INDIA POLICY FORUM 2024

THE TIMES OF INDIA July 3, 2024

India may gain from trade actions against China: IMF

Times News Network

New Delhi: International Monetary Fund (IMF) chief economist Pierre-Olivier Gourinchas on Tuesday said India may benefit from tariff and other actions against China.

"India is already benefiting from large FDI inflow since 2020... Countries that are not very connected with China may be in a position to benefit more if the measures (higher tariffs) are extended to countries that do a lot of trade with China... India is in that space," he said at the TN Srinivasan Memorial lecture, adding that the gains from trade may not be so large.

The US and EU recently announced higher import duties on some Chinese products and FDI from China is already facing heightened scrutiny in several parts of the world.

Gourinchas cautioned that fragmentation can impact trade flows, capital flows and labour flows. In the short term, it may affect supply and inflation. Global cooperation may be more difficult to address challenges like climate, debt problems or technological changes.

He said there is an emergence of connector countries, such as Vietnam and Mexico, which are gaining market share in US imports and they have received more FDI and exports from China since 2017. Countries that export more to the US are importing more from China, not just at the macro level but even in certain product categories. "You see the same thing for FDI — more FDI from China into a country translates into more export from that country to the US," the IMF chief economist said.

He, however, cautioned that the diversification has resulted in lengthening of the supply chain, and not necessarily a reorganisation of the supply chain. "Trade flows are making more stops." He also said some of the financial flows are re-routed through offshore financial centres. "The cost of fragmentation is difficult to estimate. A number of countries that remain non-aligned can benefit," Gourinchas said.

THE ECONOMIC TIMES July 2, 2024

'Women's share on boards rises faster than in top jobs'

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New Delhi: Govt mandate to have women on corporate boards has not just pushed up their share to 15.7%, but also helped large companies report healthier finances.

A paper by NCAER economists Ratna Sahay, Navya Srivastava and Mahima Vasishth, however, said there has not been a commensurate increase in increase in women occupying senior management (CXO) roles in Indian companies.

Since the mandate kicked in from April 2015, the share of women directors has increased over three times, after virtually stagnant between 2007 and 2014. In contrast, their representation in top management has increased from 13.8% in FY2014 to 21.8% in FY23, said the paper, to be presented at India Policy Forum on Tuesday.

Despite the progress on gender diversity in terms of board seats, India still needs to catch up as it lags the global average of 20% and far below 43% in France, the best performing country. It also pointed out that the share of women directors in companies set up after 1991 was higher as was also the case with top management.

While it may come as a surprise to many, small-cap firms listed on NSE fared better on diversity in their board composition with the share of women being 16.5% in 2023, compared with 13.5% for large caps. That's probably because they had smaller boards as average number of women on boards of small cap firms was 2.5 compared to 4.7 for larger peers.

The paper, based on an analysis of over 2,700 NSE-listed companies, also brings out that women directors are not only younger — 57 years being the average age in 2020 compared to 65 years for their male counterparts — they also held more board positions on an average — 1.2 compared to 0.8 for men.

It also concluded that there is a clear case for appointing more women in top positions in the corporate sector as large companies with at least one woman director had better economic performance, higher financial stability and lower financial risk. "We find that higher shares of women in board positions are positively associated with employee ratings and sentiment scores, but the relationship is significant only when there is at least one woman in top management positions," it said.

THE TIMES OF INDIA July 3, 2024

What Matters Is Not The Number, But The Safety Net

India's growing economy is lifting families out of poverty but often onto a precarious perch. A single disaster can push them right back. Policy, obsessed with counting the poor, ignores the question of helping 'newly poor'

Sonalde Desai

Two decades ago, controversies around the measurement of poverty in National Sample Surveys set off what became known as the Great Indian Poverty Debate. We seem to have come full circle with new controversies about poverty measurement, leading to the Great Indian Poverty Debate 2. But is counting the exact number of individuals whose incomes fall below the poverty line, located around ₹1,900, as important as understanding the nature of poverty decline and its implications for social policy?

Some estimates based on Household Consumption Expenditure Survey (HCES) place poverty under 5%. Newly collected Wave 3 of India Human Development Survey (IHDS) places it at about 8.5%. HCES probably underestimates poverty due to a change in methodology, while IHDS probably overestimates poverty due to its reliance on an older sampling frame that omits newly growing peri-urban areas. However, both suggest that poverty is declining. The multidimensional poverty index released by Niti Aayog also documents improvements in the conditions under which households live.

