (Amendment) Act of 2018 for two consecutive years wherein the government could run a 0.5 percent higher fiscal deficit than prescribed in the Act. This is despite the higher and unrealistic revenue growth projections for the year 2020-21 in the Budget. The fiscal situation in the States were also equally weak with many states running larger fiscal deficits (RBI, 2020). More than the headline fiscal deficits, what was more alarming was the deteriorating quality of public expenditure at Centre as well as the states. Due to fiscal space constraints, the governments sharply reduced public capital expenditures while at the same time allowing the fiscal deficits to increase. In other words, increase in fiscal deficits was largely due to increase in revenue deficits. This could be one reason for deceleration in the growth even before pandemic as size of multipliers for revenue expenditures were much lower (less than one) than that of capital expenditures (see Bose & Bhanumurthy, 2015).

Further, it is important to understand that post-14th Finance Commission, which suggested a higher devolution to the States from the divisible pool of resources, the fiscal situation appears to have deteriorated at the Centre as well as States (see, for instance, various reports of RBI’s Study on State Finances). This appears to be highly counterintuitive especially when the 14th Finance Commission increased the devolution by 10 percentage points to the states but resulted in deterioration of fiscal situation as well as the quality of public expenditures. This could be another reason for the sustained slowdown in the Indian economy (see Bhanumurthy, et al, 2019 for some simulation results on this issue that was submitted to 15th Finance Commission).

Overall, unlike the 2008 global financial crisis, India entered the pandemic situation with a slowing economy and with very less fiscal space (during the 2008 crisis, India was registering a historically high growth and at the same time was close to achieving FRBM targets) although there was space for the monetary policy. Hence, when the pandemic impacted the economy, it was the monetary policy that responded quickly and decisively through rate cuts and liquidity measures. Later, a slew of measures were introduced by the Centre and states to mitigate the adverse impact of the pandemic on the economy. In the next section, major fiscal and monetary policy responses are summarised.

3. Fiscal and monetary policy responses

In terms of fiscal measures, given such unprecedented situation, there were demands for government intervention through fiscal measures to prop up aggregate demand. Towards this end, State governments, being the first line of defence,
have initiated major policy initiatives. Later, Central government introduced various reforms, some to address short term issues and others as part of medium to long term reforms (such as reforms in labour markets and agricultural sectors).

Major part of these measures is included under three versions of Atma Nirbhar Bharat package and is estimated to cost around 30 lakh crores or about 15 percent of GDP. However, there are some conceptual differences when the economists estimate the extent of fiscal support that has been provided till now and these estimates differ quite widely in their assessments.

As it is under the Atma Nirbhar Bharat package (version 1), which is a broader package that includes some structural reform measures as well as some monetary measures, the support measures were announced to cover Rs. 20.97 lakh crores. However, the additional outgo on the government expenditures is estimated to be about 1.3 per cent of GDP. This mainly contains the income transfer under the Pradhan Mantri Garib Kalyan Yojana (PMGY), increased allocation under the MGNREGS, and cost of free food grains for migrant workers among other minor support measures. But the fiscal support could be higher if one looks at it, deeper (conceptually) and wider (including states). Here, it is also necessary to explain that while there was a need for more proactive fiscal measures with monetary policy playing a supporting role, what is unveiled in India is the opposite of this. India had more proactive monetary policy measures while fiscal measures were very hesitant and selective. One possible reason for this could be the after-effects of post-2008 fiscal stimulus packages that led to double-digit inflation for more than two years and had led to macroeconomic instability as well as political costs.

Table-1: Support under first Atmanirbhar Bharat Package

<table>
<thead>
<tr>
<th>Details of various measures</th>
<th>Rs. crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pradhan Mantri Garib Kalyan Yojana (PMGKY)</td>
<td>1,70,000</td>
</tr>
<tr>
<td>RBI Liquidity Measures (including TLTROs, cut in CRR, etc.)</td>
<td>8,01,603</td>
</tr>
<tr>
<td>Tranche 1 of the Package (include Collateral free automatic loans to MSMEs, Schemes for NBFCs/HFCs/MFIs)</td>
<td>5,94,550</td>
</tr>
<tr>
<td>Tranche 2 of the package (includes free food grain supply to migrants, interest subvention for MUDRA loans, Scheme for NABARD, Kisan Credit Card (KCC))</td>
<td>3,10,000</td>
</tr>
<tr>
<td>Tranche 3 of the package (includes Agri infra, Fisheries, Animal Husbandry, Herbal Cultivation, etc.)</td>
<td>1,50,000</td>
</tr>
<tr>
<td>Tranche 4 of package (Viability Gap Funding)</td>
<td>8,100</td>
</tr>
<tr>
<td>Tranche 5 of the package (MGNREGS)</td>
<td>40,000</td>
</tr>
<tr>
<td>Others</td>
<td>22,800</td>
</tr>
<tr>
<td>Total</td>
<td><strong>20,97,053</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Finance, GoI.
Table-2: Overall fiscal and monetary support since March 2020

<table>
<thead>
<tr>
<th>Details of various measures</th>
<th>Rs. crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atmanirbhar Bharat Abhiyaan 1.0</td>
<td>11,02,650</td>
</tr>
<tr>
<td>Atmanirbhar Bharat Abhiyaan 2.0</td>
<td>73,000</td>
</tr>
<tr>
<td>Atmanirbhar Bharat Abhiyaan 3.0</td>
<td>2,65,080</td>
</tr>
<tr>
<td>Pradhan Mantri Garib Kalyan Yojana Package (PMGKY)</td>
<td>1,92,800</td>
</tr>
<tr>
<td>PM-GKAY – extension from July to November</td>
<td>82,911</td>
</tr>
<tr>
<td>RBI measures announced till 31st Oct 2020</td>
<td>12,71,200</td>
</tr>
<tr>
<td>Total</td>
<td>29,87,641</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance, GoI.

There is also a need for distinguishing between the fiscal stimulus and fiscal support. The Atma Nirbhar package is largely a broad-based policy support package rather than a stimulus package as it focuses on supply-side issues as well as stimulating aggregate demand. For instance, the credit guarantee by the government for the loans to the MSMEs, NBFCs, HFI, and Agricultural loans under Kisan Credit Cards is more of a fiscal support to banks that only affects the contingent liabilities of the government with future servicing of this, adding to the fiscal deficits.

What could be the impact of these measures on the fiscal deficits? Before it is quantified, it is necessary to understand that all fiscal support/stimulus need not lead to higher fiscal deficits and as discussed earlier, it depends on the quality of expenditures. The measures shown in Tables 1 and 2 are those that should help in increasing the consumption as well as capital expenditures in both private and public sectors. The size of multipliers (for both government consumption and capital expenditures) is expected to be higher in the recession period than normal period. Hence, the increase in fiscal deficit (as a ratio to GDP) should be much lower than the fiscal stimulus/support. Now, as per the Budget estimates for the whole year 2020-21, the combined budget deficit of both Centre and States together is fixed at 6.3 per cent of GDP. However, due to pandemic and expected decline in the government revenues retaining, this target could itself lead to higher borrowing, to the extent of revenue loss as against forecasts. This, in our view, needs to be considered as additional fiscal support and government did increase its borrowing programme by Rs. 4.2 lakh crore (2.1 per cent of GDP) even before the Atma Nirbhar package. With the additional borrowing limits to the state governments (of about 2 per cent of their Gross State Domestic Product (GSDP), although 1.5 percent of GSDP is conditional on the specific reforms) and with 1.3 percent under Atma Nirbhar package (in version 1), the overall fiscal support appears to be as huge as over 11.5 per cent of GDP. If one adds the Rs. 2.65 crore package in version 3, the fiscal support could be about 12.8 per cent of GDP. If one includes the borrowing of the other public sector companies, which is about 2 per cent GDP, the overall public sector borrowing (PSBR) could be somewhere close to 15 per cent of GDP, which is quite huge especially when the revenues are dwindling due to economic recession. The impact of these measures depends on to what extent it will be implemented. While some measures are conditional, at least it could be treated as fiscal support and the preliminary indicators suggest that these measures appear to be implemented. For instance, the fiscal support to the MSME sector suggests that by early December, out of the Rs.3 lakh crore package, the banks have sanctioned Rs.2.05 lakh crore and out of which, banks have disbursed over Rs.1.58 lakh crore. Regarding the direct government support
measures, in the ultimate analysis, it is important as to what extent the governments (especially state governments) are successful in borrowing from the market in the present circumstances. Going by the recent trends, with huge support from the RBI, borrowing programme appears to be smooth and even the December 2020 round of Monetary Policy Statement suggest that the markets continue to hold excess liquidity in the system.

4. Monetary policy measures and its transmission

As the lockdown led to sudden stop in the aggregate demand, it was expected that fiscal policy would be active and to respond swiftly while monetary policy would play a supportive role. As discussed earlier, the actual response was opposite of this, wherein it was the monetary policy that was active while fiscal policy played a wait and watch and was more passive. RBI took slew of initiatives to inject liquidity and enhance the flow of credit in its Monetary Policy statements since 27th March 2020. Further, it has complemented with repo rate reductions by 115 basis points and with this, the repo rate has come down to as low as 3.75 percent. The cash reserve ratio (CRR) was reduced by 100 bps to 3 percent. Apart from the reduction in the above policy rates, under the marginal standing facility (MSF), the overnight borrowing limit was raised from 2 percent to 3 percent of the statutory liquidity ratio (SLR). All these measures, related to the targeted long term repo operations (TLTRO), CRR and MSF, were expected to provide an additional liquidity of Rs. 3.7 lakh crores into the system. Further, there are support measures for the specific sectors. Special financial assistance of Rs. 50000 crores were announced for National Bank for Agriculture and Rural Development (NABARD), the Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB). The Ways and Means Advances (WMA) limit of states were also raised from 30 percent to 60 percent over the March 31 limit. These policy changes are presented in Figure 1. The RBI policy measures since February 2020 are expected to enhance liquidity amount to about Rs. 9.57 lakh crores, which is equivalent to about 4.7 per cent of 2019-20 nominal GDP (Das, 2020). While these liquidity measures have ensured the surplus liquidity in the system to ensure financial stability, however, unlike in the past, these monetary measures appear to have resulted in better monetary policy transmission to lending rates by banks. Moreover, the rise in WMAs limit should give states a higher scope for taking up more containment and mitigation efforts.

