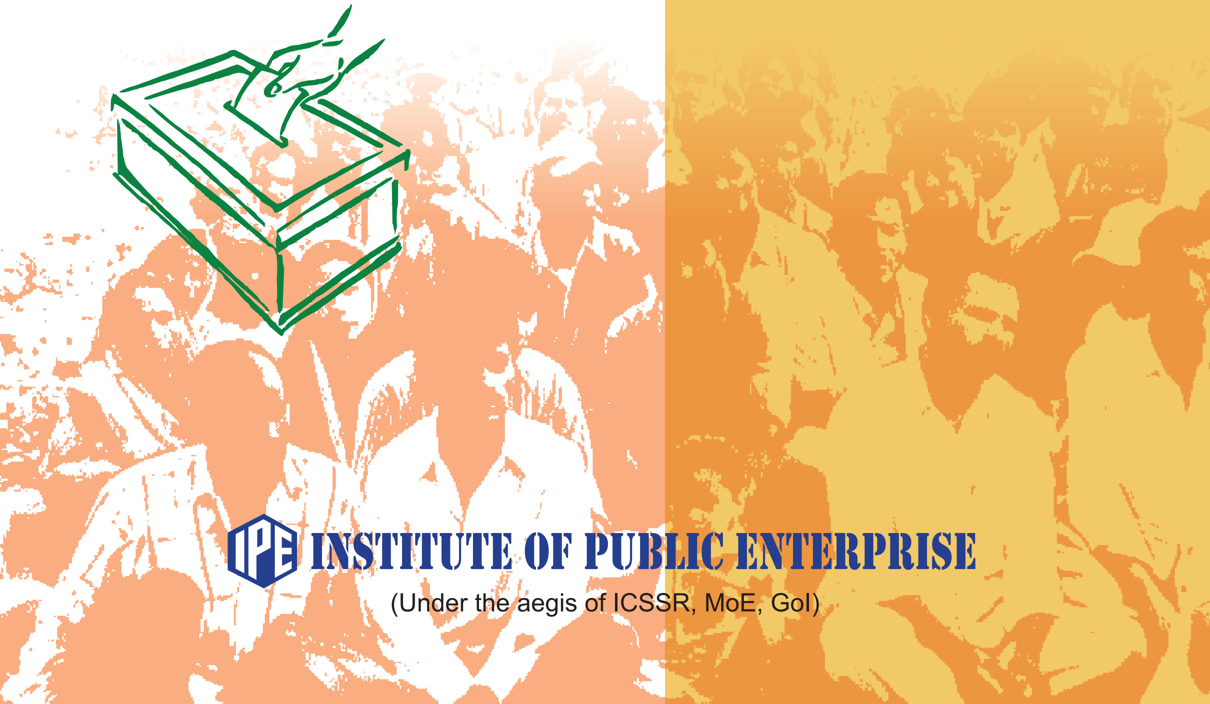
JOURNAL OF GOVERNANCE & PUBLIC POLICY

Volume 13, No 1, January-June 2023
ISSN 2231-0924



INSTITUTE OF PUBLIC ENTERPRISE
(Under the aegis of ICSSR, MoE, GoI)

Aims and Scope

Journal of Governance & Public Policy is a bi-annual refereed journal published by the Institute of Public Enterprise to provide a forum for discussion and exchange of ideas on Governance (local to global) and Public Policy (including foreign policy and international relations) by policy makers, practitioners and academicians.

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The publication of Journal of Governance & Public Policy is supported by the grant received from Indian Council of Social Science Research (ICSSR), Ministry of Education, Government of India, New Delhi.

Published by: Satyam N Kandula on behalf of Institute of Public Enterprise

Owned by: Institute of Public Enterprise

Printed by: Satyam N Kandula on behalf of Institute of Public Enterprise

Printed at: Wide Reach Advertising Pvt Ltd, 21, Surya Enclave, Trimulgherry, Hyderabad - 500015.

Place of Publication: Institute of Public Enterprise, OU Campus, Hyderabad - 500007.

Journal of Governance & Public Policy

Volume 13 No 1 January-June 2023 ISSN 2231-0924

Contents

From the Editors' Desk

Good Governance is the only response to many problems that are confronting the globe. Governments have been taking initiatives to achieve a common ground and find solution to these problems. The COVID-19 pandemic has thrown up the vulnerabilities of the governance systems world over and impacting the delivery of good governance.

The Hon'ble Prime Minister of India, Mr Narendra Modi in his opening remarks at the G20 Summit in New Delhi on the 9th September 2023, highlighted that the COVID-19 pandemic created a situation of global trust deficit. It has impacted the global economy, created disruptions in food and fuel supply to nations and has also increased terrorism. It has created many hurdles for governments to come together and collectively work on areas of common concern and develop concrete solutions to the problems faced by them. Under these circumstances, the guiding light for the world governments could be drawn from the governance mantra adopted by the Indian Government which is 'Sabka Saath, Sabka Vikas, Sabka Vishwas, and Sabka Prayas' which basically means 'Together, for everyone's growth, with everyone's trust. It is an appropriate moment for the governments' word over to follow the values of collaborative governance and move towards concrete solutions to meet these challenges, not just for the present moment but also for the future.

India has adopted the idea of developing a robust and credible framework to provide an agenda for governance reform to raise the level of consciousness and awareness among the citizens, and has introduced the idea of Atmanirbhar Bharat Abhiyaan or self-reliant India, which is the vision of new India kick started with a clarion call to the nation to move in the direction of creating and establishing a self-reliant nation. The aim is to make the country and its citizens independent and self-reliant in all senses and the building blocks of the Aatmanirbhar Bharat are five key elements – Economy, Infrastructure, System, Vibrant Demography and Demand.

The current issue of the Journal of Governance and Public Policy presents a spectrum of issues from national and international perspectives on policy making covering urban governance, financial management, entrepreneurship, migration and livelihood.

Dr Geeta Potaraju
Dr Sridhar Raj

Journal of Governance and Public Policy

ISSN 2231-0924 Volume 13, No 1, January-June 2023 pp: 1-18

India in Zero-Sum of China-Australia Trade and Tech Conflict

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Abstract

The article briefly analyses the consideration of India's renewed place in looking at the trade and technological (TT) conflicts between China and Australia, which are a sequel to India's risen role in the globaleconomic order and as a reaction of the existing Australian government to the growing economic interdependence over China. Taking into account the *existentium eo* the complication of the structure of international relations and the world order, the growing significance of the Asia-Pacific region and Australia in the regional balance of power, the expediency of analyzing bilateral relations between India and Australia is foresighted and substantiated. It takes into account the benefits that can be derived from the Australian-Chinese conflict, as well as the Indian experience gained as a response to the strengthening of China in the region with a view to balance growing international order, that poses a challenge to international community in general Indian interests in particular.

Keywords: Australia, China, India, Trade and Tech Conflict

Introduction

Recognizing the numerous positive aspects of globalization that prevail over everything else in the 21st century, it is to be noted that closer to the beginning of the first decade, all at the level of development in the post-industrial economies, its negative consequences began to manifest systemic risks. These risks impregnate *inter-alia* in a large number of studies which have a bearing on TT aspects and more or less conducted on the topic of globalization as a multifaceted and complex phenomenon (Stiglitz, 2002). Excessively high economic interdependence threatens to subordinate the

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domestic policy of States to momentary economic interests, up to the level of undermining State sovereignty. The Australian example shows how the economic rise of China, the growth of mutual trade and investment, on the one hand, opened up new opportunities for Australia to realize its comparative advantage modular growth and other competitive advantages, but, at the same time the dependence of its economy on the Chinese market provoked Beijing's political expansion in the region in various forms, from permissible influence on the decisions made by Canberra to direct interference in their internal affairs on the matters affecting international relations. At some point, the Australian political elite, worried about the growth of Chinese influence, went to adjust bilateral relations at the cost of some economic losses. For comparison, globalization has affected the US economy in a different ways. The United States turned out to be dependent, but not on its own exports to China, but, on the contrary, on cheaper Chinese imports. Industrial outsourcing has made the US economy vulnerable and dependent on Chinese supplies. Recognizing the scale of the problem, the US administration has launched resourcing of manufacturing, calling on companies to get the business back and has already implemented several economic reforms, including tax cuts (Brashers, 2022). The hypothesizing some benchmarks from it are crucial in felt need in the international relations. However this article does not attempt to draw down the parallels of it in that context *albeit* emphasizing on growing Indian importance as the thematic study indicated.

TT Conflicts between Australia and China

In the post-cold war era and the entry of globalization into a decisive stage, the dynamics of TT economics subsumed the international relations between Australia and China showcasing the exceptionally impressive performance at the same time (OEC, 2023). Exports of Australian goods and services to China with a trade surplus contributed to the fact that for three decades Australia remained almost the only state in the developed post-industrial world that showed continuous annual economic growth without a recession with an average annual growth rate of 3%. Australia has developed into an incredibly resilient economy and weathered the two crises of 1997 and 2008-2009 relatively calmly, maintaining control over its banking system and inflation rate at the same time. Thanks to neoliberal globalization, the economies of the two States have become so intertwined and interconnected that China has become Australia's biggest trading partner (DFAT, 2023). In the early 2000s, there was a credible talk of the town that China could replace the UK and the USA for Australia in the newly emerging economic order.

The peak of bilateral relations came in 2014, when Chinese leader Xi Jinping paid a ceremonial visit to Australia, where he noted that both countries established diplomatic relations in 1972, bilateral trade has grown from $86 million in the early years to $136.4 billion in 2013; student exchange and tourism have grown at a record high (The Straits Times, 2014). The steadily increasing Chinese demand for housing in cities like Sydney and Melbourne sparked a long-lasting real estate boom in the economy. Later in March of 2015, Australia also joined the Asian Infrastructure Investment Bank (AIIB) which is led by China, and in December of the year Canberra and Beijing signed an FTA. Despite membership in the Trans-Pacific Partnership (TPP), in November 2020, Australia signed an agreement on the Regional Comprehensive Economic Partnership (RCEP), a joint project of the ASEAN countries and China (ASEAN, 2023; ADB, 2021).

Thus, the interdependence of China and Australia has contributed to the transformation of the latter into an incredibly stable and attractive economy for investors and tourists. It would not be superfluous to give some statistics in this regard: in terms of GPD 13th place in the world (1,748 billion dollars in 2022) (IMF, 2022); in terms of GDP per capita 15th place globally ($67,464 in 2022); 8th place in the world according to the Human Development Index (2020); provides the highest minimum wage in the world (A$20,33 per hour or A$772,60 per week as of July 1, 2021) (Fair Work Commission, 2023); 2nd place in the world according to the Quality of Life Index in 2013 for 2030 according to the Economist Intelligence Unit (The Economist, 2013); four Australian metropolitan areas are regularly ranked among the top 10 cities in the world in terms of quality of life (The Economist Intelligence Unit, 2021). In 2022, \ U.S. News & World Report ranked Australia 16th in \ doing business and 7th in the ranking of the best countries (US News, 2022). However, all this had its downside. The continuous influx of Chinese investment in the region has led the China-oriented business lobbies to overlook the echoing development of bilateral relations and sporadic fears at home about the strengthening of the pro-China lobby (Suri, 2020). And, this is not something alien to neoliberal development models having a castigated impact in the bringing in of new order.

The government of Northern Territories region of Australia signed a $506 million deal for the strategic port of Darwin with the Shandong Landbridge Group, which was stated to have close relations with the CCP (Chinese Communist Party) and the People's Liberation Army (PLA) at the same time. The current Prime Minister of Australia, A. Albanese, has already stated that the Australian authorities will revise the agreement on the lease of Darwin (Massola, 2022). While later in April 2016, Australian officials opposed an attempt by a Chinese business to acquire the $307.7 million brand of the largest beef producer S. Kidman & Co, whose pasture and farmland covered strategic 1% of Australia and is directly adjacent to the Woomera missile test site, a sensitive area for Australian integrity (Cranston, 2016). In a remarkable itching of the August of that year, the federal government of Australia made a remarkable intervention and vetoed a sale to China of about $10 billion amounting around 50.4% stake in the state-owned Ausgrid power grid, which supplies electricity to the state of New South Wales, which includes Sydney within it. This was a significant step of the Australian government towards down railing Beijing's role in its trade partnership scenario.

In his statement, the then head of the Treasury S. Morrison referred to the national interest as the prime objective permissible within the WTO norms. The strategic importance subscribing to the national security clause of Ausgrid was later found and revealed in the fiber optic network which is provided to secure communications with the New South Wales Police Force and large private companies lastly and most importantly, the facility supported the American satellite network designed for the early detection of missiles from the Eurasian continent. In order to prevent a repeat of this history and to control foreign investors more strictly, the Foreign Investment Supervisory Board (FIRB) was re-established next year.

Taking down from it in 2018 when it became a turning point for a bilateral history in the course of several years, Australian policy has changed radically. The CCP's systematic campaign to expand Chinese influence convinced the Australian authorities to take steps to protect their market economy and political system. In August that year 'The Foreign Influence Transparency Scheme Bill' was passed amid a series of scandals about links between Australian politicians and the CCP (however, the first case was filed in November 2020). In 2017, Australian federal government banned Huawei and ZTE from deploying 5G mobile infrastructure highlighting country's national security and citing changes in the legislation(Federal Register of Legislation, 2017). That is how Australia became the first such State in the Five Eyes intelligence alliance and the first in the world to openly declare a technological war on the Chinese 5G network (Marlow, 2021).

Huawei at the same time had become a benchmark for US technological containment of China. In August 2018, the US Congress passed the National Defense Act, which was aimed to prohibit government agencies from purchasing equipment from Huawei and ZTE. In January 2019, Huawei was formally charged in US with industrial espionage against T-Mobile by the US Department of Justice. Appropriately, the US Department of Commerce blacklisted Huawei and prohibited the use of American technologies and components in cooperation with Huawei without the permission of the US government. Subsequently, in May 2020, restrictions were also tightened and extended to foreign companies. Washington had also launched a diplomatic campaign to isolate Huawei. However, here in this context Australia had become the first country in to exclude Huawei from the national 5G network construction project.