But due to an obsession with estimating the exact number of individuals in poverty, implications of this change for the provision of social safety nets are ignored.

India's approach to social protection was developed when most of its population was impoverished. Unequal access to productive resources such as infra, land and education led to endemic poverty among some sections of the society (such as SCs and STs) and in some areas (such as poorest districts like Dahod, Gadchiroli, and Dhubri). Hence, the primary focus was on designating the poorest sections of society as BPL and providing them various benefits, including food grains.

As the economy grows, it presents both opportunities and challenges. Poor rural residents find work as skilled masons, and urban slum-dwellers become drivers for delivery services. While this is a step out of abject poverty, it also places them on a precarious perch where a single accident, natural disaster, or epidemic could push them back into poverty.

IHDS, organised by National Council of Applied Economic Research and University of Maryland, followed more than 40,000 households between 2004 and 2024. Its results suggest that poverty decline is closely coupled with increasing vulnerability. Between 2004-05 and 2011-12, of the total 22.4% who were poor, 8.5% were newly poor.

That is, if BPL cards were given based on poverty in 2004-05, they would miss out on nearly 40% of the individuals who were poor in 2012. This proportion grew between 2011-12 and 2022-24, although overall poverty declined. Of the 8.5% poor in 2022-24, 5.3% are newly poor, reflecting a decline in chronic poverty and growth in transient poverty.

Whereas accidents of birth largely shaped the fortunes of Indian citizens in the 20th century, the 21st century has seen a rising importance of accidents of life. The challenge is that we cannot easily predict this descent into disaster. While the death of a wage earner brings debt and misery to one widow, the other may be able to get a loan from a bank to set up a small shed for raising pigs and support herself, yet another may have a son who is grown up and can help his mother.

Our public discourse must acknowledge and celebrate movement out of poverty, but it must also recognise the precarity of this achievement and work towards building safety nets that protect against unforeseen disasters. This involves developing social policies that provide risk insurance and strengthening institutions that can be mobilised to deliver assistance when needed.

Illness and death pose tremendous risks for vulnerable households. Hence, strengthening public health services and building an efficient health insurance programme are critical. Present programmes such as Ayushman Bharat cover only hospital expenditures, which can easily lead to escalating public expenditures as individuals who can be treated in outpatient clinics resort to hospitalisation because they lack the funds to pay OPD fees.

Dealing with emergencies also requires building sustainable institutions. During the pandemic, PDS ensured that grains could be distributed despite price rises and transportation challenges. This helped avert hunger and starvation while highlighting the exclusion of migrants who did not have proof of residence, giving impetus to setting up the One Nation, One Ration Card programme. Similarly, immediate cash needs during flooding or other disasters can be met through an infusion of funds if we have access to registries that link people's current residential locations with their bank accounts.

We must move past the futile debate about estimating the exact number of poor individuals and accept that poverty is declining, requiring re-envisioning of our social protection programmes to ensure we don't fail those who need help the most.

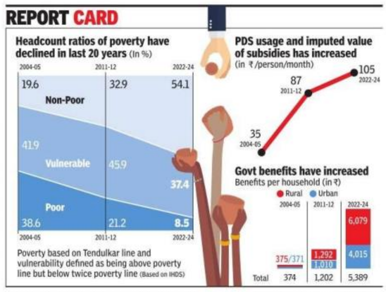
The writer is Professor at National Council of Applied Economic Research & University of Maryland. Views are personal

THE TIMES OF INDIA July 3, 2024

Poverty dips to 8.5% from 21% in 2011-12, says NCAER paper

Cautions Of High Proportion Of People Who Can Slip Back Into Penury

Sidhartha & Surojit Gupta | TNN



New Delhi: A new survey has estimated poverty to have declined to 8.5% from 21% in 2011-12 and pointed out that chronic poverty has come down but there is a significant proportion of people who can slip back into poverty due to "accident of life".

Based on the initial findings of the just-concluded India Human Development Survey, it has estimated headcount ratios of poverty using inflation-adjusted poverty line by the Tendulkar Committee, which is used by govt to formulate and implement its schemes. This is lower than the World Bank's $2.15 international poverty line using the 2017 purchasing power parity.

A paper by economists led by Sonalde Desai of think tank NCAER, which was released on Tuesday, estimated a sharper fall in headcount poverty ratios in rural areas — from 24.8% in 2011-12 to 8.6% now. In urban areas it decreased from 13.4% to 8.4%.