Besides, the RBI also came with the regulatory measures to provide relief to the banks and to minimise the economic fallout in the form of providing extension in the implementation of a countercyclical capital buffer (CCyB) by one year, moratorium extension for term loans initially till May 31, 2020 and later additional three months till August 31, and deferment of interest on working capital facilities till August 31, 2020. On the other hand, the government introduced suspension of insolvency and bankruptcy proceedings, which might help both the corporates and banks to overcome the disruptions due to pandemic. Recently, the RBI also introduced one-time restructuring of outstanding corporate loans by banks to avoid higher provisioning. In a sense, the RBI has used all the instruments to ensure the financial stability, liquidity position, rate cuts as well as its transmission, concessions for retails through loan moratorium, restructuring of corporate loans, etc. However, its impact on the credit growth appear to be less remarkable, although we could see the lagged impact of these measures in the second half of 2020-21 as well as in the 2021-22.
Will the above reduction in policy rate by the RBI lead to higher liquidity in the economy, to what extent and whether this will depend on the extent of monetary policy transmission need a closer look. Monetary policy transmission is the process by which changes in policy rates affect economic activity (both growth and inflation). This transmission happens via various channels. The interest rate channel and the credit channels are the two prominent ones and have the empirical support in Indian context\textsuperscript{3}. The interest rate channel works via the changes in the short-term rates in the money and bond markets. The RBI policy rate changes get transmitted first to the call money rate (weighted average call money rate - WACR) and subsequently to the money market and bond market rates including the repo market, Treasury Bill (T-Bill) market, and Government Securities (G-Sec). Further, the changes in the money market rate as well as the bond market rates are reflected in the lending rate of banks depicted by the marginal cost of funds-based lending rate (MCLR). The changes in the borrowing costs of the households, firms and government via changes in the lending rate will further affect the consumption, investment, government spending and net exports, and hence, the aggregate demand and ultimately the economic activities. The policy rate changes affect the economic activity via the credit channel by altering the availability of credit in the system. When the repo rate reduced, the banks will expand their borrowings from the RBI and increase the availability of credit to the firms, which in turn increase investment and economic activities.

Against this backdrop, it is important to understand the extent of policy transmission via interest rate channel and credit channel. Initially, we present the transmission via the interest rate channel in Figure 2 and Figure 3. Figure 2 shows the changes in the weighted average call money rate (WACR), tri-party Repo, market repo and Treasury Bill (T-Bill) market following 115 bps reduction in repo rate. The transmission of policy rate changes to the weighted average call rate (WACR) is significant. The WACR reduced by 167 bps against a reduction in repo rate by 115 bps. Subsequently, the transmission to other overnight money market segments is evident as the tri-party repo rate and market repo rate also reduced by 27 and 95 basis points, respectively. The

\textsuperscript{3}See Dua (2020) and Reserve Bank of India (2020a) for further details about the monetary policy transmission channels in India.
secondary market interest rate, in turn, recorded a considerable reduction. The interest rate on the 91-days Treasury bills (T-Bills) reduced by 195 bps. Overall, as against the cumulative reduction of 115 bps in the repo rate during March 27 – December 4, 2020, the money market rates reduced by more than the policy rate change except tri-party repo and market repo rate.

Figure 3 presents the reduction in the 1-year Marginal Cost of Funds Based Lending Rate (MCLR) of five major banks following the reduction in repo rate by 115 basis points during March 27 – December 4, 2020. The figure shows that the MCLR reduced by 75 basis points for SBI. In contrast, Bank of India and ICICI show a reduction of 80 bps, Union Bank of India by 85 bps, and the Punjab National Bank shows only a decrease of 70 bps against 115 bps reduction in repo rate. This shows a relatively weak transmission of monetary policy through the interest rate channel. Despite the high transmission into the money market rates, transmission to bank lending rates has been relatively weak. To put this in perspective, the extent of interest rate transmission in the pandemic period is higher than in the pre-pandemic period and as expected, there were arguments that interest rate channel in India was not valid in the pre-pandemic period.

**Figure 2. Changes in money market rates during March 23- September 30, 2020**

![Graph showing changes in money market rates](image)

*Source: RBI*

**Figure 3. Reduction in Marginal Cost of Funds Based Lending Rate (MCLR) by major banks during March 11- December 1, 2020**

![Graph showing reduction in MCLR](image)

*Source: RBI*
Further, we present the transmission via the credit channel in Figure 4. The figure shows the growth of non-food credit and credit to various sectors for September and October 2020 compared to the same months of the previous year. The non-food credit growth recorded a slower growth in September and October 2020. It grew at 5.8 per cent (Y-o-Y) and by 5.6 percent in September and October 2020 respectively compared to 8.1 per cent and 8.3 percent recorded a year ago. The slow credit growth is evident across all sectors. The credit growth to Agriculture and Allied Activities sector declined to 5.9 percent in September 2020 from 7 percent in the same period last year. However, it has recorded a slight improvement in October 2020 (7.4) against 7.1 recorded in October 2019. Similarly, the credit growth recorded a huge fall in the industry sector. It fell close to zero per cent and -1.7 percent in September and October 2020 compared to 2.7 percent and 3.4 percent in the corresponding months of the previous year. One positive trend is found in the service sector, where it has witnessed an improvement in credit growth to 9.1 percent in September 2020 and 9.5 percent in October 2020 respectively from 7.3 and 6.5 percent in the same period last year. However, the credit growth in personal loans declined to 9.2 and 9.3 per cent respectively in September and October 2020 against 16.6 and 17.2 recorded for the corresponding months last year. Further, the priority sector loans show a reduction in growth for September and October 2020. For September, it reduced from 6.7 per cent in 2019 to 4.5 percent in 2020 while it reduced to 5.9 per cent from 6.3 per cent in October. Overall, there is a reduction in the growth rate of credit to almost all categories in September and October 2020 when compared with the credit growth experienced in these two months in 2019. However, there appears to be recovery in these trends when it is compared between first and second quarter of the current financial year. Also given the policy lag effect, it is expected that there could be improvement in these trends from the third quarter onwards especially when the economic activities have picked up across all sectors.

**Figure 4. Growth Rate (%) of bank credit, 2019-20**

Source: RBI
The regulatory concessions provided by the RBI in terms of the moratorium on loan instalments and deferment of interest payments will consequently affect the financial health of Scheduled Commercial Banks (SCBs). Though the gross non-performing asset (GNPA) ratios of all SCBs reduced from 9.3 per cent in September 2019 to 8.5 per cent in March 2020, the RBI’s Financial Stability Report (RBI, 2020) indicates that the GNPA ratio of all SCBs may increase from 8.5 percent in March 2020 to 12.5 per cent by March 2021 under the baseline scenario. Further, the report also indicates that any further worsening of the macroeconomic environment may heighten the ratio to 14.7 per cent under the current stressed scenario. Considering various bank groups, GNPA ratio of Public sector Banks (PSBs) will increase from 11.3 per cent in March 2020 to 15.2 per cent by March 2021 under the baseline scenario; the GNPA ratio of Private sector Banks (PVBs) and Foreign Banks (FBs) may increase from 4.2 per cent and 2.3 per cent to 7.3 per cent and 3.9 per cent, respectively, over the same period. The report also highlights that five banks may fail to meet the minimum capital level by March 2021 without considering the mergers or any further recapitalization. These trends show that the pandemic and the prolonged slowdown of the economy could have potential to create financial instability. However, as the RBI monetary policy of December 2020 mentioned, measures have been taken to ensure financial stability which is a ‘public good’ in addition to inflation target.

The overall monetary support under the Atmanirbhar Bharat is expected to be to the tune of 8 per cent of GDP (see Table-1). As discussed earlier, while the monetary policy transmission in terms of rate cuts have dramatically improved recently, in our view, there is a need for more focus on credit channel, since we believe that credit channel appears to be more effective than the interest rate channel. In this regard, the recent measure to allow one-time restructuring of some of the stressed assets could help the banking sector to enhance credit flow. Despite these measures, based on forecasts of most of the respectable institutions, it is clear that these measures are not enough and some of the measures are meant for medium to long term. Indeed, while these measures could help revive the demand in the economy, supply side response could still be weak and restoring supply chains could take a longer time. In such a situation, while both demand and supply could still be lower than pre-pandemic levels, both fiscal and monetary measures could result in rise in demand more than the supply, thus leading to inflationary pressures in the economy. Here, it is also important to mention that deflationary pressures immediately after the lockdown measures were predicted. However, the trends in inflation are actually opposite with numbers hovering over the RBI’s upper target of 6 percent for more than 7 months. Such higher inflation readings have brought constraints on further monetary easing. While the Monetary Policy Committee continue to adopt accommodative stance, it has put on hold, further cuts in interest rates. Indeed, there are pressures to tighten the stance through liquidity measures (through Open Market Operations, sterilisation, etc.), which is in surplus for over two quarters.

5. Impact and prospects

With the kind of fiscal and monetary measures introduced, it is important to make a point that the support measures in India have been broad-based, large sized and medium term focussed as compared to other comparable emerging and developed market economies (may be with the exception of Japan). Now, what is the impact of these measures and to what extent it could improve the prospects of the Indian economy? In our view, the impact of these measures depends on to what extent it would be implemented. As the recent trends from the fiscal and monetary statistics suggest, these measures have indeed led to fiscal expansion both at Centre as well as States and this is visible
even at the Ministry level (the Ministry of Rural Development has already spent about 89 percent of its annual allocation within the first half of the year). While these trends are credit positive for the Indian economy, Covid-19 continues to be a cause for concern especially with second wave of infections occurring in many parts of the country. There is, however, some good news with respect to Covid-19 vaccine. With vaccination efforts picking up in few countries including India, we may expect the vaccination drive happening anytime soon. Nevertheless, loss of output due to the pandemic and stringent lockdowns appears to be permanent that has bearing on aggregate demand as well as on supply.

NCAER (2020) study suggests that it could take a couple of years (2022-23) to reach the pre-pandemic output, that too assuming an optimistic growth of 7 percent in post-pandemic period while to catch-up with the pre-pandemic output with 7 percent growth in post-pandemic could reach only by 2037-38. In a sense, as suggested earlier, the loss of output during the pandemic appears to be permanent and might have a long-lasting impact on the economy. On the supply side, there appears to be a breakdown of supply chains, closure of many MSME units, and global value chains. Added to that, the reverse migration of laborers could have a larger bearing on the production activities, even if there is some pick up in the demand during the post-lockdown. On the demand side, there was some pick-up during the post-lockdown period suggesting for a revival in discretionary consumption as well as the festival season demand. However, the concern is more on the sustainability of demand revival in the rest of the year that could have implications on the extent of contraction in the whole year. Various analysts have estimated that the output contraction could be to the extent of about 8 to 9 percent, while RBI projects the contraction to be about 7.5 percent for the whole year. In our view, as the forecasts are conditional, it depends upon the implementation of the fiscal policy support measures, both at the Centre and states and also how the private sector would react to the support provided by the monetary authorities. Assuming that the support measures are fully implemented, our model-based (for model details see Bhanumurthy et al, 2019) forecast suggests a positive nominal GDP growth of about 4 per cent. The real GDP growth depends on the extent of inflation. If the RBI manages the inflation rate within its mandated range, the real GDP growth contraction could be much lower than the numbers predicted by various agencies. Here the major concern, in our view, is the inflationary pressures building up in the economy as this could prolong the side-effects of pandemic into next financial year.