Looking at the expediency Australia was the first to call for an independent inquiry into the causes of the COVID-19 pandemic. For Beijing, this was the "last straw" exacerbating the relations with Australia (Walsh, 2021). In December 2020, the Australian Parliament approved a law giving Australian government the right to veto any agreement between Australian representatives and foreign governments (Parliament of Australia, 2020). And already in April 2021, using new legislative powers, the Australian authorities canceled the cooperation between Victoria (a state of Australia) and China under the One Belt, One Road (OBRB) initiative (Varano, 2021), despite the fact that this cooperation would provide the State with new jobs. In response, Beijing announced the suspension of participation in the strategic economic dialogue with Australia (China-Australia Strategic Economic Dialogue). In June 2022, Australia co-founded the regional Partners in the Blue Pacific (PBP) mechanism of the United States, Japan, United Kingdom and New Zealand, created by Washington in the face of undermining the rules-based free and open international order (Foreign Commonwealth & Development Office, 2022).

China responded with sanctional pressure. In the pre-monsoon of 2020, China introduced the first anti-dumping and countervailing duties on Australian barley and beef (Sullivan, 2020). This onslaught was carried on in the aftermath of Trade War of China with the US, but the measures did not yield the desired result and proved contrary to the Chinese aspirations. New customs duties were also subsequently imposed on wine, wheat, wool, lobster, sugar, copper, timber, and grapes etc. Chinese importers were advised to stop buying Australian coal and cotton, and electricity companies were also advised to follow suit and limit LNG supplies. It is worth noting that at the end of 2019, Australia officially ranked as the world's largest LNG exporter for the first time (a record 80.23 million tons compared to 77.83 million tons from Qatar in 2021) (Lewis, 2022). Australian LNG exports greatly exceeded exports from the United States (70.43 million tons), which closed the top three global exporters (60% of total LNG exports in 2021).

It is to be noted in this backdrop that Iron ore was the most significant commodity to avoid duties, given China's steel industry's dependence on supplies from Australia which happens to be the world's largest iron ore exporter supplying about 60% of China's iron ore needs (McGregor, 2022). Despite these problems in relations, in the short term, China is unlikely to be able to refuse supplies. Australian iron ore is critical to China's construction industry. In September 2022, Rio Tinto and China's China Baowu Steel Group announced an upcoming agreement to jointly startan iron ore project in Western Australia (Manekar & Menon, 2022). Despite relationship problems, in 2020 Australian iron ore exports to China increased. Due to this growth, the total Australian exports to China down in 2020 only 2% compared to similar 2019 indicators. In the short-term China cannot refuse iron supplies ore from Australia, but it can do it in more long term. Chinese companies participate in the development of the Simandou field in Guinea, which is considered the largest in the world untouched deposit of high-grade iron ore. The cost of the project, which includes the construction of 650 km of railway and deep-water port, is estimated at $16 billion, and the commissioning of the mine is scheduled for 2025. Australia is a major source of lithium for Chinese electric vehicle manufacturers. According to data for 2017, 91% of lithium is mined by only three countries in the world - Australia (44%), Chile (34%) and Argentina (13%). To decrease the dependence on China and more successfully counteract its dominance in the world market, in March 2022, the Australian authorities allocated $175 million for four projects for the processing of rare earth metals and the establishment of a fund worth $180 million (Minister for Industry, 2022).

Initial consultations when applying to the WTO were unsuccessful. In the aftermath of COVID-19 pandemic it became more difficult. In November 2020, the Chinese Embassy, Canberra published a list of 14 complaints that the Australian side must address in order to return to normal relations. Among them: state funding of "anti-Chinese" research; raids against Chinese journalists and the abolition of academic visas; a "crusade" in multilateral forums on Taiwan, Hong Kong and Xinjiang; calls for an independent inquiry into the causes of COVID-19; ban on Huawei to move forward with a 5G network in 2018; blocking ten Chinese investment projects in the infrastructure, agriculture and livestock sectors (Kearsley, Bagshaw & Galloway, 2020).

Canberra's desire to reduce economic dependence on Beijing and reduce its influence at home has met with fierce resistance in the wake of influential Chinese diaspora in Australia. This is not China's first attempt to force an OECD State to follow its line through economic coercion (China has previously campaigned sanctions against South Korea in response to Seoul's agreement to host US air defense systems), but Australia was the first country to come under pressure on an economy-wide scale. In the short term, the measures are quite sensitive, as the Chinese market remains the largest for Australia. However, so far these measures have not had the expected effect and have not forced the Australian government to change its course. Rather, on the contrary, Chinese actions contributed to the consolidation of a rare bipartisan consensus on the issue of China between the government of S. Morrison and the opposition that supported him. Current Prime Minister A. Albanese has asked Beijing to lift its sanctions if it wants to reinstate bilateral relations, and pointed out that it is China, not Australia, that has changed since Labor Party was in power in 2013 (McGuirk, 2022). A. Albanese became Prime Minister of Australia in May 2022. On November 11, on ABC radio, he said that in order to restore relations between the two countries, China must lift sanctions against Australian goods. According to the prime minister, the measures harm not only Australia, but also China itself.

In general, Chinese economic sanctions have shown relatively little effectiveness. An analysis of data on bilateral trade conducted by the Lowy Institute experts convincingly showed that the tariffs imposed by China did not have a significant impact on the total export income of Australia, while the supply of iron ore largely compensated for the overall loss (Xue, 2021). The total volume of exports of goods from Australia to China in 2020 amounted to $145 billion, which is only two percent less than a year earlier. In total, all targeted exports to China that were subject to restrictions in 2019 amounted to about$25 billion/ 1.3% of GDP which is quite a large amount. The total value of the same exports to China was just below $5.5 billion per year, before January 2021. However, China's trade sanctions did not actually cost Australia its remaining nearly $20 billion, in part because the same Australian coal exports to China diversified, a process already underway before the sanctions were imposed. The sanctions have prompted Australian businesses to diversify their trade chains. Several targeted Australian industries (except wine) simply shifted to other markets.

New promising agreements are being concluded echoing the same trajectory. In April 2022, the Australia and India signed an Economic and Trade Cooperation Agreement to reduce dependence on the Chinese market. At the same time, back in July 2018, Australia presented the An India Economic Strategy to 2035, according to which the growth of Australian exports to India should be increased to $45 billion (Varghese, 2023). Together with Japan and India, the Supply Chain Resilience Initiative (SCRI) was initiated in April 2021 (DFAT, 2021). Australia also enlisted political support, for example, from the administration of John Biden, who considers Australia the closest and most reliable partner of the United States.

Summing up, in recent years Australia has unexpectedly become one of the flagships of the anti-China campaign, which was initiated by the United States. The effect of a trade war between two recent partners, Canberra and Beijing, may not be acutely felt outside the Asia-Pacific region and is unlikely to have a significant impact on the global economy, but their outcome is of global interest. First of all, this unfinished dispute looks like a stress test for any national economy seeking to reduce the degree of interdependence with the world's second largest GDP economy. Western experts wondered what a sudden economic separation from China would look like for the middle power, given that China accounts for more than a third of Australia's exports. According to some, the effect was surprisingly mild (Wilson, 2021). The reason is the diversification of customer bases and the redirection of exports to other countries: when a trade barrier is erected, enterprises are looking for alternative markets for their products, new interdependent supply chains, and therefore, thanks to the openness of the international market, the complete destruction of export-oriented industries is extremely rare as a result of a trade war. Thus, despite the significant demographic and economic imbalance between the two countries, it seems that Australia has not proved to be an easy adversary, as Beijing might have thought. It is an established fact that China uses its soft power to build a new regional political order, where it will lead. However, Chinese actions against Australia were not only unsuccessful but also proved to be counterproductive. This, as it seems, China was preparing to replace Britain and the United States as Australia's most important trade and technology partner in essence in 21st century. However, in today's conditions Australia is now part of the AUKUS alliance and has now become a strong supporter of the alliance QUAD. This can be furthered in the emerging international order with pace.

Australia-India Submergence of Interests: A Safer Path for Both Democracies Australia-India relations can be recalled from eighteenth century onwards, and have been developing since then through differently valued commercial activities (MEA, 2012). India's first prime minister saw Australia as an important partner for security and development of India (Economic Times, 2018). During the 1950s and 1960s the relationship between India and Australia declined due to different ideological stands of Jawaharlal Nehru and Robert Menzies (Gurry, 1992). India followed up on the doctrine of non-alignment, ensuring that country's territorial integrity was not compromised and that major powers do not influence in regional affairs whereas, Australia was consistently strengthening its relations with the U.S. Furthermore, factors such as Australian stand on Kashmir, absence of solidarity at the United Nations Conference in 1960 also made the relationship between Australia and India soaring low.

After the end of the cold war, India had to face numerous internal and external challenges. India adjusted its foreign policy as well as opened its market to restructure its economy. Several new attempts such as Australia-

India Council (1992), the New Vision for India-Australia (1996) were brought in to improve India-Australia relations. During 2000-2009, this relationship improved so much so that India became Australia's 5th largest export market and 10th largest trading partner. Grare (2014) asserts that both countries have organized several high-level security - and ministerial dialogues to advance their bilateral agendas.

India and the Conflict between Australia and China

The competition between two noted global economic powers United States and China has made the international system a more complicated structure with enhanced rivalry in TT areas. This enhanced rivalry has transcended many issues at par in both India and Australia in having strategic partnership share several commonalities in terms economic and strategic interests both in recent times. Scholars such as Panda and Baruah (2010) examine various common strategic interests of Australia and India by analyzing different aspects of cooperation such as defense, terrorism, energy security, economic linkages and nuclear disarmament. Even though on diplomatic platforms there may be frequent mentions of the shared values, history of colonialism, liberalism and democracy, the reality of Australia and India relationship may reach at a different juncture (Chacko & Davis, 2017).

It has been argued that the rise of China and the realization of importance of the Indian Ocean are key factors for the India-Australia security and defense plans (Mishra, 2012). China has played as a major factor in building the bilateral relationship between India and Australia in the recent years (Sundaramurthy, 2020). Due to which India and Australia have strengthened their maritime and defense cooperation (Ibid).

Two paradoxical features are worth mentioning here. India and Australia both have interests in developing strong economic relations with China, while for both the rise of China in the Indo-Pacific region is a geostrategic challenge. And, U.S. is seen as an important player to act as an protective shield (Gopal & Ahlawat, 2015). Alliances such as Quad highlight the importance of U.S. in India-Australia relationship (Dahiya, 2013).

Australian government reports have changed their emphasis while discussing Indo-Pacific. In 2009, Department of Defense, Australia discussed Indo-Pacific as a booming trading region, especially in the energy sector without mentioning China's rise (DoD, 2009). This is one of the indicative signals in India's favor. It is to seen as indicated above that by 2013, the U.S.-China relations started to be seen as an important factor in developing strategic Indo-Pacific environment (Parliament of Australia, 2013). Importantly, the 2016 Australian Defense White Book emphasized the need to maintain a rule-based order, highlighting on importance for mutual prosperity in the Indo-Pacific. This white paper specifically covered in more depth the rise of China, its military modernization and impact on stability of Indo-Pacific region by 2035 (DoD, 2023). Further, the 2017 Foreign Policy White Paper discussed emerging challenges from China's rise, with a special emphasis on South China Sea (DFAT, 2017). Australia not only pointed out to establish relations in the region with democracies, but also saw India as a long term partner in the diplomatic network. This was accentuated in dialogues in nuclear diplomacy and finally sealing an agreement in 2014 (Minister of Foreign Affairs, 2014).

Australia-India relations are seen growing positively since 2010 after signage on civil nuclear cooperation agreement in 2014 and both the States signed the Framework for Security Cooperation to enhance the defense capacity in order to strengthen maritime security in the Indo-Pacific region (DFAT, 2014). Both states' leadership has highlighted the importance of proximal positions in their respective strategies (Malhotra, 2014).

In 2017, when the Australian Prime Minister Turnbull visited India, the two agreed to strengthen maritime security and safety of the sea lanes, while accepting the legal order at sea based on UNCLOS 1982 (DFAT, 2017). The Australian Foreign Affairs White Paper 2017 reiterates that in addition to the U.S., Japan and India are major economies and military powers playing a larger role in political and security issues in the Indo-Pacific (Gyngell, 2018). India and Japan have also been highlighted as players exerting influence to regional power dynamics (DFAT, 2017). India also supports the growing role of Australia in furthering economic advances and framing regional security (Ibid).

Due to the close cooperation, the trade turnover total between India and Australia reached about US$ 30 billion in 2018, which is more than double of 2007 turnover level (DFAT, 2023). India has set the goal to reduce its dependence on China in importing rare earth materials and diversifying its imports (Chaudhury, 2020).

Australia sees India as an important security partner. The two countries are interested in working together to pave the way for a stable and prosperous Indo-Pacific region (Nhan Dan, 2020). According to the Mutual Logistics Support Agreement (MLSA), India and Australia have the possibility to use military facilities of each other in case of conflict. Furthermore, it was decided that foreign and defense ministers of both countries will organize a biennial 2+2 dialogue to further strengthen strategic cooperation on the issues on the issues of stability and development in the Indo-Pacific region. Both countries participate in the joint naval exercise AUSINDEX every second year. AUSINDEX was started in 2015.

The East Asian Summit (EAS) and the ASEAN Regional Forum (ARF) should also be included in this discussion. For India, EAS has great significance. India's Act East Policy could be implemented with building bilateral and multilateral partnerships with countries within and outside the ASEAN group. Australia has consistently improved its relationship with ASEAN countries (Dang et al. 2022). In order to achieve enhanced strategic partnership, both countries should use these collaborations.

India-Australia relations seem to have improved remarkably in the last few years, as clearly visible in the high level engagements between the two countries. To strengthen their strategic and defense cooperation, the first two-plus-two dialogue between India and Australia took place in New Delhi in September 2021. In which defense and foreigner ministers of both countries were present. During the virtual summit in 2020, Indian PM Modi and his Australian counterpart Morrison signed Mutual Logistics Support Agreement (MLSA) and a joint declaration on a 'Shared Vision for Maritime Cooperation in the Indo-Pacific'. Second summit held virtually between the two leaders in March 2022 with both leaders highlighted the importance of growing partnership between the two countries with an agreement to organize annual summits (MEA, 2022).

India and Australia both follow Westminster-style governing institutions. In the past years, Australia has been a host for more and more Indians, including students who are opting for Australia for higher education after the U.S (DFAT, 2018). Australia wanted India to join the ASEAN –led Regional Comprehensive Economic Partnership (RCEP) free trade agreement, however, India did not do so, mainly due to the border clashes between India and China in Galwan valley, since Beijing is also a member of RCEP (Krishnan, 2020). This has not brought any negative consequences for India-Australia relations. The India-Australia Comprehensive Economic Cooperation Agreement (CECA), suspended since 2015, has been re-opened during the virtual summit (Haider, 2020). The Economic Cooperation and Trade Agreement (ECTA) signed in April 2022 will provide zero duty access to 96% of India's exports to Australia and about 85% of Australian exports to India (Kaura & Rani, 2022). Furthermore, another deal was signed between Indian Commerce and Industry Minister Piyush Goyal and his Australian counterpart Dan Tehan to boost trade, tourism and investment in the virtual ceremony.