The estimates are higher than SBI Research, which used the NSSO's Household Consumption Expenditure Survey to estimate rural poverty at 7.2% and urban at 4.6%. In March, former RBI governor C Rangarajan and economist S Mahendra Dev have estimated India's poverty rate to have declined to 10.8% in 2022-23, compared to 2011-12, based on HCES. Niti Aayog CEO B V R Subhramanyam had recently indicated that the poverty level could be less than 5% based on preliminary estimates on the household consumption expenditure data released by the statistics office.

Desai's paper estimated that there was a significant increase in food subsidy through the public distribution system and other benefits through multiple schemes run by the Centre as well as the states.

It, however, suggested that the approach to social protection must pay greater attention to circumstances of life, such as illness, marriage and natural disasters, which push people into poverty rather than circumstances of birth associated with social identity or region of birth.

Using IHDS data for 2011-12 and 2022-24, the paper estimated that out of 8.5% poor, 3.2% were poor by birth, while 5.3% became poor due to "accident of life".

"Historically, India's approach to social safety nets has involved identifying the poor and providing them with priority access to various social protection programmes that include both in-kind and cash assistance—however, the nature of poverty changes with economic growth," says the paper presented at India Policy Forum on Tuesday, adding that identifying the poor is often a challenge.

The paper said economic growth and poverty decline create a dynamic climate that requires nimble social protection programmes. "Ensuring that social protection systems keep up with the pace of social transformation will be a key challenge facing India as it strives towards equitable development," it said. It said that flexibility remains key to ensuring effective programme design that can respond to changing conditions. Rights-based approaches that institute programs through legislative acts sometimes create such inflexible systems that they fail the purposes for which they were designed and cites the example of MGNREGS.

The paper has suggested three principles for thinking about safety which include universal programs for a limited set of basic safety nets, risk insurance and building in flexibility and institutional framework.

It proposed that identifying and keeping the core set limited and fully funded is the challenge. "Massive expansion of the number of programs without concomitant resource increase would render this approach futile," the paper said while detailing the reasons for making universal programs for a limited set of basic safety nets.

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Pb sees fall in enrolments for PG, PhD progs: Study

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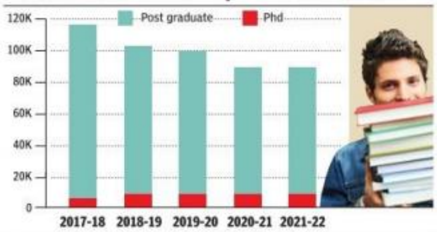
HIGHER STUDIES, LOW CHOICE



New Delhi: Punjab is seeing a fall in enrolments in postgraduate and PhD programmes — driven by fewer women opting for them — raising concerns over the absence of a large number of high-skilled jobs coming up in the state, according to a new paper by economists.

The paper by economists Lakhwinder Singh, Nirvikar Singh and Prakarsh Singh has argued that this is because of a "decline in the quality of higher educational institutions in Punjab" and also a decline in the number of higher educational institutions available per capita.

But then it concluded that the third factor was not true.

"The expected return after a postgraduate degree is not realised, as high-skilled jobs in Punjab are not being created at the rate to offer employability to postgraduates," it said.

The authors make a case for Punjab to shed its monoculture farming, scrap subsidies like free power and water and reorient its industries and services to overcome slow economic growth, high debt, societal challenges like the drug menace and environmental degradation.

While making a case for crop diversification beyond wheat and rice, the paper presented at the India Policy Forum has recommended support from the Centre to enable the switch as a procurement policy offering unlimited purchase of maize and pulses at MSP if farmers switch from paddy or wheat may not be enough.

The economists have blamed the state's debt problems and strained public finances on the lack of agricultural diversification with the massive subsidies only adding to the fiscal woes

"Additional payments may be required, which could be justified politically as compensation for past contributions to national food security. Those payments could be earmarked for upgraded infrastructure for marketing or processing the crops to which farmers switch," it said.

The suggestion comes months after the Centre proposed assured procurement of pulses and maize for paddy cultivators who make the switch.

The economists have blamed the state's debt problems and strained public finances on the lack of agricultural diversification with the massive subsidies only adding to the fiscal woes.

Agriculture based on unprocessed foodgrains has also failed to generate revenue for the state exchequer.

It also argued that unlike Haryana, where IT services have expanded around Gurgaon, Punjab has made little progress and political corruption and inadequate human capital may be behind this.

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