Hence, the question that one needs to answer is what needs to be done to revive the economy without creating inflationary pressures. With the given policy support till now, what measures could help address the supply-side constraints to helping further revival on the demand side. Addressing the woes in the banking sector that has been struggling for the past few years, looking at some key sector specific measures especially in housing (construction), trade, transport, health, MSMEs, etc., and front-loading of committed transfers (GST and Finance Commission transfers) to the state governments are some of the measures that could help in reviving the economy. However, the timing of these measures (especially sectoral policies) is equally important as the pandemic could pose challenges in terms of its implementation. And these measures do have some fiscal cost and the Centre may need to bear it, even if it means running a larger fiscal deficit in the current year. On the RBI part, the focus could be on improving the credit supply to the needy sectors and the sectors that have large multiplier effects on both growth and employment. In this regard, RBI’s recent decision to form an Expert Committee to prepare a blueprint for Resolution Framework of Covid-19 Related Stress should
help in addressing supply side issues in the banking sector. On the fiscal side, there is a need to relook at two stressed areas: the centre-state fiscal relations and the FRBM frameworks. While the present arrangements in both the areas are not necessarily leading to growth expansion (in our view, the present FRBM (Amendment act, 2018) is indeed contractionary and flawed), we hope that the 15th Finance Commission report could resolve these two issues for improving the medium-term growth prospects in the country.

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Social Protection During the Covid-19 Lockdown Time in Karnataka

D Rajasekhar¹

Abstract

This paper examines the social protection provided to the poor in rural Karnataka during the Covid-19 lockdown period. The most affected during the lockdown period are unorganised workers who do not have sufficient and reliable access to social security despite their significant contribution to the national wealth. It was feared that job losses and high unemployment rates during the lockdown period, and lack of access to formal social security would deepen poverty among unorganised workers and make them more vulnerable. The governments at the centre and state, therefore, acted swiftly in announcing two types of social security measures to the poor; food support (provision of food grains such as rice, wheat and pulses) and cash support (to women, farmers and pensioners).

With the help of data collected from 450 households from five representative Karnataka districts, this paper shows that the distribution of rice to the poor was more effective. Cash support, in contrast, was provided to only 22 percent of Jan Dhan cardholders, 40 percent of farmers and 43 percent of pensioners. Thus, the lockdown support was confined to rice distribution, while cash support was inadequate. Food distribution is successful because this is a legal entitlement, and existence of efficient delivery systems

1. Introduction

This paper examines the social protection provided to the poor in rural Karnataka during the Covid-19 lockdown period. In India, the first covid-19 case was reported on January 30, 2020. Nearly two months after the first case was reported, the Indian government began to take measures to address the situation. Learning from the experience of previous pandemic diseases, the call for the nation-wide lockdown was issued on March 25, 2020, to slow down the spread of virus.

The lockdown in India was imposed on March 25, 2020 and lasted till May 31, 2020. The lockdown, which affected over 1.3 billion people, was the largest in the world. The government stopped transport services, closed all manufacturing activities, private offices and many public offices and restricted the mobility of the people across the length and breadth of India. It is estimated that 27 million people lost jobs in April 2020. Most of the people who lost jobs during this period were workers deriving livelihood from the informal sector activities of MSMEs, services, trade, business and construction, and the economic loss was estimated to be 26 billion USD. The figures of Centre for Monitoring Indian Economy show that the unemployment rate shot up from 7.5 percent on March 25, 2020 to 24 percent by May 17, 2020; independent India had never before witnessed such a high unemployment rate.

The lockdown affected everyone in the country. But the most affected are the poor and vulnerable such as unorganised workers.

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All opinions in this article is of the author and usual disclaimer applies.
In India, over 90 percent of the total workers are in the unorganised sector. The unorganised workers typically are agricultural labourers, construction workers, those engaged in urban informal activities, domestic workers and so on. Although their contribution to the national wealth is significant, they do not have access to sufficient and reliable social security – both preventive and promotional. Preventive measures include social security provided for major life-cycle contingencies identified by the International Labour Organisation (ILO) which are ill-health, old age, disability, accident, death and unemployment. Promotional measures include social security provided to address deprivations that the poor face such as food insecurity, health insecurity and so on. Studies (Rajasekhar 2008) showed that only about 10 percent of the unorganised workers were receiving social security in the second half of the first decade of 2000s. The access has not significantly changed even in recent years.

Thus, when the nation-wide lockdown was imposed, unorganised workers did not have access to formal safety nets. It was feared that the job losses, very high rates of unemployment, restrictions on the mobility and lack of access to reliable and sufficient formal social security would deepen poverty among unorganised workers and make them much more vulnerable. The Indian government, therefore, announced measures to provide social security to the poor as soon as the total lockdown was announced on March 25, 2020. The ability of the government to provide sufficient social security during a pandemic such as Covid-19 is restricted on account of lockdown of economic activities and subsequent reduction in the tax collection. It is, therefore, interesting to see how governments responded to the provision of sufficient social security during the lockdown.

Against this background, this paper examines two questions. First, what social security benefits were provided to rural households in Karnataka to tide over the pandemic crisis? Second, how many poor from rural Karnataka gained access to social security during this period? In order to address these questions, both secondary and primary data are used. The secondary data mainly comprises of all-India information on the provision of social security benefits during the pandemic period. The primary data used in this paper were collected for a larger (and an ongoing) ISEC project on “Lockdown Distress and Government Response: A study in rural Karnataka” from 450 randomly selected households during the lockdown period of April and May 2020. The data were collected from the districts of Belgaum, Chamarajanagara, Davanagere, Dakshina Kannada and Kalaburagi, which represent the different administrative divisions as well as agro-climatic zones in Karnataka through telephone survey.

After this introductory section, the concept and types of, and approaches to social security are discussed in the second section. In the third section, social security responses to Covid-19 from global to national level are discussed. In the fourth section, the social security benefits provided to rural households in Karnataka during the lockdown period are briefly outlined. In the fifth section, the extent to which sample households benefited from the social security provision is analysed. The final section concludes the paper.

2. Concept and Approaches to social security

Social security, which comprises “measures to assist households and people facing shortages in income and basic survival needs due to work, health or family related risks, is an important instrument for the well-being of workers (especially, for those in the unorganised sector) and their family.

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2 Rajasekhar and Manjula (forthcoming) provide data on access to 16 social security schemes in Karnataka by collecting data from over 2000 sample households located in 154 grama panchayats. While the access to pension benefits is generally higher at around 50 percent of the eligible households, that for many other schemes was low.
members, as well as those too young, old or unable to earn an income for a variety of reasons” (Sen and Rajasekhar 2012: 97).

2.1. Emergence and types of social security systems

Social security emerged in the Western Europe in the 19th century. The industrial revolution in the currently developed countries brought new working conditions and urbanisation, and resulted in a situation where the workers began to experience poverty and vulnerability on account of lack of access to social security. This resulted in widespread discussion on state policy and also action by the civil society leading to emergence of social innovations (Rajasekhar 2020) relating to social security schemes based on solidarity (mostly trade-union driven) and state-intervention.

Initially, two broadly distinct systems of social security emerged: the Bismarckian (originally continental Western European) and the Beveridge (originally British).

Under the Bismarckian system, the preference was for employment-based public schemes. A number of such schemes were formulated to achieve income-maintenance by providing earnings-related benefits derived from employee and employer – and sometimes also from state – contributions. These schemes fall into the category of social insurance\(^3\). Although based on insurance principles, the insurance is obligatory and the individual premium is not linked to individual risk, as the overall aim of the system is the achievement of social solidarity.

The Beveridge system in Europe was, however, different. The emphasis is placed on minimum income-protection (a “safety net”) for the entire population (encompassing social assistance). The allocation of social assistance is primarily needs-based, and such allocation is, therefore, often subject to means-testing. However, means-testing is not necessary if social security coverage is universal (either citizen or residence based). Benefits do not derive from specific contributions but are provided for as part of the government budget. Social assistance schemes have since then become popular not only in Europe but also in developing countries. Pensions to the elderly, disabled, widows, single mothers, etc., have been provided as part of social assistance schemes in several developing countries.

2.2. Approaches to social security

The first public debate on social protection policies took place in the 19th century Europe and the US, although such a debate is more recent and unevenly developed in the developing countries. The debates swing between three points, each representing a distinct rationale for social policy, and responsibility for the provision of social security.

Welfarist approaches perceive that individual characteristics or behaviour are responsible for her or his poverty, and do not acknowledge the importance of systemic reasons for deprivation. Only the individual concerned is perceived to be having responsibility for protection or promotion, and not the state. Addressing the problem can, therefore, be passed on to non-state actors, for profit or non-profit (Foucault, 1991; Lemke, 2000).

At the other extreme, the rights/solidarity approach adduces historical and systemic causes that often lie beyond the power of the average poor person or household, and places the onus for action squarely on the state, with non-state actors playing at best a complementary role\(^4\). Poverty and deprivation are seen as characteristics of specific groups defined and subordinated by identities

\(^3\)Addresses the social security needs (such as health insurance, old age pensions, etc.) of those who are above the threshold level of living, and for whom, meeting the basic entitlements is not the problem. The principle of social insurance is grounded in spreading risks and sharing financial costs on a non-profit basis.

\(^4\)For a more detailed discussion of solidarity, see Sen (2008).
such as economic class, caste and gender. These identities derive from historical social relations of power and are reproduced by the ongoing political economy. An understanding of this history and political economy is key to recognising that action must be rooted in an affirmation of the empowerment and rights of subordinated people (Sen, 1997).

Somewhere between these two approaches, lies the public goods instrumental rationale for social policy. This approach is less concerned with causes, and focuses more on justification for action. Such a justification is in terms of either the benefits to future growth (such as universal education, health or gender equality) or governmentality (in terms of both politically managing dissatisfaction, and of ensuring that citizens are motivated, energetic and personally responsible)\(^5\). Enlightened self-interest is the driving force in this view for both public and private action.

Both the rights/solidarity approach and the public goods approach give rise to entitlements. However, while entitlements are programmatic (even if derived from laws), rights are more basic, intrinsic, inalienable, and reflected in constitutions or the Universal Declaration of Human Rights. Entitlements can be modified or even done away through programmatic changes, but rights, once acknowledged, are more difficult to change or annul. In this sense, the linking of social protection to rights provides the strongest foundation for action and demands for accountability, and addresses long-standing vulnerabilities and deprivation, and ameliorates the consequences of growing informalisation of labour (Devereux and Sabates-Wheeler, 2007). The concept of social protection should be governed by the principles of universality, solidarity and efficiency. Viewed from this perspective, focus on the technical and design of social protection schemes (such as targeting, conditionalities, type of transfers, etc.) is necessary but insufficient.

We can thus conclude that given the vast size of unorganised sector in India and widespread deprivation that workers in this sector face (Rao, Rajasekhar and Suchitra 2006), rights or solidarity approach is best suited, and that the approach to social security should be universal.

3. Social security during Covid-19: Global to national level responses

In response to Covid-19 pandemic, governments all around the world initiated social security measures to protect the poor from falling into poverty and becoming vulnerable. The World Bank compiled information on social protection measures in response to Covid-19 since March 2020. The latest report (Gentilini 2020) shows that 151 countries have planned or introduced (or adapted) 684 social protection measures to counter the pandemic. There were three major types of social protection measures initiated in these countries; social assistance, social insurance and labour market related (supply side) measures. Of 684 social protection measures, over 60 percent belonged to the first category, namely, social assistance (the Beveridge system). The remaining were related to social insurance and labour market related, and these complemented social assistances. The social assistance assumed the form of cash and kind transfers.