Since the clash in Himalayan Galwan valley has been seen as a display of Beijing's non-cooperation to follow the rules and agreements signed between India and China in the past three decades (Ibid). In July 2020 Australia unequivocally conveyed its reservation against any attempts to unilaterally alter the status quo on the India-China border, which only increases the risk of instability and heightened tensions (Roche, 2020).

The Australian Defense White Paper 2016 reiterated that Australia and India share common interests in areas such as Indian Ocean maritime security, regional stability and countering terrorism, and shared democratic values area solid basis for engagement (Defence White Paper, 2016).

The 2020 Defense Strategic Update draws up a new strategy for defense and capability investment to shape and respond to changing strategic environment. Highlighting major powers' assertiveness in advancing their strategic preferences and seeking to exert influence, including China's active pursuit of greater influence in the Indo-Pacific, TT notes that India's role is vital for regional security and stability(Barker, 2020).

While India is not a party in the South China Sea disputers, it sees China's continuous aggression as harmful to the freedom of navigation in this important commercial gateway. Any disruption of the maritime traffic would severely impact Indian interests. The growing threat perception from China is quite realistic relevant given the decades of border disputes and maritime militarization of the Indian Ocean (Ganguly & Pardesi, 2020). Increasing Chinese influence particularly its developed military bases in Djibouti and expansion of a Maldivian artificial Island could potentially undermine India's influence. It has also been argued that China has an intelligence unit near Andaman and Nicobar Islands. These activities are seen as a hindrance to the movement of Indian Navy in the Indian Ocean.

The joint naval exercise AUSINDEX, started in 2015 between Australia and India, is a reflection of strategic convergence of Indian and Australian maritime security efforts (Economic Times, 2018). Both countries have also participated in a multilateral maritime Exercise Kakadu and a multilateral air Exercise Pitch Black (Pukhrem & Singh, 2020).

Conclusion

The Australian case indicates that when the political elites of a Nation correctly and timely identify the challenges of globalization, they can be successful. The development of the trade conflicts between Australia and China has had a positive impact on Canberra's attempt to reduce its excessive economic dependence on the Chinese market in favor of diversifying ties with the other Asia-Pacific Nations. The authorities considered the damage to their economy acceptable, which affected the low effectiveness of Chinese sanctions, whereas for India, improving its relationship with Australia seems mutually beneficial, especially with its rising border tensions with China.

Economies of Australia and China are strongly interconnected though the degree of this interconnectedness fell to over the past 30 years and the trade war can only exacerbate this trend. Australia is an important source of natural resources for Chinese economy. Restrictions in deliveries of

Australian goods to China hit the Australian economy, but nonetheless, China felt the negative effects of its political handling in the wake of its wolf-warrior-diplomacy around the globe under Xi. Australia is now actively looking for new suppliers such as India. The ease of doing business in India's case has improved. It will positively impact for both Australia and India in the long term. The lessening of legal barriers in the in the TT sector together with similarity arising out of common law system prevalent in both the States seems to accelerate the this relationship. The strategic significance of this interrelationship will accentuate and act in India's favor to deepen the TT ties. In this backdrop Australia's and China's partners like India could benefit from this, which is seen to strengthen their position in the world market thanks to the Australian-Chinese trade and tech war. From the above it can be drawn that beyond existing apprehensions, India and Australia have moved further close from the Curry and Cricket ties, to an extent due to China. They are shaping the future of the Indo-Pacific region based on their shared value-projection for rules based order and a free and open Indo-Pacific.

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Journal of Governance and Public Policy

ISSN 2231-0924 Volume 13, No 1, January-June 2023 pp: 19-34

Fiscal Consolidation in India – Fiscal Rules, Legislation and Implementation

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Abstract

This paper has attempted to measure the extent of fiscal consolidation through a multidimensional index of fiscal consolidation for each sub-national government. It endeavors to answer that after a decade of formal and statutory beginning of fiscal consolidation drive, how much fiscally consolidated Indian SNGs are? The study adapts multidimensional index framework for measuring grade of fiscal consolidation in Indian sub-national governments. The multidimensional index of fiscal consolidation has been constructed using principal component analysis (PCA) and average of averages (AoA) method. The findings are in correspondence with the literature which suggests that revenue-led fiscal consolidation has greater chances to bring expansionary effects. However, the study also finds that fiscally prudent states not necessarily to be the high growth states. The findings highlight the limited applicability of 'expansionary fiscal consolidation' hypothesis in the case of Indian sub-national governments.

Keywords: Fiscal Consolidation, Fiscal Policy, Fiscal Rules, PCA

Introduction and Background

India for its economic development adopted Keynesian macroeconomics which has given prime role to fiscal policy in stimulating growth. Indian policy makers favoured deficit budget policy for creating effective demand in the economy. These deficits were largely financed through public debts and seigniorage. However, over a period of time, these large public debts created an unmanageable pressure on national finances, fuelled inflation and slowed down growth. The economic and financial risks posed by such unmanageable public debts forced the contemporary national

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Acknowledgment

This research paper is an outcome of major research project 'Governance, Growth and Fiscal Consolidation: A Study of the Sub-national Governments in India' (F.No. 02/11/2014-15/RP)sponsored by Indian Council of Social Science Research, New Delhi (India).

government to change their fiscal stance from expansion to consolidation. The problem of deteriorating finances did not take place at the national government only, rather sub-national governments (SNGs) also suffered as they were entrusted with large responsibility of development activities but limited power to raise revenue (Dholakia 2005). Thus, high fiscal deficits and large outstanding public debt were the highlights of Indian SNGs during the eighties and nineties. This period was characterized as financially difficult phase for all the state governments in terms of state finances. Further, fiscal health of the Center as well as of the states has gradually deteriorated in the post-reform period. The combined fiscal deficit of the Centre and the states reached to an alarming level of 9.3 percent of GDP in 1990-91, with some improvement in 1996-97 (6.3%) before reaching to again a high level of 9.0 percent in 1998-99. Continuous high level of deficits began to show up in the form of cumulative debt and interest payment burdens. The debt to GDP ratio (both the Center and the States) increased from 64.9 percent in 1990-91 to 79.5 percent in 2005-06. The fiscal crisis caused an adverse impact on growth and investment in the country at both national and sub-national levels.

With the aim to arrest worsening fiscal health and reviving growth, Indian policy makers took the route of expenditure restraint approach for fiscal consolidation. Several policy efforts were taken to consolidate fiscal health of the national government and SNGs. In the year 2000, the Ministry of Finance (MoF) issued guidelines to the SNGs for implementing Medium-term Fiscal Reform Programmes (MTFRPs) which envisaged the SNGs to reduce unproductive expenditure and improve tax collections through better tax administration. It also emphasized on making time-bound efforts to implement reforms in fiscal administration, power and public sector to consolidate overall fiscal affairs of the SNGs. The Eleventh Finance Commission (EFC) along with the increased vertical devolution as compared to previous Finance Commissions, endorsed an incentive fund i.e., the Fiscal Reform Facility (FRF) for fiscal adjustment in the year 2000. The EFC also recommended a release of 15 percent grant to states by linking it with reduction in fiscal deficits. The FRF emphasised that SNGs must achieve at least 5 percent improvement per financial year in the revenue balance (as percentage of revenue receipts) upto 2004-05 taking 1999-2000 as base year. Due to the condition of a considerable amount of improvement in revenue balance and a small part of the grants of non-plan revenue linked to the fiscal performance, the scheme failed to incentivize SNGs towards fiscal consolidation. On the similar lines, the Twelfth Finance Commission offered the debt write-off scheme with an objective to improve SNGs' fiscal health which was linked to SNGs' efforts of enacting fiscal rules policy and reducing revenue deficits. The Thirteenth Finance Commission also advised an analogous public debt relief programme for all the SNGs which were again linked to the SNGs' commitment to implement fiscal consolidation legislation and its outcome.

The efforts to consolidate fiscal health of national government and sub-national governments were being carried out from long but nothing was proving effective in the real sense. The deteriorating fiscal position of national and sub-national governments with slowdown in growth forced the policy makers to take statutory measures to put limits on debts and deficits. Major breakthrough came in the form of enactment of the Fiscal Responsibility and Budget management (FRBM) Act 2003 by the Government of India. This legislation has brought fiscal consolidation drive into the mainstream of the political economy.

In particular, the FRBM Act envisaged that the national government shall reduce revenue deficit (RD) to nil and gross fiscal deficit (GFD) to 3 percent of GDP by March 31, 2009. The Act also imposed limits on guarantees which the government can extend. It stated that any further liabilities including external debt should not be more than 9 per cent of GDP for 2004-05 and there should be at least one percentage point progressive reduction in each succeeding year. The Act also stated that no assumption of guarantees in excess of 0.5 per cent of GDP in any year starting from 2004-05 that can be extended by the Central government. The SNGs were also incentivised by the Finance Commissions (FCs) and the national government to adopt fiscal rules legislation to consolidate their fiscal health. In fact, three states namely Karnataka (September 2002), Tamil Nadu (May 2003) and Kerala (August 2003) passed their FRBM legislations before the Center's. Taking the mandate, almost every SNG has by now enacted its own FRBM Act which imposes limits on their deficits, debts and guarantees (West Bengal and Sikkim are the last entrants in the list).

However, national government along with the SNGs found tough to remain committed to fiscal consolidation due to unparalleled effects of the global financial crisis, economic slowdown and the Sixth Pay Commission Award from 2008-09 onwards (Maurya 2016). The Central government and the SNGs renewed their commitment towards achieving fiscal consolidation targets from the budget 2011-12. All the state governments except Goa amended their FRBM Acts/Rules. Under the amended Acts, the target year was shifted to 2014-15. The SNGs were now required to reduce their revenue deficits to zero and gradual reductions in fiscal deficit and debt levels by 2014-15 (RBI 2012). Along with these reform measures, SNGs were also engaged in implementing other institutional reform measures like value added tax (VAT), new pension scheme (NPS), ceiling on guarantees and setting up of sinking fund etc.

The main argument is that Indian SNGs are engaged (or forced to engage) extensively towards consolidating their fiscal health through different ways from over a decade. Thus, it is high time to pose the question that after a decade of formal and statutory beginning of fiscal consolidation drive, how much fiscally consolidated our SNGs are? In this paper, I have proposed to construct an index of fiscal consolidation for each SNG to reply to this question.

Expansionary Fiscal Contraction Hypothesis: A Survey of Empirical Literature

The driving force for fiscal consolidation comes from a new empirical evidence-based perspective which is famously identified as 'expansionary fiscal contraction' or 'expansionary austerity' hypothesis, which suggests that fiscal contractions have been correlated with expansionary economic effects (Giavazzi and Pagano 1990, 1996; Blanchard 1990; Alesina and Perotti 1997; Alesina and Ardagna 2010; Guajardo, Leigh and Pescatori 2011). This concept was floated by Feldstein (1982) who argued that permanent reductions in public outlays may have expansionary economic outcomes, if such reductions are treated as a sign of lesser future tax burden. This gives rise to expectations of a permanent income increase. Even before Feldstein (1982), the possible application of expansionary effects of contractionary fiscal policy (Fiscal consolidation) was mentioned by the German Council of Economic Experts in 1981, which is later known as the 'German View'.

Empirical evidence of non-Keynesian effect of fiscal policy was reported first in the case of European Union (EU) countries, particularly, in Denmark and Ireland in the 1980s by Giavazzi and Pagano (1990) and in other EU countries by Giudice et al. (2004), in OECD countries by Giavazzi and Pagano (1996), Perotti (1996), Miller and Russek (1999), Giavazzi, Jappelli and Pagano (2000) and Ardagna (2004).However, one central point which emerges from almost every study cited above that operation of expansionary fiscal contraction hypothesis mainly rests upon "the expectational view of fiscal policy". It is not the real factors that directly work in the case of expansionary effects of fiscal consolidation rather expectations play a greater role. How these expectations get motivated or what are the channels, through which these expectations work, have different explanations by different researchers.

A general explanation is given that a sustained reduction of public expenditures may create an impression among the consumers that a "dramatic and disruptive tax increases" will not be in near future. This also reduces ambiguity about the future fiscal policy which may push consumers to lessen precautionary savings. This tends to increase disposable income and increased amount of private consumption. Blanchard (1990), Sutherland (1997) and Perotti (1999) argued that non-Keynesian effects may be experienced in the case of fiscal consolidation through tax increases when there is a significant public debt-to-GDP ratio. For instance, if consumers think that fiscal consolidation is adopted to reduce the large government indebtedness, it may induce wealth effect, which further increase private consumption.

Although, existence of expansionary fiscal consolidation cannot be generalized but simultaneously, its empirical validity also cannot be negated. However, it is important to mention here that all these studies tested expansionary fiscal consolidation hypothesis on national government finances only. None of these studies attempted whether the said hypothesis is applicable in the case of SNGs or not.

Evidences from India

The empirical work concerning fiscal consolidation mainly focused on legitimacy of rules based fiscal policy. Rangarajan and Subbarao (2007) emphasised that fiscal deficits are not always bad for the economic health of the country rather in some cases it is desirable. They further argued that government should aim for appropriate level of fiscal deficit than fixing a value. Fiscal consolidation through expenditure reduction mechanism can have negative impact on growth and revenue mobilisation (Mohan, 2008; Chakraborty and Chakraborty, 2016).Chakraborty and Chakraborty (2016) argued that revenue led fiscal consolidation have higher chances of success and positive impact on growth outcomes. The demand for relaxing the fiscal targets is also around the fiscal consolidation debate.

Mundle, Bhanumurthy and Das (2010) with rigorous econometric analysis using policy simulation model showed that high growth rates of around 8 percent or more can be maintained with fiscal consolidation. In a similar exercise done for 14th Finance Commission, Bhanumurthy et al. (2015) found the same results and suggested that through reallocation of expenditure in favour of capital account, 'expansionary fiscal consolidation' strategy may successfully be applied. In a recent study by RBI (2015) which followed similar methodology of Giavazzi and Pagano (1996) and Perotti (1996) noted that fiscal consolidation episodes were positively related with high growth at state level. However, it is to be noted that Mundle, Bhanumurthy and Das (2010) and Bhanumurthy et al. (2015) exercises were essentially econometric predictions on the basis of expected values of different economic indicators like GDP growth, tax and not tax revenue collections etc. RBI (2015) findings too were not very compelling.