The response of the Indian government was also similar to the countries all around the world. The major form of the support provided was food; the poor were provided rations for two months at one time which we call as food support. The government also provided cash transfers to Jan Dhan cardholders, farmers and pensioners. While most of the countries introduced new programmes on cash transfers, the Indian government relied on pre-existing schemes of Public Distribution System, Prime Minister Garib Kalyan Yojana (to provide cash support to Jan Dhan cardholders, pensioners) and Pradhan Mantri Kisan Samman Yojana. There is also another major difference between India and other countries in terms of their

\(^5\)For more on Foucault’s concept of governmentality, see Foucault (1991) and Lemke (2000).
response to Covid-19; this is in terms of coverage and adequacy. In contrast to very high coverage in other countries, the cash transfers covered only 16 percent of the population in India. The amount of cash transfers accounted for 9 percent of monthly GDP per capita (Gentilini 2020).

4. Social protection measures in Karnataka

The social protection measures initiated for the households in Karnataka can be classified into two types; food and cash support. The details of these measures are discussed below.

4.1 Food support: Distribution of rations

Soon after the stay-at-home call was given by the Central government, the distribution of food grains was undertaken as a part of Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) – a food security scheme announced by the Prime Minister in his first address to the nation during the Covid-19 pandemic. The scheme was initially launched for three months (April to June), with a cost of Rs. 1.70 lakh crores to the exchequer. The scheme was later extended up to November 2020.

Soon after this, the Karnataka government announced that two-months of rations would be provided to BPL households in the first week of April 2020 in one go so that the poor households can avoid repeated visits to ration and other shops. The office of the Chief Minister issued a communication detailing all the social security measures initiated during the lockdown period. This communication revealed that the benefit was available to 1.27 crore BPL cardholders (11 lakh Antyodaya cardholders and 1.16 crore other priority cardholders). It is estimated that the total number of persons receiving the benefit was 5.10 crores – over 80% of the total population in Karnataka.

The rations to 1.27 crore BPL households are given free of cost. The households with BPL Antyodaya (poorest) cards are eligible to receive up to 70 kg of rice at the rate of 10 kg of rice per person and 4 kg of wheat per household. In so far as the other BPL households are concerned, each individual was given 5 kg of rice and a household would receive 2 kg of wheat. The distribution of food-grains was done through 20,141 ration shops in the State.

It is mentioned in the communication that, of 1.27 crore BPL households, as many as 1.19 crore beneficiaries (or nearly 94 percent) will be provided food grains under PMGKAY. And that, 602,805 metric tons of rice was released in the last week of March 2020 for the distribution during the three months (April to June 2020). This shows that the central government acted swiftly to announce the scheme and provide food grains to state governments for distribution. Secondly, much of the financial outlay required for this social security measure was provided by the central government, and that the state government was to spend only Rs. 149 crores to meet the food security requirement for the remaining eight lakh BPL households.

4.2.1 Cash support: Jan Dhan Yojana

The central government announced to transfer Rs. 500 into the account of woman Jan Dhan account holder every month for three months under Prime Minister Garib Kalyan Yojana (PMGKY). The Communication mentioned that there were 47,15,362 Jan Dhan accounts and the total sum allocated was Rs. 234.74 crores. The Communication also stated that 916,918 beneficiaries already withdrew Rs. 145.46 crores by the middle of April 2020.

4.2.2 Cash support to farmers

Under the Pradhana Mantri Kisan Samman Yojana (PMKSY), it was announced that a sum of Rs. 2000 will be transferred to farmers. The Communication mentioned that a sum of Rs. 1011.55 crores was received for the release to 50.57 lakh farmers in the state, and that, the state added Rs. 600 crores to this.

4.2.3 Disbursement of two months Pensions in one go

In Karnataka, there were 62,28,389 persons receiving pensions and these were elderly, persons with disabilities, widows, single women and transgender. The government took the decision to disburse two months pension (March and April 2020) in one go as the pensioners, being poor and
vulnerable, face difficulties to access food and other essential items. The total grant released for this purpose was Rs. 1296.63 crores.

In addition, the state government took a decision to provide Rs. 2000 to construction workers registered in the Karnataka State Building and Other Construction Workers Welfare Board. According to the government, the total number of registered workers was 21 lakhs; the process to transfer cash was initiated for 15 lakh workers for whom the details of bank account and Aadhar card were available. The state government also decided to provide the following. First, the supply of three free LPG gas cylinders to 31.17 lakh beneficiaries registered under Ujjwal scheme. Second, the state government also supplied milk to households at free of cost. We are, however, not covering these as the proportion of the households receiving the benefits was very small and uneven across the districts.

5. Access to social security

Let us now examine the extent to which rural poor gained access to social security provided by the government during the lockdown period in rural Karnataka. As noted earlier, this analysis is undertaken with the help of primary data collected from 450 sample households from five representative districts in Karnataka. The results on access to social security presented in this section pertain to eligible households; in other words, the access to a social security scheme is seen among those households who are eligible to receive benefits under the scheme and not for all the sample households.

5.1. Food support

Of the 450 sample households, about 13 percent were ineligible – nine percent were having Above Poverty Line ration cards, while four percent were waiting for the sanction of applications submitted prior to the lockdown. These households were provided with an option to buy rations by paying charges less than those prevailing in the market. But, it appears that none of them have opted for this.

About 87 percent of the total sample households were thus eligible to receive food-grains from ration shops. Of them, nearly 95% received two-month ration of rice from the public distribution system (Figure 1). When it comes to wheat, the proportion is only 67 percent (Figure 1). The low proportion in the case of wheat was mainly because ration shops in Dakshina Kannada district wanted to supply wheat in June and not in April 2020 (see Figure 2). Consequently, the proportion of the eligible households receiving wheat was less at the state level.

Figure 1: Access to food during the lockdown period

<table>
<thead>
<tr>
<th></th>
<th>Rice</th>
<th>Wheat</th>
<th>Pulses</th>
</tr>
</thead>
<tbody>
<tr>
<td>HHs (%)</td>
<td>94.9</td>
<td>66.8</td>
<td>6.9</td>
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</tbody>
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Source: Primary data from an ongoing research project on “Lockdown Distress and Government Response: A study in rural Karnataka” undertaken by author and Dr. R Manjula at ISEC.
However, the proportion of the households receiving pulses was only 7 percent. This was mainly due to the supply bottleneck. Karnataka government requested National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) to supply Toor dal for the distribution in Karnataka. However, as per the schedule of NAFED, Toor dal could only be supplied in May. This was the reason why pulses could not be made available to the poor. However, it needs to be noted that lack of access to pulses was protested by the sample households from all the districts. They complained that pulse consumption through purchase was difficult due to lack of work and income.

District-wise access to food support is presented in Figure 2, which shows that the access to rice was more or less the same across the districts. The lower access to wheat in Dakshina Kannada, as noted earlier, is due to deferment of distribution of wheat in later months.

Figure 2: District-wise access to food during the lockdown period

Thus, the access to food, though confined to rice, was effective in rural Karnataka. This is further corroborated by Figure 3, which provides the proportion of off-take of rice to allocation to various states during the months of April to June 2020. It can be seen that the proportion of off-take to allocation of rice was high in several states suggesting effective rice distribution during the lockdown period. The off-take was either nil or low in the states that consumed predominantly wheat. In these states, the off-take of wheat was high. The low off-take in Andhra Pradesh is attributed to distributional anomalies, which were highlighted in the print media as well.

5.2. Cash support

As stated earlier, cash support was provided mainly to Jan Dhan cardholders, farmers and pensioners. We will be presenting the results pertaining to the access to these social security benefits during the covid-19 lockdown period.
5.2.1 Cash Support: Jan Dhan

Jan Dhan scheme was launched in 2014 after the NDA government came to power. On the eve of sixth anniversary of the scheme, the Prime Minister stated on August 28, 2020 that the scheme was game-changer for the financial inclusion as well as for laying foundation to many poverty alleviation initiatives in the country. According to official statistics, 40 crore bank accounts (with 63 percent from rural areas) were opened under the scheme since 2014 and over 55 percent of the accounts were opened by women (The Hindu, 2020).
The central government chose to utilise Jan Dhan scheme to provide cash support to the poor. On March 26, 2020, the government announced that it would transfer Rs. 1500 to each Jan Dhan account held by women in three equal monthly instalments from April onwards as a part of Pradhan Mantri Garib Kalyan Yojana.

We asked the question of whether sample households received the cash support under the scheme. The proportion of the household confirming that cash support under Jan Dhan scheme was received was only 22 percent (Figure 4) and this varied across the districts.

The reason provided by the sample households for the low access to Jan Dhan support was that money was transferred only to women account holders and that women from their households did not have the account. Second reason was that although women from several sample households were having Jan Dhan account, money was still not transferred and they did not know the reason. According to State Level Bankers’ Committee (SLBC) this was due to non-submission of (or non-linkage with) Aadhaar. The proceedings of SLBC revealed that 39.66 crore out of 1.61 crore accounts (nearly 25%) might have been deprived of the benefit worth Rs. 297 crore due to non-linkage with Aadhaar. Most of these accounts were held by women (Joshi 2020).

5.2.2 Cash support to farmers

The Kisan Credit Card (KCC) concept was developed by NABARD in 1998 and was launched by the banks. The government wanted to provide Rs. 6000 of support to farmers in three equal installments as essential support to carry out agricultural operations during the lockdown crisis. These installments are directly credited into bank accounts of farmers having KCC. The central government disbursed Rs 15,841 crore to 7.92 crore farmers under the Pradhan Mantri Kisan Samman Yojana scheme since March 24, the day lockdown was announced (Economic Times 2020a). Karnataka government announced support to farmers amounting to Rs.1011 crores to 50.57 lakh farmers.

When the farmer households from the sample were asked the question of whether they have received the support, only 40 percent of them gave an affirmative answer. Others stated that they did not receive the support due to non-possession of KCC (Figure 5). The proportion of farmers receiving the benefit was higher in Belgaum, Davanagere and Kalaburagi as compared to Chamarajanagara.

Figure 5: Proportion of households who received PMKSY benefits

Source: Same as in Figure 1.
It may be noted that 60 percent of the eligible farmer households could not access the cash support during the lockdown period. The reasons are the following. First, there was delay in enabling farmers to obtain KCC. According to Suryakumar (2020), KYC prepared by the bank through validation of land records is required for a farmer to get KCC. This process takes time as the land records in several states are in poor state and several cultivators do not have land titles on their names. Second, in the absence of digitisation of land records, the KCC docket comprises of many documents, the compilation of which takes considerable time and causes a delay in the issue of KCC. So much so that there was a drive in July 2020 to issue KCC to enable the farmers to receive the cash support promised to tide over the lockdown crisis. Third, the Aadhaar seeding process is also resulting in a delay in the issue of Kisan credit cards especially in the north eastern states, Jammu and Kashmir, and Ladakh. The Central government decided in April 2020 to extend the relaxation given to Assam, Meghalaya, Jammu and Kashmir and Ladakh till March 2021 the mandatory requirement of Aadhaar seeding of data of beneficiaries under PM-Kisan scheme to enable the farmers to receive the cash support (Economic Times 2020b).

5.2.3 Cash support to pensioners

In Karnataka, Rs.1,296.63 crores was allocated for the release of two-month pension to 62.28 lakh pensioners (elderly, physically challenged, destitute widows, single women and transgender) in one go. From among the eligible sample households, only 43 percent confirmed that they have received the cash support (Figure 6). About 31 percent of the pensioners stated that they did not receive the pension at all! There are regional variations in the proportion of eligible pensioners receiving two-month pensions during the lockdown period; while the proportion of pensioners receiving two-month pension was the highest in Chamarajanagara, it was the lowest in Kalaburagi.

![Figure 6: Proportion of households who received pension benefits](Image)

Source: Same as in Figure 1
6. Conclusions

This paper shows that the government acted swiftly in announcing the social security measures to provide safety nets to the poor during the lockdown. The main social security measures in Karnataka were food (distribution of food grains such as rice, wheat and pulses) and cash support (to women through Jan Dhan scheme, farmers under PMKSY and pensions to elderly, persons with disability, widows, single women and transgender). The distribution of rice was effective during the lockdown period, while the provision of wheat was not only less but was marked with regional variations. Non-distribution of pulses caused widespread dissatisfaction among the sample households. The proportion of eligible households receiving cash support was 22 percent in the case of Jan Dhan support, 40 percent in the case of farmers and 43 percent in the case of pensioners. Thus, it can be concluded that the lockdown support was confined to rice distribution, while cash support was inadequate.

The reasons for the greater success of food distribution are the following. First, the distribution of food is governed by National Food Security Act and hence, this is legal entitlement. As noted in the section on literature, the legal entitlement approach to social protection, as compared to provision through schemes, will be more successful. Cash support, on the other hand, could not be provided due to supply side bottlenecks such as restriction of access to only women Jan Dhan account holders, possession of Kisan credit card and so on. Second, the Public Distribution System is better organised in India, in general, and Karnataka, in particular. In Karnataka, the distribution of food-grains through 20,141 ration shops (which means reach is good) and biometric checks resulted in better distribution and wider appreciation from the public.

Acknowledgement:

This paper uses the data collected for an ongoing research project on “Lockdown Distress and Government Response: A study in rural Karnataka” undertaken by author and Dr. R Manjula at ISEC.

References


Managing the Aftermath of the Covid-19 Pandemic: The Case of Uttar Pradesh State

Mukul Asher

Abstract

This paper applies a modified Growth Diagnostic Framework (GDF) to analyse initiatives taken by the State of Uttar Pradesh as it manages the Covid-19 pandemic. The paper finds that not only the State has managed the pandemic with competence, but that it has been laying the foundations for transforming its economy by initiatives aimed at each of the five areas of the GDF, namely, physical investment, knowledge application and productivity, productive livelihoods, skill-sets, and cooperative federalism, while competing constructively with other states. This represents a systemic approach to economic and public policies management. To help implement, monitor, and obtain citizen-centric outcomes from the transformative initiatives and projects, this paper urges the State to explore how it can leverage the Karmayogi Scheme of the Centre to redefine and reskill the public sector functioning. It is strongly urged that a semi-autonomous Uttar Pradesh Economic and Public Policy Research Centre, and Uttar Pradesh Public Financial Management Institute be established to provide policy input and to monitor impacts of the initiatives. The analysis in the paper strongly suggests that the GDF is amenable to context-specific adoption by other states and for managing the aftermath of the Covid-19 pandemic.

1. Introduction

The Covid-19 pandemic has created massive disruption to the economy, society, and to the traditional tool kit of policymakers to manage the economies globally as well as in India. As of 27 November, 2020, India had registered 9.34 million cases, of which 0.46 million were active, implying a recovery rate of 93.6 percent. India has registered 137.2 thousand deaths, and has tested 137 million persons, 9.9 percent of the population. India has registered 98 deaths per million population, while countries such as the United States, Brazil, France, Spain, the UK and Italy have registered about 8 to 9 times more deaths per million population than India, while the global average is 186.3. There are however several countries, such as Japan, South Korea, and Indonesia, with lower death rate than India. India must continue to be vigilant and strive to make its performance even better.

The state of Uttar Pradesh, with a projected population of 236 million in 2021, as of 27 November, 2020, registered 535.4 thousand cases, of which 33.1 thousand were active, implying a recovery rate of 93.8 percent, about the same as average for the country. While Uttar Pradesh State accounts for 17 percent of India’s population, it accounted for 5.7 percent of the cases, and 5.6 percent of total deaths, resulting in case fatality rate (deaths divided by the number of cases) of 1.43, slightly lower than India’s average of 1.47 per million population; death rate in Uttar Pradesh is 32.5, one third of India’s rate. The share of Uttar Pradesh in India’s total Covid-19 tests is around 13 percent, and it has tested 7.6 percent of the population. The State, therefore, may be regarded as having handled the Covid-19 Pandemic with a reasonable degree of competence.
The economic impact of Covid-19 pandemic has been severe. The IMF October 2020 World Economic Outlook assesses that there is a long and difficult road ahead for the world economy. The IMF projects that the world output will contract by 4.4 percent in 2020, but will exhibit positive growth of 5.2 percent in 2021, with a downward bias. (IMF, 2020)

India has experienced a technical recession in 2020 with two consecutive quarters of negative growth. India’s GDP contracted by record 23.9 percent in the first quarter of 2020-21, and by 7.5 percent in the second quarter. It should be noted that India measures quarterly growth by comparing with the position in the same quarter during the previous year, not during previous quarter. This distinction should be taken into account in interpreting quarterly growth data. If sequential quarterly data were used, India grew by 23.2 percent in the second quarter. This suggests why any number should be used with understanding of how it is put together5. On the positive side, India recorded among the fastest sequential recovery globally. The third quarter, October-December 2020, is expected to show even better economic performance due to the contribution of the festival season to higher demand and to capacity utilization.

There is increasing recognition that individual states in India have considerable leeway, especially if they operate in a constructive and cooperative mind-set, to improve household welfare and help progress the state to a higher level of development. This paper analyses the responses and initiatives taken by the State of Uttar Pradesh to manage the challenges of Covid-19 pandemic, and to use this crisis to lay the foundations from medium to long term diversified and inclusive growth and emerge as an important contributor to India’s aim to become a United States Dollar (USD) five trillion economy well before 2030.

In 2020-21, the GSDP (Gross State Domestic Product) of the Uttar Pradesh, is projected to be Rs.7.9 Trillion (equivalent to USD 256 billion)6. Before 2030, Uttar Pradesh aims to become USD one trillion economy, contributing about one-fifth of India’s GDP, a substantial rise from less than one-tenth in 2020. Such goals require transformative initiatives in State’s economic, social, and political management as ‘business-as-usual’ would not lead to substantial progress towards the vision.

The paper is organized as follows. While this section has provided the introduction, setting the context, a Growth Diagnostic Framework (GDF), which provides analytical foundation for analysing the initiatives of the Uttar Pradesh Government is explained in Section 2. The focus is on how these initiatives are addressing demand-supply gaps, and tapping knowledge and ideas, from both home and abroad, in each of the elements of the GDF. In Section 3, various recent initiatives of the Uttar Pradesh and their implications are discussed. Section 4 provides the concluding observations.

2. A Growth Diagnostics Framework: An Overview

The term diagnostics in the context of growth is meant to draw an analogy with medical profession. Just as a medical practitioner relies on few vital body signs for diagnosing what might be the medical problem with a patient, this framework singles out few vital factors to assess key operating constraints to growth.

Rodrik (2010) has argued against the tendency to implement (supposedly) universal policy prescriptions based on studies of other (seemingly) similar country or case studies. Instead, he argues, policy prescriptions are better approached by first examining the pre-existing conditions, and then attempting to ‘diagnose’ what type of instruments best fit the required situation at hand via a framework which tries to encompass as many potential constraints faced by the economy, but flexible enough for any to be discarded, should prevailing conditions not require them. There are five key factors in the Framework, which need to be integrated in different proportions depending on sector or location. These are physical investment, knowledge application and productivity, productive livelihoods, skill-sets and cooperative federalism, which in the Indian context, also implies constructive competition among states. In each of these areas, it is essential to calibrate demand and supply factors, avoiding large imbalances between the two. Thus, initiatives, which expand demand for healthcare, or skills development, but without commensurate increase in the supply of these services, create considerable distortions, adversely impacting the desired outcomes. Similarly, lack of supply of infrastructure which inhibits mobility and physical and digital connectivity could lead to distortions as demand for them, far outstrips supply.

The GDF suggests that there is a need to address specific market and government failures, and the lack of complementary markets in some areas, particularly for large-scale infrastructure development. Among the elements of government failure, particularly relevant for India and for the State of Uttar Pradesh, is the insufficient competence in economic reasoning capabilities, in numerical literacy, and in managing complex legal contracts, along with deficiencies in soft-skills of networking, governing and not ruling mind-set among the policymakers, public sector officials, and other stakeholders. This suggests that intangible as well as tangible factors are relevant in applying the GDF to the initiatives of the Uttar Pradesh State.

The Framework suggests that besides addressing relevant market and government failures, complementary markets also need to be addressed, especially for large infrastructure projects. Apart from addressing the government failures, improving numerical skills, legal and regulatory skills, economic literacy levels, and technocratic rather than partisan political orientation of the government institutions, and officials, including the judiciary are essential for the country and individual states to progress. The Framework envisages a coordinated use of market, state, not-for-profit sectors, social enterprises, and others to help the state (and country) progress towards desired outcomes.

It is argued that the initiatives taken by the Uttar Pradesh government have been consistent with a framework to increase outcome and income per household as suggested in a growth diagnostics framework in Figure 1. This does not imply that the policymakers in Uttar Pradesh have explicitly followed the Framework in Figure 1 to structure those initiatives. It should be noted that a framework is designed to aid thinking and focus on binding constraints for addressing growth in a particular location or sector. It is not a blue print to be followed as would be the case for building a bridge or a building.

3. Initiatives of the Uttar Pradesh state

Before discussing initiatives, it may be useful to provide an overview of the enormous challenge that posed the State because of the movement of Shramiks, cross-state workers, from Uttar Pradesh. The State has been a major source of outflows of cross-state workers in India. Reserve Bank of India, RBI, (2020) has estimated that the State was either the largest or the second largest destination of returning Shramiks from Gujarat, Maharashtra, Tamil Nadu, and Rajasthan.
Manoj Kumar Singh, Additional Chief Secretary, Uttar Pradesh, reported that an estimated 3.7 million migrant workers returned to Uttar Pradesh from other states which is quite a huge number. Mr Singh, in the same interview, added that the aim of the State is to create a support system to enable migrant workers and vulnerable families through various efforts. To that effect, the state has been active in collection and analysis of data of returnee migrants; their skill mapping to help them find opportunities at industrial and local level. The State has a scheme for encouraging reverse migration from other states, through loans for self-employment. Mr Singh elaborated on two schemes to help migrant workers. First, at a national level, Garib Kalyan Rozgar Abhiyan (GKRA), a 125-day drive was launched by the Prime Minister on June 20, 2020 to provide the returned migrant workers means of livelihood. The aim of the mission is to aid the returnee migrant workers and similarly affected rural population by providing immediate employment and livelihood assistance.