Measurement of Fiscal Consolidation: Evidences from Previous Studies

Determination of fiscal consolidation episodes or the policy changes aiming fiscal consolidation is a critical point. In this regard two things are important. First, the selection of variable or variables which can be taken for gauging the extent of fiscal consolidation and second, the criteria for determining fiscal consolidation episodes. Regarding the variable, the most commonly used measure in the literature is cyclically adjusted primary budget balance (CAPB)[1]. It has been argued that changes in primary balance may come due to two factors, one, cyclical changes which are in tandem with normal trend in economic activities. These cyclical changes result from changes in economic activity for instance inflation or real interest rate. Second, changes due to policy decisions. This will bring changes in primary balance over normal variations (expansion or contraction). First kind of changes are known as cyclical variations and second as discretionary changes boosted by the policy decisions. To isolate the discretionary change, primary budget balance must be corrected for cyclical changes. Thus, cyclically corrected primary budget balance is known as CAPB.

While the empirical evidence about cyclical adjustment is quite large, simultaneously, it is also full of several conceptual difficulties. Questions are often raised about methodology of separating the cyclical component of fiscal changes from discretionary and structural changes, especially, assumption related to potential output and cyclical elasticities of fiscal indicators. Empirical evidences are also quite mixed (Gali and Perotti 2003; Turrini 2008).

The Indian Case

On the question that what led to India to adopt fiscal consolidation strategy, there are varied views. Many think that it were purely economic reasons mainly worsening fiscal situation and rising public debt levels during mid eighties and nineties. At the same time, researchers argued that it was adopted under the pressure of international multilateral financing agencies like International Monetary Fund (IMF) and the World Bank, and capitalists super powers. It is worth quoting Bhaduri (2010) that "It is not clear what we have gained by this Act (Fiscal Responsibility and Budget Management Act), except to please directly the IMF, and indirectly the financial markets and the international institutional investors through the IMF". However, whatever be the reasons, Indian policy makers adopted fiscal consolidation strategy assuming that it brings expansionary economic effects. Although, it yet to be proved empirically.

Unlike many other stances, in India 'rules based approach' was undertaken for fiscal consolidation of the national and sub-national governments. Also, when simple rules based approach failed to incentivise governments, a statutory status was given to the fiscal consolidation drive by enacting Fiscal Responsibility and Budget Management Act (FRBMA) in 2003 by the Union government and, subsequently, by the sub-national

1 Researchers used other indicators also such as public debt (Taylor 2000; Auerbach 2002), business cycle related indicators primarily output gap.

governments. As an additional measure, the Finance Commissions also linked several financial incentive schemes with the enactment and adherence to the FRBMA. FRBMAs mainly envisaged numerical targets for various fiscal indicators e.g. revenue deficit, fiscal deficit, primary deficit, debts, guarantees, etc. which have to be achieved in a given time period and after then to maintain them. Another highlight of the Indian fiscal consolidation strategy is that it mainly focuses upon expenditure reduction approach.

Although India took the expenditure restraint policy for fiscal consolidation but its route to adopt expenditure restraint is a bit different from the European countries. Therefore, methods and criteria adopted by Alesina and Perotti (1996), Givazzi and Pagano (1996), Alesina and Ardagna (1998), Afonso (2006) and others cannot be simply replicated to measure the extent of fiscal consolidation in India. Indian strategy of fiscal consolidation has three main dimensions, first, institutional reforms, second, reduction in select deficit indicators, and third, the quality of deficit and revenue efforts. Institutional reforms such as adoption of value added tax (VAT), fiscal rules legislation (FRL), guarantee redemption fund (GRF), were asked by the policy makers from long time. FRLs in India mainly emphasized on fixing targets for deficit e.g. revenue deficit (RD), fiscal deficit (FD), primary deficit (PD), and debt indicators e.g. outstanding debt, guarantees.

Along with this, it is equally important to see whether fiscal consolidation is adopted on the cost of quality of deficit. High fiscal deficit due to higher capital outlay is not as serious as due to revenue deficit. Similarly, only restraining expenditure will not make fiscal consolidation a success, in fact, an equal amount of effort must be put for augmentation of own revenue collections as revenue led fiscal consolidation have better chances of success. Hence, an attempt to measure the extent of fiscal consolidation in Indian context must incorporate aforesaid dimensions. Here, an attempt has been made to develop such a state-wise composite index of fiscal consolidation.

Methodology

The index of fiscal consolidation has been calculated for 19 major states for three different points of time 2001-02, 2005-06 and 2011-12. The measurement of fiscal consolidation has been undertaken on the basis of three dimensions – institutional reforms, policy implementation outcomes, and quality of deficit and revenue efforts.

Choice of Indicators

Under the institutional reforms, it has been seen that whether a sub-national government has implemented the institutional reforms as suggested by the different finance commissions (FCs) or not. There are mainly six policy reform measures viz. implementation of value added tax (VAT); enactment of fiscal responsibility legislation (FRL); introduction of new pension scheme (NPS); ceilings on guarantee; setting up of consolidated sinking fund (CSF); and setting up of guarantee redemption fund (GRF). These six indicators have been taken for measuring the policy reform dimension of SNGs. SNGs have been assigned a value of one for implementing a policy reform and zero for not. Thus, a SNG's highest score can be six which means that the SNG has adopted all the measures and lowest can be zero for not adopting any of the policy reform measures. The details of institutional reforms taken by the different SNGs are given in the Table-1.

Table-1: Status of Institutional Reforms at the End of March 31, 2013

S. No.	State	VAT	FRL	NPS	Guarantee	CSF	GRF
1	Andhra Pradesh	April 2005	June 2005	September 2004	Yes	Yes	Yes
2	Arunachal Pradesh	April 2005	March 2006	January 2008	Yes	Yes	No
3	Assam	May 2005	September 2005	February 2005	Yes	Yes	Yes
4	Bihar	April 2005	April 2006	September 2005	Yes	Yes	No
5	Chhattisgarh	April 2006	September 2005	November 2004	Yes	Yes	No
6	Goa	April 2005	May 2006	August 2005	Yes	Yes	Yes
7	Gujarat	April 2006	March 2005	April 2005	Yes	Yes	Yes
8	Haryana	April 2003	July 2005	January 2006	Yes	Yes	Yes
9	Himachal Pradesh	April 2005	April 2005	May 2003	Yes	No	No
10	Jammu and Kashmir	April 2005	August 2006	January 2010	No	No	No
11	Jharkhand	April 2006	May 2007	December 2004	No	No	No
12	Karnataka	April 2005	September 2002	April 2006	Yes	Yes	No
13	Kerala	April 2005	August 2003	Yes@	Yes	Yes	No
14	Madhya Pradesh	April 2006	May 2005	January 2005	Yes	No	Yes
15	Maharashtra	April 2005	April 2005	November 2005	Yes	Yes	No
16	Manipur	July 2005	August 2005	January 2005	Yes	Yes	Yes
17	Meghalaya	April 2006	March 2006	April 2010	Yes	Yes	No
18	Mizoram	April 2005	October 2006	September 2010	Yes	Yes	Yes
19	Nagaland	April 2005	January 2010	Yes	Yes	Yes	Yes
20	Odisha	April 2005	June 2005	January 2005	Yes	Yes	Yes
21	Punjab	April 2005	October 2003	January 2004	Yes	No	No
22	Rajasthan	April 2006	May 2005	January 2004	Yes	No	No
23	Sikkim	April 2005	September 2010	April 2006	Yes	No	No
24	Tamil Nadu	January 2007	May 2003	April 2003	Yes	Yes	No
25	Tripura	October 2005	June 2005	No	Yes	Yes	No
26	Uttarakhand	October 2005	October 2005	October 2005	Yes	Yes	Yes
27	Uttar Pradesh	January 2008	February 2004	April 2005	No	No	No
28	West Bengal	April 2005	July 2010	No	Yes	Yes	No
	Total	28	28	26	25	20	11

Note: VAT- Value Added Tax; FRL – Fiscal Responsibility Legislation; NPS – New Pension Scheme; CSF – Consolidated Sinking Fund; GRF – Guarantee Redemption Fund.

All states barring Goa have amended their FRBM Acts. The FRBM Act in Goa is in the process of amendment. @ The state government has announced a New Pensions Scheme for workers under Employment Guarantee Scheme in the State budget for 2013-14. Source: State Finances: A Study of State Budgets-2013-14, Reserve Bank of India.

Second dimension of the index of fiscal consolidation is the policy implementation outcomes. Implementation of the policy reforms must produce measurable results and the rationalization of any policy reforms rests with the outcome. Four outcome variables have been considered for the second dimension. They are revenue deficit (RD), gross fiscal deficit (GFD), primary deficit (PD) and outstanding debt (OD). The details of each indicator, their definition and source have been given in Table-2. In the case of quality of deficit and revenue efforts, RD as percent of GFD and capital outlay as percent of GFD for indicating quality of deficit and own tax revenue (OTR) as percent of revenue expenditure (RE) and own non-tax revenue (ONTR) as percent of RE for revenue efforts have been chosen for the index.

Table-2: Index of Fiscal Consolidation: Variables, Definition and their Source

Dimensions	Items	Variable	Source
Institutional Reforms	Value added tax (VAT)	VAT implemented	State Finances: A Study of Budgets of 2012-13, Reserve Bank of India, India.
	Fiscal Rules Policy	Fiscal Responsibility Legislation (FRL) enacted	
	New Pension Scheme (NPS)	NPS introduced	
	Limit on Guarantee	Ceilings on guarantee imposed	
	Consolidated Sinking Fund (CSF)	CSF set up	
	Guarantee Redemption Fund (GRF)	Guarantee redemption fund set up	
Fiscal Attainment (Policy implementation / outcome)	Revenue Deficit (RD)	Revenue deficit as % of GSDP	State Finances: A Study of Budgets, Reserve Bank of India, India.
	Gross Fiscal Deficit (GFD)	Gross fiscal deficit as % of GSDP	
	Primary Deficit (PD)	Primary deficit as % of GSDP	
	Outstanding debt (OD)	Total outstand debt as % of GSDP	
Quality of Deficit and Revenue Efforts	Revenue Deficit (RD)/Gross Fiscal Deficit (GFD)	Revenue deficit as % of GFD	
	Capital Outlay (CO)/ Gross Fiscal Deficit (GFD)	Capital outlay as % of GFD	
	Own tax revenue (OTR)/Revenue expenditure (RE)	Own tax revenue as % of RE	
	Own non-tax revenue (ONTR)/ Revenue expenditure (RE)	Own non-tax revenue as % of RE	

Normalisation and Transformation of Variables

Policy reform indicators do not require normalisation or transformation as each indicator bears a score of one for implementing a policy reform and zero for not. Normalisation of policy outcome indicators has been done by taking values as percent of gross state domestic product (GSDP) of respective SNGs. Although, fiscal consolidation indicators are not directly related to the development level of a state, yet, we have explored whether selected indicators are biased by the development level (here measured on the basis of per capita GSDP) of SNGs. Any fiscal indicator's value should not be unduly affected by development level of the state. We found very weak correlation among fiscal outcome indicators and per capita GSDP (Table-3). Hence, fiscal outcome indicators were not biased towards developed SNGs, and thus, need not to be adjusted for the development level of a SNG.

Table-3: Indicators of Index of Fiscal Consolidation and Per Capita Income: Correlation Matrix

Indicators	19 States		
	2001-02	2005-06	2011-12
RD	0.132	0.327	.513*
GFD	-0.059	-0.087	0.224
PD	0.096	-0.012	0.109
Debt/GSDP	-0.314	-0.284	0.123
RD/GFD	0.015	-0.158	.678**
CO/GFD	0.085	0.16	-0.036
OTR/RE	.604**	.467*	-0.429
ONTR/RE	0.417	0.331	.462*
PCI	1	1	1

**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).

Source: Own Calculations.

Method of Computation

We have adopted two methods for aggregation of individual indicators for constructing composite index of fiscal consolidation: (i) Principal Component Analysis (PCA) and (ii) Average of the averages of ranks. However, it is to be noted here that the policy reform dimension of fiscal consolidation has six indicators, as mentioned above, which bears score of one for implementing a reform measure and zero for not. The indicators under policy reform dimension of fiscal consolidation are taken directly for calculating dimension score under both the methods. The idea behind taking direct values is that in principle they are following the Borda count method. The state implementing all the policy reforms gets highest score and the state implementing least number of reform measures receives least scores.

Results

Table-4 presents descriptive statistics for major 19 SNGs. There is clear indication that more and more SNGs have adopted institutional reforms measures as minimum value of total score of institutional reforms rose from 0 to 3 whereas max value rose from 2 to 6 during 2001-02 to 2011-12.

This implies that institutional reform measures are being accepted by the SNGs and they recognize the importance of consolidation of fiscal health. Their belief and efforts are also reflected in the continuous improvement in the mean score of debt and deficit indicators. Mean score of revenue deficit converted (3.26 percent in 2001-02) into revenue surplus in 2011-12 (-0.29 percent). Similar kind of improvement has also been seen in the case of GFD. Mean GFD declined from 5.51 percent in 2001-02 to 3.28 percent in 2005-06 and further to 2.51 percent in 2011-12.

Table-4: Indicators of Index of Fiscal Consolidation: Descriptive Statistics (N=19)

Indicators	2001-02				2005-06				2011-12			
	MIN	MAX	MEAN	SD	MIN	MAX	MEAN	SD	MIN	MAX	MEAN	SD
VAT	0	0	0	0	0	1	0.63	0.50	1	1	1	0
FRP	0	0	0	0	0	1	0.84	0.37	1	1	1	0
NPS	0	0	0	0	0	1	0.74	0.45	0	1	0.89	0.32
Guarantee	0	1	0.26	0.45	0	1	0.53	0.51	0	1	0.89	0.32
CSF	0	1	0.42	0.51	0	1	0.53	0.51	0	1	0.68	0.48
GRF	0	1	0.21	0.42	0	1	0.42	0.51	0	1	0.37	0.50
Total Score	0.00	2.00	0.89	0.81	1.00	6.00	3.68	1.20	3.00	6.00	4.84	1.02
RD	0.20	8.30	3.26	1.99	-2.50	3.40	0.22	1.62	-2.50	2.80	-0.29	1.39
GFD	2.10	12.80	5.51	2.43	0.20	7.30	3.28	1.89	0.37	4.60	2.51	0.95
PD	0.10	6.10	1.93	1.31	-3.80	6.00	0.06	2.06	-1.13	1.47	0.56	0.70
Debt/GSDP	26.25	60.23	38.29	11.76	23.70	64.17	37.74	11.66	13.27	43.90	26.13	7.58
RD/GFD	4.50	211.00	64.76	40.49	-89.51	2571.30	148.76	591.25	16.37	352.00	107.88	78.36
CO/GFD	-111.60	77.45	30.07	37.87	-2077.1	156.64	-34.26	498.95	-256.00	80.70	-21.30	80.16
OTR/RE	17.68	58.09	38.22	12.97	21.54	126.57	50.31	24.32	25.33	70.19	48.15	15.57
ONTR/RE	3.60	24.79	10.28	5.72	2.49	29.25	12.76	6.84	2.02	18.02	10.15	4.64

Source: Own Calculations.

Table-5: Index of Fiscal Consolidation: Composite Score and Rank (19 States)

Rank	2001-02				2005-06				2011-12			
	PCA		Average of Average		PCA		Average of Average		PCA		Average of Average	
	State	Score	State	Score	State	Score	State	Score	State	Score	State	Score
1	Chhattisgarh	-0.976	Haryana	11.417	Haryana	-0.751	Haryana	11.611	Odisha	-1.129	Chhattisgarh	11.528
2	Haryana	-0.622	Chhattisgarh	10.278	Karnataka	-0.460	Karnataka	10.639	Chhattisgarh	-1.047	Odisha	11.333
3	Jharkhand	-0.407	Jharkhand	9.333	Odisha	-0.415	Chhattisgarh	9.889	M.P.	-0.278	M.P.	9.278
4	T.N.	-0.325	Uttarakhand	9.056	T.N.	-0.366	T.N.	9.611	Jharkhand	-0.260	Rajasthan	8.306
5	M.P.	-0.321	Andhra P.	8.778	Chhattisgarh	-0.308	Assam	8.639	Karnatka	-0.119	Jharkhand	8.250
6	Andhra P.	-0.233	M.P.	8.417	Assam	-0.281	Andhra P.	8.083	T.N.	-0.083	Andhra P.	7.667
7	Karnataka	-0.083	Karnataka	8.111	Andhra P.	-0.103	M.P.	7.583	Haryana	-0.042	Maharashtra	7.611
8	Maharashtra	-0.030	T.N.	8.083	Punjab	-0.097	Odisha	7.472	Andhra P.	-0.034	U.P.	7.083
9	Uttarakhand	0.038	Assam	8.056	M.P.	-0.060	Gujarat	7.194	Assam	-0.033	Assam	7.000
10	Gujarat	0.133	Maharashtra	7.306	Gujarat	-0.050	Bihar	6.361	Maharashtra	-0.012	Karnatka	6.944
11	U.P.	0.147	U.P.	5.917	Rajasthan	-0.020	Punjab	5.972	Bihar	0.016	Gujarat	6.917
12	Punjab	0.196	Gujarat	5.556	Maharashtra	0.175	Maharashtra	5.722	Uttarakhand	0.120	Uttarakhand	6.917
13	Kerala	0.240	Rajasthan	5.389	Kerala	0.326	Rajasthan	5.639	Gujarat	0.156	Haryana	6.583

Rank	2001-02				2005-06				2011-12			
	PCA		Average of Average		PCA		Average of Average		PCA		Average of Average	
	State	Score	State	Score	State	Score	State	Score	State	Score	State	Score
14	Assam	0.256	Punjab	5.361	U.P.	0.378	Uttarakhand	5.306	Rajasthan	0.206	T.N.	5.944
15	Rajasthan	0.373	Kerala	4.667	H.P.	0.559	U.P.	4.694	U.P.	0.495	Bihar	5.361
16	Odisha	0.816	Odisha	3.889	Uttarakhand	0.624	H.P.	4.417	Kerala	0.573	H.P.	5.056
17	W.B.	1.060	W.B.	2.611	W.B.	0.715	Kerala	4.167	Punjab	0.751	Punjab	3.972
18	Bihar	1.418	Bihar	2.389	Bihar	0.986	Jharkhand	4.056	H.P.	0.980	Kerala	3.556
19	H.P.	1.486	H.P.	2.250	Jharkhand	1.183	W.B.	2.500	W.B.	1.114	W.B.	2.139

Source: Own Calculations.

Due to notable and consistent improvements in deficits indicators particularly GFD, public debt as percent of GSDP considerably declined to 26.13 percent in 2011-12 from a high level of 38.29 percent in 2001-02. Encouraging changes are also evident in the case OTR collections. It recorded a rise in OTR/RE from mean score of 38.22 percent in 2001-02 to 48.15 percent in 2011-12. However, such encouraging increment is not evident in the case of ONTR/RE.

SNG-wise fiscal consolidation score and their relative ranking for 19 SNGs and for three points of time are given in Table-5. In the year 2001-02, Chhattisgarh, Haryana, Jharkhand, Andhra Pradesh, Madhya Pradesh and Karnataka found to be among the fiscally disciplined sub-national governments by both methods. On the other hand, Himachal Pradesh, Bihar, West Bengal, and Odisha are fiscally undisciplined SNGs by both methods in the same order. Moving to 2005-06, Haryana, Karnataka, Tamil Nadu and Chhattisgarh are consistently good performers by both methods. By PCA method, surprisingly Odisha made a huge jump and ranked third from the top as compared to 2001-02. However, among bottom SNGs are West Bengal, Jharkhand, Uttar Pradesh and Himachal Pradesh by both methods. Rankings of 2011-12 are a bit different from previous two points of time. Odisha happened to be among best fiscally disciplined SNGs along with Chhattisgarh, Madhya Pradesh and Jharkhand and poorly fiscally disciplined SNGs are West Bengal, Himachal Pradesh, Punjab, and Kerala by both methods.

Some surprising movements in the relative ranking of the SNGs were also observed. For instance, Jharkhand which was among the fiscally disciplined and consolidated SNGs in 2001-02 slipped to bottom in 2005-06 and then moved up again in the year 2011-12 by both methods (See Table-6 for exact number gain and loss in ranks). Odisha happened to the biggest improver during the three points of time by PCA (gain of 15 ranks) and AoA method (gain of 15 ranks).The degree of movements in ranks is high in the case of AoA than PCA. However, except Odisha no other SNG has gained continuously by any method. SNG which slipped from good category SNGs by both methods is Haryana. However, few notable contradictions in the ranking in 2011-12 were observed like Rajasthan is among good category SNGs by AoA method and among poor fiscally consolidated by PCA method. However, just reverse is the case with Tamil Nadu. Uttar Pradesh is other SNGs where such contradiction in ranking is also observed.

Table-6: Index of Fiscal Consolidation: Comparison of Rank (19 States)

State	PCA			Average of Average		
	2001-02	2005-06*	2011-12**	2001-02	2005-06*	2011-12**
Andhra P.	6	7 (-1)	8 (-1)	5	6 (-1)	6 (0)
Assam	14	6 (+8)	9 (-3)	9	5 (+4)	9 (-4)
Bihar	18	18 (0)	11 (+7)	18	10 (+8)	15 (-5)
Chhattisgarh	1	5 (-4)	2 (+3)	2	3 (-1)	1 (+2)
Gujarat	10	10 (0)	13 (-3)	12	9 (+3)	11 (-2)
Haryana	2	1 (+1)	7 (-6)	1	1 (0)	13 (-12)
H.P.	19	15 (+4)	18 (-3)	19	16 (+3)	16 (0)
Jharkhand	3	19 (-16)	4 (+15)	3	18 (-15)	5 (+13)
Karnataka	7	2 (+5)	5 (-3)	7	2 (+5)	10 (-8)
Kerala	13	13 (0)	16 (-3)	15	17 (-2)	18 (-1)
M.P.	5	9 (-4)	3 (+6)	6	7 (-1)	3 (+4)
Maharashtra	8	12 (-4)	10 (+2)	10	12 (-2)	7 (+5)
Odisha	16	3 (+13)	1 (+2)	16	8 (+8)	2 (+6)
Punjab	12	8 (+4)	17 (-9)	14	11 (+3)	17 (-6)
Rajasthan	15	11 (+4)	14 (-3)	13	13 (0)	4 (+9)
T.N.	4	4 (0)	6 (-2)	8	4 (+4)	14 (-10)
U.P.	11	14 (-3)	15 (-1)	11	15 (-4)	8 (+7)
Uttarakhand	9	16 (-7)	12 (+4)	4	14 (-10)	11 (+3)
W.B.	17	17 (0)	19 (-2)	17	19 (-2)	19 (0)

*Values in parenthesis show relative gain or loss in ranks in comparison to 2001-02.

**Values in parenthesis show relative gain or loss in ranks in comparison to 2005-06.

Source: Based on Table-5

Conclusion

In this paper, we have attempted to measure the extent of fiscal consolidation in the Indian SNGs and ranked them on the basis of their performance scores. To the best of our knowledge, the calculation of index of fiscal consolidation is the first exercise of its kind in India. The achievement in terms of fiscal consolidation has been measured through three dimensions-institutional reforms, policy implementation outcomes and quality of deficit and revenue efforts. These indicators have been taken in accordance with Indian SNGs' strategy of fiscal consolidation which mainly focuses on expenditure restraint policy. These indicators are broadly consistent with that of a wide range of studies.

To see the robustness of the results, two alternative measures of aggregation of individual indicators and dimensions have been applied in the paper. These are Principal Component Analysis and Average of Averages of Ranks. Although, there is change in relative rankings by each method of aggregation but largely results are quite stable and robust.

Ranking based on the fiscal consolidation performance of the SNGs suggests that it does not get affected by the development level of SNGs. It has been seen that many developed SNGs are among the poor fiscally consolidated and equally number of developed SNGs are among the high fiscally consolidated which means SNGs that are fiscally prudent need not to be a high growth SNG. It also signifies that fiscal consolidation has not been expansionary in the case of Indian SNGs. Expansionary fiscal consolidation had limited evidences. The Indian literature pointed out a very pertinent fact that revenue-led fiscal consolidation tends to have higher likelihood of expansionary economic effect as compared to mainly expenditure reduction approach. SNGs primarily relied on expenditure reduction approach for consolidating their fiscal health which may be the cause of poor expansionary effects (RBI 2015, 2016). Thus, our finding are in correspondence with the literature which suggests revenue-led fiscal consolidation has greater chances to bring expansionary effects and equally affected by the other factors like political party in power, political stability, initial fiscal position and nature of fiscal legislation.

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Journal of Governance and Public Policy

ISSN 2231-0924 Volume 13, No 1, January-June 2023 pp: 35-48

Forced Migration, Issues of Livelihood and Policy Response to Vulnerability of the Migrant Labourers: A Field View from Odisha

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Abstract

Balangir is one of the least developed districts of Odisha, situated in the western part of the state. Undivided Kalahandi, Balangir and Koraput districts in Odisha are together popularly known as the KBK districts, which had been infamous because of poverty, malnutrition, starvation deaths and child selling, and at the bottom of any development index. This region contributes the highest number of migrant workers to other states like Telangana, Andhra Pradesh, Tamil Nadu, Kerala and Maharashtra, and becomes the source of the stream of migrants. The poor people are forced to migrate out of the state in quest of livelihood because of the infrequent availability of work in their home state. When they could not get adequate livelihood opportunities in their locality for survival, they are left with no choice but to migrate. Migration for work is a major strategy of the underprivileged to cope up with poverty. Against this background, an attempt has been made in the paper to explore reasons, forms and patterns of forced migration and to examine the capability of the state and its policy performance in addressing the problems of the poor in general and the migrant labourers in particular in achieving the goal of inclusive development. All the raised issues have been addressed with field evidence from Balangir district of Odisha in this paper.

Keywords: Forced Migration, Livelihood, Odisha, Poverty, Vulnerability

Introduction

In the era of liberalization, migration has become an integral part of the nature of the global economy. In a general sense, migration is the movement of an individual or groups of people from their place of origin to a distant place of destination to take up better employment opportunities, better

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livelihood options, or to settle there either temporarily or permanently. These can be caused by some push factors (reasons associated with the place of origin) or by some pull factors (reasons associated with the destination). Migration may also be the result of some environmental or political reasons. Migration is both internal, happening within a country, as well as international, happening from one country to another. Internal migration occurs within the political boundary of a sovereign state, whereas international migration happens beyond that boundary. Here the paper deals with internal migration and its relationship with poverty and the responses of the state through its inclusive policies to address the vulnerability of the migrants in providing livelihood opportunities. Migration involves both the permanent and temporary (also seasonal) movement of individuals or groups across the political boundaries into new residential areas and communities (Marshall, 1998). When individuals or groups migrate from their place of origin to their destination for better employment opportunity and prosperity, it is termed as migration due to pull factors. On the contrary, population shifts that occur within a sovereign state in the form of labour migration towards the growth centre of the economy forced by the lack of livelihood opportunity at the place of origin of migration for survival is called migration due to push factors. This migration can be from rural to urban or from underdeveloped to developed areas. In this case, the emigrants are pushed by the lack of economic opportunity and adverse situations like starvation or poverty. In such a circumstance, migration becomes the coping mechanism for the poor.

Odisha is having relatively high and growing rates of labour migration and it includes seasonal and long-term migration. Balangir is one of the least developed districts of Odisha and it is situated in the western part of the state. Undivided Kalahandi, Balangir and Koraput districts are known as KBK districts infamous for poverty, malnutrition, starvation, etc. and it is placed at the last ladder of any development index in the country. This region contributes the highest number of migrant workers to other states like Telangana, Andhra Pradesh, Tamil Nadu, Kerala, Gujarat, Maharashtra and Rajasthan. The poor of these districts are forced to migrate to other states in search of livelihood because of the infrequent availability of work at their own place. They could not get adequate livelihood opportunities in their locality for survival. Migration for work is a major strategy to cope up with poverty for the underprivileged. The state's inclusive policies and strategy to address poverty and to provide them with livelihood opportunity are incapable to solve the problems of the migrant labourers and it has failed to achieve the greater goal of inclusive development.