Source: Adapted by the author from Rodrik (2010).

[https://www.theweek.in/news/india/2020/10/19/over-7-crores-person-days-work-generated-up.html (Accessed on 3 December 2020).]
opportunities to the distressed population. The success of the initiative is evident in the numbers. Since the launch, over 70 million person-days have been generated by the State, with utilisation of about INR 18.2 Billion. Second, Atmanirbhar Uttar Pradesh has also been launched to create more jobs and enterprises. This initiative arises from the fact that in response to the Covid-19 Pandemic, India’s economic policy has been guided by two strategic concepts of Atmanirbhar (self-reliant) Bharat Abhiyan (ABA), and by Be Vocal for Local (BVFL).

Asher and Soni (2020) have argued that “…self-reliance in the context of India being highly globally integrated, and India pursuing further integration based on enhanced global competitiveness and competence should not be equated with discredited and counterproductive import substitution policies of the 1960s and 1970s pursued by India”. Sanyal (2020) has argued that “…the idea of self-reliance is about resilience, leveraging internal strengths, personal responsibility, and a sense of national mission (or “Man Making”) to use the late 19th century expression of Swami Vivekananda”.

The BVFL, is designed to bring about attitudinal and behavioural change about value-addition generated to activities and products by domestic and foreign entities within India. Asher and Soni (2020) argue that the BVFL is needed because in general, for whatever reasons, Indians and their revealed behaviour has not given sufficient importance to its home-grown products, management, ideas, and techniques, often giving undue importance to foreign individuals and organizations. Thus, being proud and vocal about local products, ideas, wisdom, and achievements will represent behavioural change. Such a change does not come about automatically or quickly.

Under the Atmanirbhar UP initiative, 37 Schemes of 15 Departments of Uttar Pradesh have been identified and included under Atmanirbhar Uttar Pradesh. A total of Rs. 381 Billion financial target has been fixed for the programme. Under this programme, MGNREGS itself has 350 million person-days generation target with a financial budget of Rs.127 Billion. About 3 million returnee migrant workers were mapped by the State to understand their skills, so that they could be further rehabilitated and up-skilled. This mapping could particularly benefit the micro and small firms, and help lessen the State's reliance on remittances of cross-state workers. Each of the elements of the Framework is discussed separately for expositional convenience. In reality, however they are interrelated. Thus, investment initiatives, have major implication for productive livelihoods generation, skills set, and introduction of new knowledge and ideas.

3.1 Investments

In Figure 1, need to undertake investments, which help meet demand-supply gaps, and which are competently undertaken is the first critical factor in diagnosing how to enhance growth.

The State is undertaking major public infrastructure projects, with a view to crowding-in private sector investments, and thereby accelerate growth and create more centres of economic activity in the State. It is reported that in the December 1st, 2020 meeting in Mumbai between the Chief Minister of Uttar Pradesh and his team with India’s corporate, and industry, representatives, including real estate, and film sectors, they committed to investments in hotels, solar farms, data centres, transmission lines, highways apart from manufacturing facilities for solar panels and electric vehicles in Uttar Pradesh. (Gaur and Chowdhury, 2020).

The above cover a broad range of economic activities, with potential to transform the state. Select examples of major public sector led infrastructure projects include the following:
(i) According to Zurich Airport International Asia, winner of the airport project, Phase-I of the Jewar airport project, located in Noida, is expected to be completed by early 2024. On completion, the airport, under Phase-I, will cater to 12 million passengers\(^8\). Due to its location in the National capital region (NCR), the airport is expected to lead to substantial crowding-in of other investments, especially in the real estate sector. There are other airports under construction in Uttar Pradesh, which would significantly enhance connectivity of the state both domestically and globally. Select examples include, Kushinagar International airport, near Nepal border, which will be the fourth international airport in the state. It will help strengthen Buddhist tourism circuit. Ayodhya Airport (the state cabinet has approved a proposal to name the Maryada Purshottam Shriram Airport), designed to be a global tourism destination. Sonebhadra Airport is planned for Eastern Uttar Pradesh.

(ii) Uttar Pradesh is the fastest growing state in terms of green building projects. It has more than 570 such projects (nearly 10 percent of total such projects in India), covering over 1,400 million Square Feet area, according to the Indian Green Building Council (IGBC) are adopting its “green rating” programs\(^9\).

(iii) Uttar Pradesh government plans to construct about 5,000 warehouses to allow farmers to store their produce safely and get a fair price for their efforts. According to reports, at least one warehouse will be constructed for every 10 villages. The scheme is expected to cost Rs.25 Billion, and expected to increase the storage capacity of the state by 8.60 lakh tons. This will help farmers protect their produce during natural calamities like rain and fire, and help them obtain better rates as storing food grains properly will preserve their quality\(^10\).

(iv) The state is significantly enhancing its road connectivity. Examples include, 73 km long new six-lane highway, with project cost of Rs.24.4 Billion, connecting Varanasi and Handiya (Prayagraj) was opened on November 30, 2020. Purvanchal Expressway (340 kms) is set to open by January 26, 2021. Bundelkhand Expressway (296 kms) is to be operational by the end of 2021. This expressway would service the upcoming defence corridor in Uttar Pradesh and help investors get a fast road link to Delhi. Further, the Uttar Pradesh State is seeking Foreign Direct Investment (FDI) for Rs.360 Billion (USD 4.8 Billion) Ganga expressway project whose total length is 1020 KM when both phases are completed. 100 Percent FDI is permitted in this project. It is expected to begin in June 2021 and completed by 2024\(^11\). The Ganga Expressway will greatly enhance the connectivity as shown in Figure 2. In addition, one of the world’s largest operation control centres as part of Indian Railways’ Eastern Dedicated Freight Corridor (DFC) programme is to be located in the State at Prayagraj. Once operational, it will function as the nerve centre of the entire Eastern DFC (Dedicated Freight Corridor), covering a distance of 1856 KM from Ludhiana in Punjab State to Dankuni in West Bengal State.

(v) Uttar Pradesh State has announced plans to build a full-fledged Film City in India near Hastinapur area on the Yamuna Expressway. The location is around 6 km from the proposed Noida International Airport in Jawar, and is well connected with the rail. It is also close to the Eastern Peripheral Expressway and is nearby India's only Formula One track, the Gautam Buddha International Circuit. Services and creative industries expand livelihood opportunities and skill sets as well.\(^\text{12}\) Competition for film production and related activities in different cities augurs well for the industry, as competition is a single most important factor in improving efficiency, and results in better utilization of resources.

(vi) The State is planning to establish a Financial City in the western region of the state near a proposed Film City. The intention is to make it a financial hub, where facilities exist for different financial institutions and services so that they can make it their headquarters. The aim is to provide a single platform for all financial services and requirements.\(^\text{13}\) Learning financial skills will augment skill sets available in the State, and help provide livelihood opportunities, while attracting talent to the State. In finance, professional skills, confidence and trust, regulatory competence, and coordination, especially with regulators and with

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the income tax department are essential.

(vii) The State government is planning to develop an Electronics City spread over 1,000 acres in the National Capital Region (NCR). The facility would come under the jurisdiction of the Yamuna Expressway Authority and showcase UP as the emerging electronics manufacturing hub of India. Under ESDM (Electronic System Design & Manufacturing), the government has targeted investment of about INR 200 billion and 0.3 million new job opportunities over the next few years

(viii) The process of land acquisition has begun for the ambitious project of developing Ayodhya as a global pilgrimage city. This could assist in employment generation, and in enhancing India’s civilizational ethos.

(ix) The Pilibhit Tiger Reserve (PTR) and the Forest Department of the State have won first ever international award, TX 2, for doubling the number of the tigers in four years, against a target of ten years. In 2014, PTR had 25 tigers, but by 2018, the number was 65. This could enhance tourism activity in the State. In 2018, domestic tourist arrivals in the State were 285 million and it ranked second in the country. Foreign tourist arrivals were 3.8 million and it ranked third. When tourist projects are completed, and as connectivity and amenities improves substantially, the tourist numbers are expected to increase substantially.

(x) The State intends to develop defence and aerospace industry with aim of generating 0.25 million jobs and expects an investment of INR 500 Billion (USD 7.46 billion) over the next five years.

(xi) The State is focusing on developing 10700 MW (Mega Watts) of solar power projects by 2022, involving utilities and rooftop solar sources. These projects are spread across the state, to enhance energy security and connectivity. The State is thus contributing to making India among the top five renewable energy countries in the world by capacity. India is all set to reach a total of 175 GW of renewable energy by 2022 and 450 GW by 2030. The State is addressing requirements for resources from unconventional sources. The Lucknow Nagar Nigam (LNN) bonds worth INR two billion, with 10-year tenure, offering 8.5 percent interest, were oversubscribed by 250 percent in November 2020 on the Bombay Stock Exchange. Other Nagar Nigams (there are 17 in the State), and development authorities have been instructed to get credit ratings from designated agencies for prospective floating of bonds. The decision to raise resources for urban development by municipal bonds issuance does represent a changing paradigm which augurs well for creating urban amenities in the State.

(xii) The process of obtaining credit rating and listing bonds on the stock exchanges can be expected to have positive impact on improving accounting methods and budgeting systems of the municipal corporations and authorities; and on transparency of their financial accounts as lenders will require it to assess credit worthiness (Sheikh and Asher 2012; CRISIL, 2019).

There have been major private sector investment proposals from several foreign companies involving about ten countries, in infrastructure and industrial development projects. These companies are reportedly planning to invest INR 450 Billion (USD 6 Billion), and are likely to generate around 0.13 million livelihoods across the State. These companies have already been allotted 426-acre land. The investors are being provided 166 services through ‘Nivesh Mitra’ portal, which is a single-window system of the Uttar Pradesh government. Uttar Pradesh government has received a total of 92 applications from domestic toy manufacturers to set up units at the toy manufacturing industrial hub which is being developed near the upcoming international airport at Jewar. A total of 100 acres of land spread across 155 plots of different sizes is to be awarded to toy manufacturers, with projected investment of INR 30 Billion.\(^{18}\)

Ikea, a Swedish origin multinational company, is setting up a big-format Ikea store in Noida, with the project cost of INR 10 Billion (USD 0.13 Billion), and is expected to generate employment for 2000 persons directly and indirectly. Ikea hopes to develop retail and commercial parks in the Uttar Pradesh state in the longer term.\(^{19}\)

The above are only select examples of substantial public and private sector investments initiatives being taken by Uttar Pradesh to become an attractive economic location, and create several growth nodes in the state for a broad-based and sustained growth. These substantial investments will also help bring new ideas, technology, and global linkages, greatly enhancing exposure of Uttar Pradesh stakeholders to global and domestic better practices.

### 3.2 Knowledge Application and Productivity

Knowledge is often regarded as among the most important factor of production. But it needs to be applied. The State has given priority to applying knowledge and technology to different activities and sectors. In 2019 DBT Performance Rankings of States and Union Territories, Uttar Pradesh ranked second after Haryana\(^{20}\). While savings due to DBT are not available for Uttar Pradesh, given official estimates of cumulative savings from DBT since 2014 for the country as a whole of INR 1.7 Trillion (USD 14.3 Billion), these savings are likely to be substantial, thereby improving fiscal space of Uttar Pradesh.

### 3.3 Productive livelihoods

The State government is working on the revival of as many as 19 rivers that were almost dead and could well have been termed as endangered. Two of the rivers, Mandakini and Tamsa, that have mythological significance, have already been revived, while work is on for the remaining 17 rivers. The Rural Development Department of the State has been working in close coordination with the Union Jal Shakti Ministry for reviving the rivers, a good example of cooperative federalism.\(^{21}\) The State has used the MGNREGA (Mahatma Gandhi National Rural Employment Act), a Central initiative, to help rejuvenate some rivers, such as Odi river in 2019, to provide livelihoods, and improve skills. It was found that because of the formation of excessive check dams on river Odi and due to the accumulation of the

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sils, the river’s water source had ceased and the river also lost its original form. This river had completely disappeared for the last several years and the geographical and vegetative balance of the river started to deteriorate. According to official sources, 42 locations were selected for work related to water conservation. Initially, de-siltation of the water way and the repair of the check dams were carried out. A total of 70,666 person-days of work was generated in the process and 558 families obtained benefits. On the completion of the work, the lost river resumed its flow. Where water was available only for 5 months earlier, water is since available throughout the year. 700 acres of barren land were converted into agriculture land in the process22.

In reviving 19 rivers in the State, a Chennai-based company has been partnered to clear the Pandu river through bioremediation technology, which involves using living organisms like microbes and bacteria to remove contaminants, pollutants and toxins from water. At the same time, four drains carrying industrial and domestic waste are being tapped. The company is to start treating the water at the origin point from November 2020 before it gets into the river23.

As a part of the ‘One Village One Pond’ initiative, Jhansi district in Uttar Pradesh has revived 406 ponds by early October 2020. The initiative has provided employment to about 11,000 migrant workers who had returned to their villages during the pandemic. The work on remaining 90 ponds is likely to be completed by the end of October 2020. The revival of water bodies would help in improving the ground water level in drought-hit Bundelkhand. Thus, this initiative will help broaden economic and livelihood choices of the people, facilitating their rootedness in the district.

The State government plans to develop Herbal belt with medicinal and herbal trees along 800 kms of national and state highways. These plants will provide raw material for the medicines and will also help in curbing the erosion of land. Arrangement for rain water recharging system on these herbal roads has been made. As these are high value added products, agriculture income can also be expected to be enhanced (Javaid, 2020).

The state has launched a self-employment scheme to encourage reverse migration. Under the scheme, one can secure a loan up to $33,265 for a manufacturing project and up to $13,306 in the service sector.

One of the requirements for facilitating productive livelihoods is to ensure safety of girls and of women. It is widely accepted that this requires societal change and must be consistent with India’s civilizational ethos. It is, therefore, essential to reach the people at all levels of urban and rural society. One of the major initiatives in this direction is the Mission Shakti Program. In the first phase, awareness concerning women safety is the focus. In the second, legal action is contemplated. In the third phase, action is being contemplated against people who are a threat to the security of women and against those who are indulging in wide scale corruption in women welfare schemes. Shakti Program envisages a two-fold effort to ensure women’s safety. First is to build a defence system for women’s safety over policing efforts. The second is for endeavours

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through campaigns, the involvement of teachers and self-help groups, and most importantly, the village chiefs.24

Improved law and order in the State, with the help of technology, is expected to result in police reforms, and improved social and economic climate has also helped expand the scope for productive livelihoods. Major improvements to the ‘UP 100’ service were undertaken in 2017 to make police more accountable in lodging First Information Reports (FIRs), and use ‘video evidence’ uploaded on the ‘UP 100’ portal by citizens as evidence. Besides 3,200 SUVs on the road for addressing distress calls, 1,600 two-wheelers have been approved for urban policing. This will help improve reporting of the crimes more promptly and completely, enhancing police accountability, a weak area in the State.25

The State has had a major success in controlling the encephalitis disease. This is indicated by significant decline in deaths due to encephalitis in the State. The death in 2014: 661, 2015: 521, 2016: 694, 2017: 747, 2018: 255, 2019: 147, and 2020 (till September): 31. Back in 2011, the encephalitis during monsoons in the state used to be called “season of death”26. This health achievement implies potential to lead more productive lives.

3.4 Skills Sets

In June 2020, The Uttar Pradesh Cabinet has approved establishing a commission for job security and skill development of workers. It is named as the UP Kamgar Shramik Sevayojan Avam Rozgar Aayog. The commission has an executive board and district-level committees.

The objective of the Commission is to provide employment to workers in private or non-government sectors as per their skill set besides increasing employment opportunities. The commission expects to act as a facilitator between labourers and industrials units. The commission is to provide skilled workers to industrial units according to their demand and organise training programmes for skill development. This emphasis on private sector employment opportunities and on skill development is to be welcomed as there is excessive preoccupation with obtaining public sector employment in the State.

Application of new techniques in agriculture is likely to improve skills sets, help provide productive livelihoods, improve soil health, and generate other environment benefits. One such initiative is promotion of cattle-based Zero Budget Natural Farming. The state is planning to develop destitute cowherd shelters into cow-based natural agriculture and other cow products training centres in the state. Bundelkhand is to be developed as the main centre of Zero Budget Natural Farming so that the economic development of the entire region will be possible through agriculture. To encourage natural farming, the state is also planning to include it in the curriculum of agricultural universities. This will enhance the skills sets of the agriculturalists. Under Namami Gange project on both sides of the Ganges, natural farming is being encouraged widely. In the first phase, master trainers are being identified in 1038-gram panchayats, who will go to the villages and give training to farmers on cow-based farming. Ganga

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Plain, Ganga Udyavan (Garden), Ganga Forest, and Ganga Talab are also being developed along the Ganga river to facilitate natural farming27.

The State has launched one District - One-Product (ODOP) program in its 75 districts. In some districts, such as Varanasi, more than one product is being developed. It is related to skills-sets as under the ODOP scheme, MSME (Micro Small and Medium Enterprises) department organises special exhibitions, funds artisans and workers to attend exhibitions in India and abroad, holds technical sessions for marketing, branding and technological improvements and provides tool kits.

According to the 2019-20 Annual Report of the MSME Ministry, Uttar Pradesh state accounted for 14.2 percent of 63.3 million MSMES in 2015-16, the largest in the country, the potential for skills development and income enhancement is substantial28.

The State government is, however, strongly urged to leverage the Centre’s Karmayogi Scheme to help significantly enhance competencies and skill-sets of its public sector organizations and officials, and of the political party operatives, including officials. This also applies to state judiciary. Briefly, the main features of the Karmayogi schemes are: (a) Tech-Aided: The capacity building will be delivered through iGOT Karmayogi digital platform, with content drawn from global best practices. The platform will act as a launchpad for the National Programme for Civil Services Capacity Building (NPCSCB). (b) Coverage: The scheme will cover 46 lakh central government employees, at all levels, and involve an outlay of INR 5.100 billion over a five-year period. (c) Shift from Rules to Roles: The programme will support a transition from “rules-based to roles-based” Human Resource Management (HRM) so that work allocations can be done by matching an official’s competencies to the requirements of the post.

Administrative reforms at the Centre and in the States are long overdue. As Sanyal (2020) has argued, “… a decentralised system, where economic entities are expected to be self-reliant, requires a generalised system of social trust and the ability to enforce contracts. In turn, it implies a need to carry out administrative reforms and, more specifically, reform of the legal system.” Without leveraging on the scheme such as Karmayogi, whose goals are of medium-term nature, Uttar Pradesh State will find it difficult to create government capacities and capabilities to undertake so many ambitious projects and programs discussed in this paper with competence and with economy and efficiency.

3.5 Cooperative Federalism

The Uttar Pradesh government has been cooperating closely with the government at the Centre in the spirit of cooperative federalism. Most of the initiatives of the State discussed above, require cooperation and support of the Centre, which has been forthcoming.

The Uttar Pradesh State is constructively leveraging several central government schemes such as Pradhan Mantri Ujjwala Yojana (PMUY), started in May 2016, to provide clean cooking fuel to low-income households especially in rural areas, with the target of reaching 80 million households and Pradhan Mantri Kisan Urja Suraksha evam Uthhaan Mahabhiyan (PM-Kusum) scheme, with a project cost of INR 1.2 Trillion (USD 16 Billion), which aims to end the use of diesel in irrigation and promote solar technology in the agriculture sector.

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The State is also participating in the Jal Jeevan Mission (JJM), began in August 2019, which aims to provide good quality piped water to the households across the country on a regular and long-term basis by 2024. However, the State needs to substantially accelerate its progress in providing FHTC (Functional Household Tap connection) to all its households, if it is to meet 100 percent coverage goal by 2024. The State needs to provide FHTC to 26.3 million households. But its FHTC coverage has increased from 2.0 percent of the total households on 15 August 2019 to only 6.5 percent of households as on 28 November 2020.30

The State is taking initiatives to improve tap water access to households in rural areas. Thus, in November 2020, a project was launched to increase supply of drinking water from about 400 villages to 3000 villages in Vindhya region. This will benefit about 4.2 million people of Mirzapur and Sonbhadra districts. But more such initiatives are needed.30 A water project, covering Vindhyachal, a water-stressed region, costing Rs.55 Billion, has been launched to provide tap-water to homes. It is to be completed by 2022.

Various initiatives discussed in this paper are gradually being reflected in the improved ranking of the Uttar Pradesh state. Thus, the Department for Promotion of Industry and internal Trade’s 2019 survey on Ease of Doing Business, Uttar Pradesh ranked second among all the states and Union Territories in India. The challenge would be to sustain this ranking.31

In a book entitled “A New Idea of India: Individual rights in a Civilizational State”, Gupta and Mantri (2020) argue that the focus of public policies should be on the individuals and their rights and not on group identities. This represents a significant departure from current policy assumptions. The authors quote Dr Ambedkar, a key figure in drafting of the Constitution, as remarking that “Draft Constitution has … adopted individual as its unit” (PP 48-49). They also argue that the above implies a shift from identity-based to need-based welfare”. The initiatives and programmes discussed in this paper are consistent with the focus on individual rights not group identities, and with need-based welfare. They are also consistent with India’s civilizational ethos.

The developments in Uttar Pradesh, therefore, are being observed widely, and may have implications for other states and for India as a whole, especially for managing the aftermath of the Covid-19 Pandemic.