The state's economic growth (SGDP or States Gross Domestic Product) is accelerating at 6.16 per cent (GOO, 2020). The state's commitment to planned economic development should improve the socio-economic conditions of the people in general and the disadvantaged in particular. The state must ensure equality of opportunity as well as facilitate economic and social mobility for all sections of the society. The eleventh five-year plan emphasized inclusive development with policy priority to the disadvantaged section of the population (GOI, 2008). But how inclusive the development planning of the government and the process of growth is in question. Is the outcome of the development process reaching the marginalised people? Can a booming economy end poverty and misery for the state's poorest people like the migrant labourers and the unorganized workers? Here the questions are not about growth, rather these are about the equitable distribution and about the social justice associated with it. These are some of the questions, which would be explored and examined in the light of forced migration, the issue of their livelihood and the state's policy response to address the vulnerability of migrant labourers in this paper. All the raised issues have been addressed with field evidence from Balangir district of Odisha.

Reasons of Migration: Push or Pull factors

According to the International Organization for Migration (2003), migration is the movement of individuals or groups, either across an international border or within a state. It refers to the movement of the persons or groups from one geographical location (origin) to another (destination), either on a temporary or permanent basis. Migration is a complex and recurrent phenomenon; it is difficult to capture all types of migrations in a single definition. Here the paper deals with internal migration only. There is a variation of typology of migration and it is determined by motives, purposes and patterns. Migration may be long-term for permanent settlement or for a short-term like students migrating for study, seasonal migration of labourers in search of job opportunities, etc. The reasons why people migrate may include economic, social, political, natural or environmental issues. These factors influence the migrants to decide for migration and choice of destination. These reasons can broadly be discussed under the following heads which determine the magnitude of migration, such as:

- Social Factors: Migration happening because of marriage, health services, education (students migrating for education), etc.
- Environmental factors: People migrating because of natural calamities. These environmental factors include floods, cyclones, earthquakes, climate change, droughts, etc.
- Political factors: It includes political disturbances, border conflicts, political refugees, etc.

- Economic factors: Among others, the economy is the most crucial factor which drives for migration. Economic factor plays both positive as well as negative roles in influencing migration. In terms of the positive role, better economic prosperity at a place attracts the migrants for migration in the hope of better job opportunities, better economic opportunities, to set up business establishments, etc. These factors attract the migrants from their origin to move to the destination. In terms of the negative role played by the economic condition of a place, the major reasons under this head include poor economic conditions like poverty, low wage rate, non-availability of jobs etc. These reasons force the poor to migrate for survival. In the former case, the migrants have choices and the migration is voluntary in nature, but in the latter case the migrants have no choice or have little choice and the migration is involuntary in nature. The disadvantaged people are forced to migrate from the place of their origin for survival. Lee (1966) argues that there are several reasons associated with the pull and push factors, which motivate the migrants in deciding to migrate and leave the place of origin for the destination.

Mishra (2016) distinguishes between migration in general and seasonal migration. In the case of general migration for better opportunities, this strategy is opted by both the poor and the relatively better-off sections of the rural society, whereas seasonal migration is mostly the strategy of the relatively marginalized groups only as the coping-up mechanism which is poverty-driven by nature. In this latter type of migration, the condition of the migrants differs from the affluent sections in terms of capability, socio-economic background, employment status, education and the quality of the job. In the case of long-term migration, the migrants are found to be better off and have a choice at the place of origin, but the seasonal migrants do not have a choice at their place of origin and mostly they are engaged as the low-paid, casual workers like construction workers in the urban areas, unskilled workers in the factory, etc. People belonging to disadvantaged groups with poor asset-base or no assets have greater chances of migrating seasonally. This trend of migration is done in search of livelihood for survival (Mishra and Bose, 2013).

Therefore, all types of migration can be broadly categorized as voluntary or involuntary. In the case of voluntary migration, migrants are attracted either by good job opportunities, better economic opportunities, relatively better facilities and many more of such opportunities, which appeal to the migrants and influence in deciding to migrate and have the option to choose the destination. It is termed as the pull factor of migration. But in involuntary migration, the nature and motives associated with it are just the opposite. Here the migrants have no choice, rather the poor economic condition pushes them to migrate for a living because there is no opportunity for work in their origin. This sort of migration have to be seen as forced because the poor people are bound to leave their villages when they are left with no option for survival and they migrate to places where they can get their livelihood.

Odisha is one of the least developed states with a high incidence of poverty. According to 2011-12 data, 32.59 per cent of people are living under the BPL (Below Poverty Line), about one in every three persons is under the BPL in the state (GOO, 2019: 222). The nature of poverty in Odisha has both regional and social dimensions. Western region is more prone to poverty than the Southern and Coastal reasons as shown in Table-1. Of course in the last 20 years, poverty has declined in the state as a whole; however, the spatial trend of regional patterns in the concentration of the poor is still highly persisting and the western belt is representing more poor population than the coastal and north Odisha (deHaan and Dubey, 2005; Mishra, 2009).

Table-1: Region-wise Trend in Poverty Ratio (Rural Odisha), 1987-88 to 1999-2000

S. No.	Region	Year (in%)		
		1987-88	1993-93	1999-2000
1	Southern	83.00	68.80	87.20
2	Northern	61.00	45.80	49.80
3	Coastal	48.40	45.30	31.80
	Total	55.58	48.56	48.01

Source: Human Development Report 2004, Orissa, Planning and Coordination Department GOO: Bhubaneswar, P.22.

Table-2: Social Groups Wise BPL Population, Rural Odisha, 2004-05 and 2011-12 (HCR)

Social Groups	Year (in %)	
	2004-05	2011-12
General / other	37.10	14.20
SCs	67.90	41.39
STs	84.40	63.52
Total	**60.80**	**35.69**

Source: GOO (2018). Odisha Economic Survey 2017-18, p.223.

Poverty in Odisha has a trend of both spatial, as well as social dimensions and within the regions, the Dalits and the tribals are over-represented in poverty in proportion to their population as shown in Table-2. Families moved from BPL to above in the state as a whole and the same for the general population is remarkable. It is 60.80 per cent in 2004-05 to 35.69 per cent in 2011-12 for Odisha as a whole and 37.1 per cent in 2004-05 to 14.2 per cent in 2011-12 for the general category. However, for the marginalised social groups such as Scheduled Castes and Scheduled Tribes, it did not happen in such a way and still they are overrepresented in poverty in proportion to their population. It is because of many fold reasons. Poverty among the Scheduled Castes and the tribals and the persisting inequality is embedded in the historical reasons in the state, where the dominant social groups like the upper strata always remain on the advantage side and they exclude the SCs and the tribals from the acquisition of resources, having assets and access to public goods, which reproduces poverty and inequality. Further, the unequal structural system is always working in favour of the dominant groups at the cost of the disadvantaged. There is a close link between poverty and inequality among the disadvantaged social groups (like SCs/STs, and other marginalised groups), and the structural inequalities of various kinds, including those based on land ownership, caste hierarchies, discrimination and exclusion, distribution of assets and entitlements, gender and ethnicity, etc. are yet to be addressed by the state properly to achieve equality and inclusive development (Mishra, 2016). These disadvantaged social groups have been struggling for survival and they are in search of livelihood. They are seasonally migrating out of the state while left with no option at their locality. Hence it is poverty-driven migration and poverty is pushing the disadvantaged to migrate.

Methodology

The findings of this study are primarily based on empirical research using both qualitative and quantitative methods. The purpose was to examine and understand the forced migration, its patterns, reasons and impact on the life and livelihood of the migrants and the state's policy response to their vulnerability. If migration of the labourers to go out of the state for work is forced in nature, we need to examine the livelihood opportunities available to them at their point of origin and their working conditions at the destination place, including the circumstances that persuade or force them to migrate. For the collection of primary data and information the tools used include focus group discussion and one-to-one interview through a semi-structured research schedule covering 200 migrants from four different villages (two from each panchayat) in Ghunsar and Lathor panchayats of Khaprakhol block in Balangir district. Fieldwork was conducted in July-September 2020 at their place of origin and to get information about the destination and their working condition.

The Drives of Migration from Balangir: A Field View

This sub-section deals with the field observation. To know the real scenario of migration, and its driving forces and the impact on migrant labourers, the Khoprakhol block in Balangir district was chosen for the case study. The study investigates and examines the push factors of migration, working condition of the migrants at the place of their destination, the remittance, etc.

Balangir is one of the poorest districts in Odisha and more than 67 per cent of the rural families are BPL category (GOO: 2017). Khaprakhol block is located in the western part of the district. There is no accurate data available about the migrant labourers in the district. It is because the state is neither maintaining such type of updated data nor regulating labour migration in a real sense. Most of the cases of migration are not reported and only a handful are being reported, which are registered in the district labour office. The informal estimation of the civil society organisations (working in the state) is available only on brick kiln labour migration (out of the district) to different states like Telangana, Andhra Pradesh, Uttar Pradesh, etc., which is more than lakhs per year. Each year the poor people of the region are driven out of their villages by desperate hunger and debt for a duration between six to eight months. This migration happens due to extreme poor condition of the people as a coping mechanism against poverty to survive.

Social Profile of the Migrants

Field data reveal that the seasonal migrant households of the studied region belong to the lower social strata of the society,and the landless and marginal farmers with small pieces of land, which are not enough to support the living in their place of origin. Out of the total respondents, 65 per cent are Dalits, 24 per cent tribals and the rest belong to the Other Backward Castes (OBC) category. It implies that the lower the social hierarchical status of a person in terms of the social structure, the lower his economic condition is, as seen also elsewhere in the state the more likely he is to migrate. This is because of the structural inequalities due to caste and class domination in the area, which is embedded with resource distribution and control of entitlements resulting in discrimination, exclusion and poverty. Therefore, SCs and tribals are more prone to migration, as their proportion in BPL is much more than the others and they are also having a higher share among the seasonal migrants. The majority of the samples under study belongs to the BPL family (94 per cent) and the rest of them are not in the BPL, though they are deserving to be included in the BPL category as per the set criteria and their condition is not much different from the BPL families and they are poor as observed in the field. It shows that there is a high degree of exclusion in terms of the enumeration of households in the BPL list. Many poor families like them have been excluded from the BPL list and because of the exclusion, they are not entitled to many services provided by the government to the BPL families. The study also found that many children in the age group of 6 to 14 years are migrating along with their families.

Migrating out of Poverty

Odisha is a state based on a rural economy and much of its population (83.32 per cent) resides in the rural areas(Census, 2011), where agriculture forms the mainstay of the economy driving incomes for living. More than 90 per cent of the workforce is engaged in the informal sector. The local rural economy cannot retain them throughout the year because there is no such job opportunity in this region as it is an agriculture-based economy and industrialization and urbanization have not taken place as such. Furthermore, the agricultural economy is also declining as this is a non-irrigated area with small landholdings by marginalised farmers. Failure of crop has been a recurrent phenomenon in this belt due to drought and non-irrigation, which produces joblessness and the growing labour force is not able to be accommodated to get adequate job opportunities in the locality. Therefore, it pushes the labourers to go out of the region in search of livelihood. The disadvantaged sections of the population have no other option in their locality but to migrate elsewhere in search of livelihood, where they can earn their bread to fill their stomach and remit some saving to their homes.

Various socio-economic factors compel the poor persons to migrate, which is extremely involuntary by nature and migration takes place without their wish when the poor are left with no option for survival. This indicates extreme economic and often social hardships and such migration is undertaken mostly by the poor: BPL families, landless and marginal farmers, and semi-skilled and unskilled illiterate manual labourers. Here migration is integral to the lives of the poor as a coping and survival mechanism and livelihood strategy.

As observed in the field, the factors driving the people for migration can be categorized into two types including both long-term and short-term reasons. The long term reasons include the worsening situation of dryland agriculture created by drought and crop failure producing agrarian crises and distress, non-development of the industrial sector and the service sector etc. As this is an underdeveloped and rural belt and structural inequality exists in the form of accumulation of property by few at the cost of many (SCs and tribals), exclusion and discrimination and unequal distribution of resources and entitlement, etc.

The short-term reasons or the immediate reasons which compel the poor for migration are debt, their destitute and precarious socio-economic condition, non-availability of adequate livelihood opportunity etc. Taking advantage of this condition and turning it into an opportunity, the middlemen exploit the poor by luring them by giving loan in advance with a high interest rate. This results is that the poor get trapped in debt. In the name of debt recovery, the poor are exploited as much as possible by the labour contractors. The vicious cycle of poverty reproduces poverty and the poor choose the route of migration when left with no other option even if they are aware of its hardship. The above-mentioned reasons push the poorest people to migrate for survival.

Destination of the Migrants and the Work they Do

Balangir district is a migration-prone zone, and out-migration is very high in the district. The district provides migrant labourers to other states like Telangana, Andhra Pradesh, Tamil Nadu, Kerala, Rajasthan, Chhattisgarh, etc. and this has created a stream of migrant labourers. Out of the total respondents, more than 65 per cent responded that they migrated to Telangana and Andhra Pradesh to work in brick kilns through the middlemen. They usually start out-migration any time in between October-December and return next year in June-July after working in the destination place roughly for seven to eight months. Those who are migrated to other states like Kerala, Tamil Nadu, Rajasthan, and Chhattisgarh, mostly engage in manual labour work in the informal sector working as construction workers, labour in the industry, security guards and even rickshaw pullers to earn their livelihood.

Impact of Migration: Vulnerability of Migrant Workers

Generally, vulnerability in the social science perspective is considered as a person's inability to cope up with the various socio-economic factors that arise in society. It is concerned with the exposure to risk, shocks and lack of coping capabilities. Put in a different way, vulnerability implies some risks combined with the level of socio-economic liability, and the ability to cope with the resulting events (Proag, 2014). Hence people become vulnerable if access to resources for living becomes the most critical factor in achieving a secure life and livelihood such as job opportunity, source of earning, access to job market, etc. The effect of vulnerability vary from person to person and all are not equally affected. The most vulnerable people are the poorest, who have no choice or have little choice *(Ibid)*. Therefore, differences in socio-economic vulnerability can often be linked to differences in a person's socioeconomic status, where a person with low socio-economic status means he/she is more vulnerable than others (Cutter et al. 2003).