4. Concluding Remarks

This paper has provided selected examples how the initiatives of the Government in Uttar Pradesh are consistent with the Growth Diagnostic Framework presented in Figure 1. It is also consistent with the broad contours of economic and institutional reforms, in the context of India’s civilizational ethos, suggested by Gupta and Mantri (2020), and for managing the aftermath of the Covid-19 pandemic.

The analysis suggests that the initiatives are likely to broad-base the economy of the State, and enhance opportunities for productive livelihoods and enhancing skill sets. These initiatives are likely to result in further improvement in ranking of Uttar Pradesh in various areas. The State is emerging as a key growth node, and this is helping India’s aim to become a major global power. The other states could adopt the framework and

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structure their initiatives to be consistent with the above Framework.

The current leadership of Uttar Pradesh has recognised that intangible factors, such as trust and reliability, are as critical as the tangible factors. Sustaining the current initiatives and other reform efforts will continue to be a challenge for the State’s policymakers and test their skills in political economy management. This is illustrated by some initiatives such as privatization of Purvanchal Vidyut Vitaran Nigam being withdrawn due to strong resistance of the concerned employees32.

It is strongly urged that a semi-autonomous Uttar Pradesh Economic and Public Policy Research Centre, and Uttar Pradesh Public Financial Management Institute be established to provide policy input and to monitor impacts of the initiatives.

The analysis in the paper strongly suggests that the Growth Diagnostic Framework (GDF) is amenable to context-specific adoption by other states to manage the aftermath of the Covid-19 pandemic.

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Study of Budgets (Accessed on 2 December 2020).


BOOK REVIEW


This book is an edited volume comprising three parts and 12 chapters. Part I comprise 4 chapters focusing on conceptual, definitional and measurement issues and socio-political approaches to research on corruption. Part II includes 5 chapters dealing with analyses on inter-linkages between corruption and voting, gender, media, populism and citizens perceptions on hidden corruption. Part III comprises 3 chapters on the anti-corruption repertory by discussing the role of markets, Information and Communication Technology (ICT) applications, Non-Governmental Organizations (NGOs), and Whistleblowing.

The key objective of this book is to present a research agenda for studies of corruption for the practitioners and scholars in academics, government and governance. The agenda is necessitated for lack of clarity on concepts, definitions and measurements of corruption which result in inconclusive evidence and lack of evidence-based anti-corruption policy interventions through institutional and organizational frameworks.

This book is innovative and useful because it shows what do be done next based on what we already know and do not know from the past to the present in empirical and policy research on corruption at global and nation states level. It is a contribution to the scientific and policy research to improve the functioning of the government and good governance as they are related to eliminating corruption in public and private sectors. The end-message of this book is explicit: “The debate on corruption is here to stay: and therefore our understanding needs to progress, too”. Thus, research agenda for studies of corruption at the end of each chapter is essential to extend the existing studies for further exploration of pathology of corruption.

The research agenda presented is multi-disciplinary including historical, sociological, anthropological, social-psychological and economic perspectives and approaches. These distinct perspectives add richness and rigour to the analytical and empirical parts of research on corruption in different global, national and sub-national contexts. In the ultimate analysis, the objective of research on corruption is to contribute for design and implementation of anti-corruption policies in different institutional contexts.

**Approach and lessons from select chapters**

Chapter 2 is the foundation chapter for the entire book. It starts with a basic question on what do we study corruption in the policy and development contexts. Answer to this question aims at engineering less corrupt societies and building less corrupt states using the existing research methodology of constructing indicators and indices to measure the nature and magnitude of corruption, such as, Corruption Perception Index, World Bank Control of Corruption, Index of Public Integrity and Public Administration Corruption Index. By raising the issues of precision and construct validity of indicators, Chapter 2 offers the valuable suggestions for future constructions by revisiting the multiple definitions of corruptions as social loss, material inducement to abuse office or bribery, conflict of interest and infringements (rules, laws and procedures), market distortion resulting from economic privilege, risk errors, social capital and trust. Further, traditional indicators of corruption are questioned in the context of recent technological
applications in government and governance, such as, e-government and digitalization of public data to monitor government performance. Further, the debate on measurement is extended on choice of the universe and observational units, direct and indirect indicators, level of specificity, and comparability across time and units. These analyses lead to an excellent and a fertile corruption measurement agenda for future.

Political approaches to corruption in Chapter 3 starts with the debates in early 1990’s by Italian investigation into mani pulite (clean hand) case. Three main manifestations of political corruption in existing studies are highlighted. First, relationship between money and politics in party funding and elections. Second, distortion of decision-making that result in abuse of state resources. Third, undermining of public integrity and accountability with a focus on favouritism and impunity of politicians. Lessons from the studies on these manifestations underline the need for new directions for research including (a) questioning the assumption that governance of nation states is rational and (b) understanding and developing strategies to deal with the new opportunities or expressions for corruption due to changes in globalization and financial deregulations. A related aspect of political corruption is discussed in Chapter 5 on vote buying through threats (negative strategy), promises (positive strategy) or both (mixed strategy). Using different forms of electoral clientelism (broadly defined by chains of dyadic relationships between politicians, brokers and voters), interesting cross-country evidences are analyzed on institutional and economic determinants of clientelism and voter characteristics.

Studies on social dimensions of corruption are best summarized in Chapter 4. This is contributory for the readers’ understanding of social approaches (e.g. interpersonal modes of exchange, social organizations and norms) to explain and analyze the corrupt behavior in terms of injunctive and descriptive norms at macro and micro levels using qualitative and quantitative methods. Lessons from existing studies shows a greater need for nuanced understanding of the social norms of corruption.

Other multi-dimensional aspects of corruption are highlighted with respect to gender in Chapter 6. Studies reviewed focus on unequal benefits and burden of corruption between men and women; high levels of corruption and low gender inequality; high political participation of women and lower corruption levels; and power and gender dynamics. An interesting question is whether women can be a potential anti-corruption force? The answer lies not merely on participation of women but more importantly on their gaining access to power. This implies that women empowerment can also be looked from the perspective of anti-corruption strategy.

Nordic countries comprising Denmark, Iceland, Finland, Norway and Sweden are clean and honest in terms of being among the low corrupt countries by international indices on corruption (e.g. Corruption Perception Index). The reason for this lies in the “Nordic Utopia” in regard to the historical impartiality and rule of law. This experience is important for other countries. However, Chapter 7 includes the results of the survey-based studies and methodologies, such as, perceptions, personal-experiences of corruption by respondents, elite interviews and expert surveys. These results do indicate that corruption exist de facto in the Nordic region because the nature of corruption uncovered is different from that concealed in macro (or country level) indicators! Thus, the Nordic countries’ experiences of being the least corrupt countries are not a final lesson to other countries.
Studies on the role of media (including audio-visual and print media and Internet) in curbing corruption are analyzed in Chapter 8. The role is broadened to include media as enabler, barrier and interpreter of corruption; and issues related to media capture and politicization of the media through coercive and non-coercive and indirect and indirect methods. Five models of media are distinguished: (i) Watchdog model (media keeping an eye of public offices’ behaviour and exposing power-abuses and wrong-doings), (ii) Muzzled Watchdog model (freedom of media constrained or limited by restrictive laws), (iii) Lapdog model (media manipulated by power and incapable of offering proper coverage of reality), (iv) Wolf model (media as excessively market-oriented, inaccurate and often misleading), and (v) Yapping Pack model (media moving in pack and unable to seriously dig for original stories). Evidence based on these models are not of mere academic interest but relevant and insightful to redefine the role of media as an effective instrument of anti-corruption. In the same way, Chapter 9 brings out the new role and importance of populism or surge of populist movements in fighting against corruption. A taxonomy of approaches to populism research shows that populism is limited to political modes (political ideology, style and strategy) but not extended to the civil society movements against corruption.

Other chapters show research evidence and gaps for the role and importance other institutions and organization as anti-corruption tools. These include the economic frameworks to analyze the relative efficacy of invisible hand or markets (or less governmental interventions with anti-corruption policies based on incentives) versus long arm of law (or more governmental intervention and legal deterrence) in Chapter 10; the rise of Information and Communication Technology and role of Non-Governmental Organizations in Chapter 11; and Legislative, ethical and policy assessments and protection for Whistleblowing in Chapter 12.

Way forward

All references in the chapters are consolidated and presented at the end of the book (about 600 references in 26 pages!). They provide a gateway to global knowledge and state-of-art literature on research studies on corruption. This information is a useful knowledge-guide for both early and senior researchers and policy makers in both developing and developed worlds. Though this book is mainly based on the studies and experiences in Europe and Latin America, it is useful for other countries including India for generation of research-based and evidence-based policies and strategies of anti-corruption in different institutional and organizational contexts of public and private sectors. The editors, contributors and publisher of this book must be congratulated for this excellent work for the benefit of global research community.

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SUBMISSION GUIDELINES TO AUTHORS

Aarthika Charche – FPI Journal of Economics & Governance is a bi-annual journal published by Fiscal Policy Institute, Government of Karnataka, Bengaluru (India). The Journal invites original and unpublished research articles on Indian economy and economic governance at national, state and local levels. Articles focusing on macroeconomics, public finance, fiscal policy, financial decentralization, public financial management, public project management and evaluation, gender budget and audit and e-Governance with special reference to Karnataka State are of special importance for the Journal.

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Text to be in MS word document format [Times New Roman font with 12 size, 1.5 line spacing and justified alignment]. Headings to be in lower case and bold. All tables and figures to be in editable format and placed in running text. All equations to be sequentially numbered and inserted in text using equation editor. Abbreviations to be defined at first mention and used consistently thereafter. No footnotes to include any tables, graphs and reference list. All annexures to be given at end of text.

References

This journal follows reference style of American Psychological Association (APA) 6th Edition. Cite references in text by name and year in parenthesis. The list of reference to include those cited in text and annexures.

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Signing of MoU with Institute for Social & Economic Change (ISEC), Bengaluru on 24th Sep 2020

Presentation by Senior Consultants of the UNICEF Project at FPI in Child Budget Orientation Programme for the Officers of GoK held on 19th Dec 2020

Inaugural Address by Prof. Pinaki Chakraborty, Director, NIPFP, New Delhi in the Inaugural function of 'Training Programme in Public Finance for Officers of KSA&AD' on 28th Dec 2020

Special Lecture by Sri. M.S. Srikar, IAS, Commissioner, Commercial Taxes Dept, GoK in the 'Training Programme in Public Finance for Officers of KSA&AD' on 31st Dec 2020

Special Lecture by Sri. Ajay Seth, IAS, Managing Director, BMRCL in the 'Training Programme in Public Finance for Officers of KSA&AD' on 4th Jan 2021

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(BUDGET)

FOR THE YEAR 1974-75

(As presented to the Legislature in March 1974)

(1974ನೇ ಸಾಲು ಸಾರಿಗೆ ಮಾರ್ಚ್ ಸ್ವಾತಂತ್ರ್ಯದಲ್ಲಿ ವಿರುದ್ಧಕ್ಕೆ ಮಾರ್ಚ್ ವಿಶ್ವಾಸಿ ಜಿಲ್ಲಾ ಜಿಲ್ಲಾಧಿಕಾರಿಗಳು)

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