The migrant labourers are facing multiple vulnerabilities both at their point of origin and destination. The vicious cycle of poverty coupled with the unavailability of livelihood opportunity pushes them to migrate and because of migration, they face multiple problems at the destination place too. Undoubtedly due to migration and the resulting remittance, the families of the poor migrants temporarily relieve themselves from hunger, starvation and be able to repay debt partially, but they could not get out of the debt trap and the vicious cycle of poverty continuos permanently. The impact of migration and the vulnerability on their lives is not limited to the economy only, it goes beyond the economic aspect and spreads into the social, psychological, cognitive and such other aspects of their life. These other aspects can be discussed under such following heads as the issue of gender and vulnerability of the women, children's education and child labour, right to health, right to food and human rights.

Most of the seasonal labourers under this study migrate with their family members, which includes school-going children. It caused several adverse effects for the migrants and their families. Those among the labourers who migrate for brick kiln work, their women and young daughters are targeted by the labour contractors and the agents. The contractors and the agents abuse, molest and sexually exploit them and often such crimes are not reported because of social stigma. The migrant labourers live like bonded labour and slaves as they are at the receiving end. Further, they cannot raise their voice against the owners and contractors and they tolerate all types of exploitations.

A majority of the migrant labourers take their children of the school-going age group, along with them as they do not have any option to leave the children behind. When the children move with their parents to the workplace, the children are also engaged in work. At the school-going age, the children are supposed to be in the school for study, but that could not happen to them and the situation forces them to become labourers. This process pushes them out of school and their education is discontinued. Hence, there is a high rate of school dropout children in this region. Further, it potentially contributes to the increasing number of child labour, and children discontinuing their education. This further transmits poverty across generations, and poverty re-produces poverty further and the poor are forced to remain in the vicious cycle of the poverty trap (de Han, 2011).

Field observation reveals that most of the brick kiln workers live in an unhygienic environment at their destination. They do not have access to safe drinking water, bathing water facility, toilet and any other types of bare minimum human requirements. They drink the water which is used in making bricks in the brick kiln, and they are not provided with shelters suitable for human habitation. They attend to the call of nature under the open sky, which creates a fertile ground for many diseases. Pregnant women and children are not able to get the necessary vaccines, and they do not have access to health care facilities. The right to food is a basic human right as well as a fundamental right under Article 21 (Right to life) of the constitution of India. Right to life does not mean simply being able to breathe, rather it implies a dignified life and when one is struggling to fill his/her stomach, it is quite impossible to lead a healthy and decent life. The Food Security Act 2013 further states about the right to food. However, the labourers struggle hard throughout the day just to manage to get their two square meals every day. The contractors give them a limited daily amount of remuneration for the work they do. The labourers manage the food of the family with that money. They are forced to somehow manage their daily expenditure out of that money, which becomes difficult for them to do even after restricting their needs. It is revealed during the focus group discussions that they were not able to access the market to buy quality food because the contractors do not give them enough money as food allowances. Hence it compels them to cut their expenses on food and put on hold their desire to have sufficient food. Furthermore, they are not entitled to have ration under the Food Security Act 2013, at the destination place and some times they also lose their entitlement at their place of origin because of long absence from the village. Therefore, it should be the state's responsibility to ensure food security in terms of quality and quantity of food to the poor workers, which is their entitled right. In their place of origin, because of their poor condition, the poor go to the money-lenders to borrow money at high-interest rate to manage the expenditure of family marriage, sickness or any other such family requirements. Vulnerability breeds further vulnerability and leads inevitably to debt. To pay back the debt they have to migrate in search of work despite knowing the hardships of life at the place of destination.

Severe human rights violation is encountered in the field, which the migrants are facing at the hands of the contractors, owners and agents. They are subjected to misbehaviour, abuse, kidnapping, sexual exploitation, rape, forced mortgaging and forcible detention to work as bonded labour, etc. Labourers are not getting their due wages and they are forced to live in unhygienic and inhuman conditions with fear of the contractors. Even they cannot move out of the workplace either to return to their place of origin or elsewhere without due permission of the contractors and owners of the brick kilns. There is a reported case of a contractor who chopped off the hands of two bonded labourers when they wanted to escape from the clutches of the labour mafia and the contractor. This is not an isolated incident, many more such incidents are not even reported and such cases are not coming to the public domain (Nayak, 2014). This is the plight of the migrant labourers who migrate to work in the brick kilns in Telangana, Andhra Pradesh, etc. However, migrants to other sectors are also facing many such problems like extra-economic exploitation by their employers, and they are staying in unhygienic condition. They are struggling for survival at a distant place under the mercy of the exploitative contractors and owners of the workplace.

Those members of the migrant's family, like the old members, who are left behind in the village, face serious problems back home. They are not attended at the time of their illness, and they have to suffer from emotional isolation. They do not get things of their basic necessity.

State's Policy Response to the Issue of Vulnerability of the Migrants

The basic indicator of employment is the proportion of the working-age population who are employed. The working-age (15-59 years) population of the state is estimated as 25.8 million in 2011 and is growing at 2 per cent annually (GOO, 2020). Providing adequate employment opportunities to the rising workforce population is, of course, a challenge before the government, of Odisha. But it could be handled with care and success if the government would have a positive intention to address the issue on a priority basis. Policy to promote the faster expansion of labour-oriented industries in the service and industry sector is highly needed for providing greater job opportunities with decent remuneration, which can provide livelihood to the skilled, unskilled and semi-skilled youth of the working-age group. But it is lacking in the area. The government's effort to create employment opportunities and improving the employability of the youth is not substantively visible in the state so far. Due to the unavailability of work opportunity in the locality, the poor people leave their villages in search of livelihood in other states when they become option-less.

The flagship schemes of the government such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), National Food Security Act 2013, the Integrated Action Plan, special KBK plans, national rural livelihood mission and other social safety allowances have not been able to provide adequate livelihood support to improve the economic condition of the poor *Dadan*[1] labourers of this region. Delay in payment and unavailability of 100 days of work under MGNREGA are the faults cited by the respondents (*The Hindu*, 2016). The government schemes are unable to address the problem of the distressed labourers and the distress compels them to leave their villages in quest of livelihood. The government's seasonal hostel scheme, which is attached with the mass education programme to take care of the school-going children of the migrants is also not working properly and most of the parents do not prefer to put their children in the designed hostels. Rather, they take their children along with them. State interventions in terms of policy measures are not so effective to address the *Dadan* problem and retain them in the locality. It underlines the failure of the developmental state in addressing distress-induced migration in Balangir district. It is the evidence of development deficit and state incapability to address the issues effectively and the outcomes are exclusion, marginalization, accentuating inequality and unable to achieve the goal of inclusive development as proposed in the Eleventh five year plan. If the state would have implemented the aforesaid schemes properly along with the proper execution of labour law, there was a possibility to address the problem of migration of the poor labourers in a more effective manner.

Conclusion

Labour out-migration in Balangir district is not taking place out of the choice of the poor labourers. The poor people belong to the socially marginalized communities, and the marginal farmers who belong to the BPL category. They do not get adequate livelihood opportunity in the locality for their survival, and poverty and distress push them to migrate. This is the crises-driven migration, and the poor are migrating because of poverty, desperation, lack of work opportunity and indebtedness. These socio-economic factors compel the poor people to migrate, which is extremely involuntary by nature with no option for survival. Structural inequality coupled with underdevelopment of the region is the factors that are responsible for the distress of the poor. From the remittance of the poor migrants, their families get temporary relief from hunger, starvation and they are able to repay the debt partially. However, they could not get out of the debt trap and the vicious cycle of poverty continues permanently. Migration has negatively impacted a lot in the life and livelihood of the migrants in the long run. The impact of migration and the vulnerability in their lives is not limited to the economy only, it is beyond the economy and it extends to their social, psychological and cognitive well-being. Migration creates hurdles and it pushes the migrants' children out of school. As a result, it compels a child to become child labour. The entire process traps them in the vicious cycle of poverty and they could not get out of the poverty trap permanently. Government interventions through its policy measures like MGNREGA, food security Act, etc. are inadequate to address the problems of the migrants and to provide them alternative livelihood opportunities because of the ineffective implementation of these programmes in the affected areas for the concerned poor people. The state's nominal inclusive policies and the strategy to address poverty and to provide the poor with livelihood opportunity have failed to solve the problem of the migrant labourers. Such policy measures have not succeeded to achieve the goal of inclusive development. To solve this severe problem, the state is needed to address these issues of the migrants both in letter and spirit. The concerned programmes must be implemented properly on an urgent basis to ensure that the target groups are benefitted out of them. If immediate proactive action will be undertaken by the state, then only the policy measures will be able to address the problems of the poorest of the region, which needs strong political will and commitment in the part of the government.

(Endnotes)

1 Dadan - labour work at distant place on partial advance payment to inter-state migrant labour.

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Journal of Governance and Public Policy

ISSN 2231-0924 Volume 13, No 1, January-June 2023 pp: 49-71

Urban Public Finance in India: A Review of the Literature

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Abstract

India has been urbanizing rapidly in the past several decades and cities have become important not only demographic terms but also in economic terms. The rising levels of urbanization calls for providing civic infrastructure services to the population and firms, which requires sound financial condition of the urban local governments that provide such civic services. Urban public finance concerns with the study of the finances of urban local governments with reference to their fiscal condition, financial status, available resources, inter-government relations, decentralization and so on. This paper reviews the literature concerning urban public finance, primarily in the Indian context, by identifying, classifying and performing detailed analysis of it. The implications of literature review with reference to the types of research methods and themes that have been under explored is laid down towards the end for future research.

Keywords: Decentralization, Financial Resources, Fiscal Federalism, Service Delivery, Sources of Finance, Urban Local Governments

Introduction

India has been undergoing rapid urbanization in the last few decades, consistent with the world-wide phenomenon. Census (2011) had estimated the population share of urban areas at 32 per cent, which would have well surpassed 40 per cent by now and it is estimated to become 50 per cent by 2035, following such similar trends across the globe. While urbanization is essential for transforming the economy into a modern and broad based one with employment opportunities, it also brings in the challenges of providing basic services like water, sanitation, roads, waste management and energy for the urban households. The subject matter of urban public finance (or, municipal finance or finances of urban local government) concerns with the provision of these services using the financial resources within and outside the local government budgets and development planning. This paper is an

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attempt to understand the current structure of financing urban local bodies (or, urban public finance) and major issues concerning it.

For understanding the structure and issues of urban public finance, a review of literature is performed so that the existing studies would point to the major concerning issues, approaches and throw some lights on the underlying problems. The review of literature on urban public finance is organised and presented in this paper on the following research themes. The suitable articles for literature review were found after searching for relevant articles using online repository sources (JSTOR, OPAC) as well as offline sources and the select articles were short-listed for detailed review. The literature is presented in detail (more, as summaries) in the next section under the following broad themes:

- Urban Finance Overview provides overview, status and directions for policy/reform
- Analysis of Budgets is a means of assessing finances within budgetary framework
- Decentralization is an important process that leads to autonomy to local government
- Urban Public Services form an integral component of urban government responsibility
- Own Revenue Sources are the tax and non-tax resources of urban local government
- Inter-Government Transfers are constitutional measures of equalization as grants
- Alternate Sources of Finance resources of urban bodies outside budgetary framework
- Accessing Capital Markets tapping market borrowing in the form of municipal bonds

Review of Urban Public Finance Literature in India

Urban Finance Overview

Bandyopadhyay (2014) reviews the main problems of municipal finances in India and the challenges faced by them with reference to revenue generation and expenditure management. The paper begins with the rising importance of urban areas and urbanization in India – in terms of population growth, share of economic activities and rising number of towns. It also cites the past studies that estimated urban investment requirements in the backdrop of low revenue importance of municipal bodies.

The paper then ventures into revenue resources of the ULBs in India with a focus on own revenue sources. Property tax is the main stay of tax revenue resources of ULBs in India, yet, several of them are not in a position to harness it due to somewhat outdated methods of valuation and lack of frequent revision of tax base. More transparent taxation systems such as those based on 'self-assessment' can give better outcomes of gains in property tax collections. She also emphasizes on the need for improving collection efficiency and increasing coverage so that the potential of property tax revenue can be fully utilized. Reforming Octroi is also required.

The paper also highlights the non-tapping of the potential of non-tax sources like user charges, license fees, water and sewerage levies/charges etc. Theoretically, they are efficient as they signal the costs of services and bring the balance of these costs with pricing for the benefits received. Although there is a lot of potential for realizing income from this source so as to meet the revenue expenditure, there are several practical difficulties in taking forward this reform in Indian cities. The paper also notes that the pricing of services itself is not completely done so as to capture the various associated costs – both direct and indirect.

The role of inter-government transfers is not discussed in detail but the role played by the Finance Commissions at Central and State levels has been discussed, primarily noting the failure of working at the State level. Municipal borrowing was discussed in terms of (i) market borrowing through intermediaries like Urban Development Funds (ii) special purpose vehicles like Pooled Funds and (iii) accessing capital markets through Municipal Bonds.

As far as the municipal expenditure side, the paper notes the rising fiscal gap, measured as the difference between expenditure needs and revenue capacities. The revenue capacity has been on the rise much more slowly when compared to the expenditure needs – sometimes this gap is very high in some of the services like water supply and sewerage. As a result, the fiscal health of the ULBs has been on progressive decline and yet there are several problems in terms of both methodologies and data availability to assess and monitor it continuously.

Rao and Bird (2010) examine urban governance and finance in India at a broader level of addressing the challenges of urbanization and service delivery focusing on the current systems of urban governance (transparency, accountability and participation) and finances (resources available to municipal bodies). The paper begins with the rise of Indian cities as dynamic centres of economy that require good urban governance, public service delivery and appropriate level as well as structure of finances for meeting the obligations.

The authors then visit 'fiscal federalism theory' dealing with efficiency, equity and accountability in public service delivery. While the first generation of theory focused on the competition between multiple local governments giving rise to efficiency as laid down by Tiebout (1956), the second generation of theory focused on the agents maximizing their own welfare (thus principal agent models) and third generation theory approaches it from political economy that determines the outcomes of it (therefore, competitive federalism). The authors also discuss the role of inter-government transfers from both optimistic and pessimistic viewpoints and suggest that the right structure and design of them hold a lot of importance in the effectiveness.

The authors then examine the models of governance comprising: (i) Unitary or one-tier model (ii) Two-tier model (iii) Voluntary cooperation model (iv) Specialised agencies in metropolitan areas. Then, they discuss the structure of governance laid down by the CAA 1992. Later, the authors also discuss the role of local governments in terms of (i) functional domain (ii) expenditure assignment (iii) public financial management. The authors then turn to the own revenue sources of local government – local taxes and user charges – and note that their potential is not fully utilised. They use a lot of empirical studies show where the improvements are demonstrated and how they can be attempted in other cities.

The authors also discuss the role of intergovernmental transfers in terms of provision made for the devolution of grants as (a) general grants and (b) special grants. Finally, the authors also spend the space to discuss the financing of urban infrastructure under the broad categories of (i) borrowing (ii) development charges (iii) land leasing/sale (iv) public-private partnerships. In the concluding section, the authors note the importance of urban governance and finance in the overall economic development by influencing the infrastructure and other services provided to citizens. They outline the need for reforming urban service delivery and improving urban governance system in order to achieve the above objective by designing appropriate governance structures, defining/clarifying functional domain, augmenting revenue resources and utilizing alternative innovative methods of raising resources.

Mehta and Mehta (2010) are concerned about the progress made with regard to urban development in India during the two decades of 1990-2010. The authors begin with the note that JNNURM has thus far been the largest investment and reform programme in urban development in India. Although 74th CAA attempted to bring in a lot of institutional changes in the governance of ULBs, many of them were given only lip service by them. The finances of the ULBs remained poor due to stagnant tax revenues and poor cost recovery of services (in fact, pricing and costs were not linked at all). Decentralisation did not happen to the extent needed.

In this context and the emerging scenario of economic liberalization, the reforms in urban infrastructure services were much needed and private sector participation through PPPs was becoming an established model to augment service delivery in Indian cities. They note that the JNNURM came in to provide reform linked investments into urban infrastructure services, which ‘crowded out’ private investment inflows. They note that even after JNNURM the coverage of urban infrastructure services continues to remain poor and the dependency of ULBs increased.

Mathur (2006) is a comprehensive paper that gives a good understanding of the status of urban finance in India and emerging approaches towards its improvement. The paper begins with the sweeping changes brought out by the 74th CAA 1992 through the establishment of Central and State Finance Commissions for devolution of funds to ULBs, while also expanding function list. The municipal taxation powers are also discussed along the inter-government transfers. The author notes that the size of local governments is small in India in terms of share in combined revenues and the size of economy.

Using an inter-state data on municipal finances i.e., finances of ULBs in the States of India, the paper makes an analysis of municipal revenue as on 2001 in terms of own revenue size, per capita own revenue size, growth and share in GSDP. This is compared to the Zakaria Committee norms of investment required in the provision of services. Subsequently, the role of transfers is assessed at inter-state level in terms of size, growth and per capita amount. The expenditure performance is also assessed on the similar terms. Subsequently, the paper dwells upon reason for differential performance and underlying factors of it.

Later, the role of capital markets and the attempts of the ULBs to access it have been analysed. The revenue augmentation efforts of some ULBs like Indore have been highlighted along with the accessing market funds through floatation of municipal bonds. The role played by the new financial mechanisms like development funds and pooled funds has also been detailed out. The performance of SFCs and the devolution criteria used by the X, XI and XII CFCs has also been discussed. The paper concludes with the hopes raised by the JNNURM programme towards raising fiscal base, reforming ULBs and spending on urban infrastructure services under it.

Budget Analysis

Mohanty et al (2007) is considered as one of the comprehensive study on the municipal finance in India in the recent times. It used the financial data from municipal budgets to arrive at the results and conclusions. The report begins with an introduction that lays down the economic importance of cities and urban finance in India with specific reference to investment requirements. The next chapter reviews fiscal federalism theory and practice through studies carried out in international context; it also lays downs current study approach. The legal and institutional framework of the ULBs in India is explained in next chapter.

Using the budgetary data from a sample of 35 ULBs in India (cities of million-plus population), the study involved a cross sectional analysis and assessment of financial performance of ULBs. The structure and trends of municipal revenue and expenditure of the ULBs are analysed first to differentiate their performance on those counts. Subsequently, an assessment has been made of their approach based on both standard and normative frameworks. This assessment was made with reference to fiscal gap (both revenue and fiscal balance) and expenditure. In the normative approach, the under-spending on civic services is linked to decentralization, dependency and quality of expenditure. The debt performance assessment was also made.

Subsequently, the report estimates the infrastructure investments for providing basic civic amenities as well as other civic amenities by extrapolating the costs of providing such services. Finally, the various reform measures needed to improve municipal finance have been laid down in terms of measures to augment tax revenues, measures to improve non-tax revenue, addressing revenue and expenditure imbalances, inter-government transfers, utilization of PPPs, improving expenditure and disclosure of it. The report also lays down formats for reporting of the finances of ULBs in a regular manner for a better analysis and decision making.

Sekhar and Bidarkar (1999) is one of the first few publications concerning municipal finance in India. This is a comparative study on the finances of five major Indian cities – Ahmedabad, Bangalore, Chennai, Mumbai and Pune. The authors attempt to address several research questions using the data from municipal budget documents from the above sample of cities. They present the findings in terms of revenue and expenditure performance.

On revenue side, they examined (i) distribution of revenue (in terms of the share of own revenue and revenue from other sources) (ii) trend in actual revenue (or, realized revenue) during 1990-1996 (iii) composition of actual revenue income (in terms of shares of own tax revenue, non-tax revenue, grants and others) (iv) trends in some revenue sources – property tax and octroi.

On expenditure side, they examined: (i) trends in actual revenue expenditure (ii) composition of actual revenue expenditure (in terms of the share of administration expenses, education and related expenses, public health, loans/debt, grants and subsidy contribution, energy expenses, public works and others) (iii) composition of expenditure in some sectors – health and education (in terms of expenditure share of administration, salary and other expenses, operating expenses, equipment, grants to public institutions and others) (iv) trends in capital expenditure.

The authors note that some cities (Ahmedabad and Chennai) did better than others in improving their resources and there is a scope for augmenting revenue in other cities given its high variability among them. They note that the capital expenditure of Bangalore was growing at a small pace (2%) when much larger expenditure was required for providing infrastructure services to attract investments. They also call for reviewing expenditure allocation mechanism and several means of reducing expenses by reforming service delivery. The authors also note divergence between estimated and actual figures of revenue and expenditure.

The authors also make a comparison of revenue effort (per capita revenue) and expenditure performance (per capita expenditure) among the sample cities. Towards the end, the authors note the need for improving the budgetary process in terms of: improving the budget document, reducing the difference of actual and estimate of revenue and expenditure, introducing public participation in budget making, improving budget planning and management, and improving the overall management of financial resources and operations.

Bhargava (1969) is perhaps one of the older era research studies concerning municipal finance in India. The paper begins with examining the trends in municipal expenditure size and growth in Rajasthan, which compares well with all other India. It subsequently dwells on expenditure patterns of municipalities in Rajasthan in terms of spending on (i) general administration (ii) public health and conveniences (iii) public works (iv) public instruction (v) public safety and (vi) extraordinary debt. It notes that the expenditure structure remained same in spite of the growth.

The paper then makes a comparison of the expenditure of municipalities in Rajasthan vis-à-vis other Indian States by ranking in terms of (i) average municipal expenditure (ii) per capita municipal expenditure (iii) aggregate municipal expenditure. It also compares with the expenditure performance of Rajasthan on the above parameters with those based on Zakaria Committee norms for 1960-61 and notes that the spending is below required. The study seeks to step up own revenue by levying taxes and improving tax collection.

Urban Public Services

The Study by Sridhar et al (2006) is one of the few studies that examined the costs of urban services. Costing of services is an important area when service provision demands are rising in Indian cities, which are experiencing rapid population growth. Therefore, the authors examine the provision of infrastructure in India's urban areas by examining the costs of providing these services, an issue ignored until now. The authors use time-series data over 1991-92 upto 2003-04 and cross-sectional data on the actual capital and operating expenditures incurred by six of India's major cities – Bangalore, Lucknow, Pune, Surat, Chandigarh and Jaipur. Data were gathered using multiple sources - field visits, discussions, budgets and other documents. The authors construct a demand function first by developing an expenditure function in terms of parameters like costs (topography, weather and input prices), preferences (income, revenue base and education) and inefficiency (volume of service, leakages and PPP).

The study objective is to estimate the marginal cost of providing water supply. When the low-spending cities are excluded, the authors find that the supply of every additional kilo litre of water supply imposes an extra burden on the cities ranging from \$0.06 to \$0.11, as marginal operating costs. This, while being lower than the evidence from the literature, of course excludes the capacity costs of creating assets such as civil works and plant/ equipment needed to supply water. Even based on these short-run marginal cost estimates, the author find some Indian cities such as Jaipur and Pune are under-charging their water. As far as the other services are concerned, cities' per capita expenditures on basic services such as toilets (let alone street lights) appear to be abysmally low, let alone adequate in any sense to meet the demands of an increasing population. Further, spending alone is not sufficient, since operations and maintenance expenditures might just mean increased salaries without improving service levels. So the authors find weak municipal finances might still be the core of the issue.

Sridhar (2007) examines the status of urban public services and their financing through a case study of Ludhiana Municipal Corporation in Punjab. The paper begins with the economic importance of urban infrastructure services in terms of making a city as an attractive location for investment, which generates employment and promotes economic growth. The major research questions posed include: whether urban services reform was required by judging in comparison with national benchmarks? Is there any relationship between city's financial performance and service delivery? What are the bottlenecks to reforms? What are the triggers for reforms in service delivery? Accordingly, hypotheses were formed about the importance of finances in service delivery and institutional arrangements impact service delivery outcomes.

The author attempts to establish the need for service delivery reform based on (a) the current status of water supply and sewerage vis-à-vis national benchmark (b) systemic inefficiencies leading to high non-revenue water (c) long term irreversibility of groundwater contamination. The author notes that water supply service covers only 60% of the population and metering was done to measure consumption. The service level of 98 lpcd is much lower than BIS norm of 135 lpcd or Zakaria norm of 150 lpcd. The sewerage connection of 55% population and storm water drainage coverage of 10% population were much lower than Zakaria norm of 100% coverage.

It notes that revenue expenditure forms the bulk of expenditure on water and sewerage (75%) leaving little room for capital expansion. Committed spending (establishment and debt servicing) form the share of 33%, leaving the remaining for discretionary spending (O&M expenses, electricity and capital works) but much of this is on repair of old pipelines. The production cost of water was Rs 2.06 per kilo litre but the revenue income was 0.92 per kilo litre, reflecting a huge gap that user charge is not recovering. In the case of sewerage, the corporation was not able to recover even one-third of revenue expenditure.

The paper then turns to city finances. As the State Government grants were on decline, the Ludhiana Municipal Corporation had to dependent upon its own sources with Octroi forming the bulk of it ($2/3^{rd}$ of the income). As the committed expenditure does not show any room for improvement, especially in the creation of new infrastructure, there was a need for reform. The author discusses the bottlenecks to reform measures under – institutional arrangement, lack of capacity, inability to increase user charges for service, lack of planning as well as public participation. The author finds the trigger in reform coming from the abolition of Octroi, which will lead to loss of major revenue source, even if compensated, the compensation will not be buoyant. Therefore, the need for private sector participation in distribution and maintenance.

Kundu, Bagchi and Kundu (1999) is perhaps an older study that examined the status of urban basic amenities and the institutional aspects of their provision while also examining the role that the capital markets can play in the development of urban infrastructure services. The paper begins with the context of constraints in which urban local governments operate, when the State governments retreated on providing urban infrastructure services. Using the Census and NSSO data, the authors first analyse the status of urban infrastructure service coverage among Indian states. They note that the shortage of service coverage was noteworthy in several states when it came to water, sanitation, power and shelter. In particular, they point to the contrast between Northern and Southern States, which reflects such divide even on economic development.

The authors then review the current structure of financing the ULBs in India, which was predominantly by HUDCO and LIC loans. Some innovations did exist such as ILFS funding the ULBs in Tamil Nadu and USAID FIRE (D) programme reaching few target ULBs. They note that the current institutional finance is not adequate to meet even current challenges and will not surely meet future infrastructure requirements. Therefore, the financial intermediation can take two different routes: municipal bonds and development funds. They were critical about the municipal bonds, which can only be floated by large municipal bodies and the rating of bonds does not follow any objective criterion.

The authors then turn to the financial position of various classes of municipal bodies and note that the large municipal bodies are in a position to undertake large projects while accessing capital markets through municipal bonds whereas small and medium municipal bodies are not at all in a condition to access markets and have high dependency on grants. Given the debt service and investor return obligations associated with bonds and development funds, the authors warn against using them to improve urban basic services. The authors conclude with current pattern of development working against the poor sections as well as poor ULBs. Therefore, they seek some major institutional reforms to address this underlying issue.

Decentralisation

Murthy and Mahim (2016) review the course of decentralization in India in the past several decades based on a wide range of secondary data - published study reports, policy documents, acts/legislations, working papers, review papers and empirical studies. The analysis presented is qualitative and it is brought out in the argument under various themes concerning the main subject. The paper begins with the 74th Constitutional Amendment Act (1992) as an important milestone (or, watershed) in the decentralization history of independent India. The authors describe decentralization theory as 'the preference for decision making lower levels of government', which is based on the 'subsidiarity principle' of delegating the functions that can be performed at lower level to lower level of government. They also discuss advantages associated with it in terms of efficiency, accountability and participation; they also discuss the major forms of decentralization – political, administrative and fiscal decentralization.

The authors discuss the initial impediments to decentralization process in India, especially political decentralization - both of central to state and state to local governments. Then the discussion moves to JNNURM, the recent urban renewal programme of Central government aimed at providing financial support to urban local government for improving urban services. JNNURM also has an important element of reforms aimed at decentralization of power, functions and finances to urban local governments. The authors subsequently discuss the impediments to decentralization in terms of: (i) incomplete decentralization process (political, administrative and financial) (ii) top-down approach towards it (iii) relative weakness of local governance structures. The authors hope that these may be corrected in the next stage of urban renewal envisaged through 'smart cities' programme.

Bagchi and Chattopadhyay (2004) examine the impact of decentralization on the financing of urban basic services in India at State level. The authors begin with historical progress of decentralization in India that culminated in 74th Constitutional Amendment Act (CAA), 1992. The authors examine the shifts in the financing of urban services before and after the CAA 1992. They first detail out conceptual and measurement issues of decentralization and construct a set of State Level Decentralization Indices to show the position of the States with reference to the progress made on decentralization.

Subsequently, they analyse the changing pattern of urban finance in terms of: (i) trends in State government expenditure on urban services like water, drainage and sewerage, (ii) growth of State government expenditure before and after decentralization (iii) changing pattern of expenditure funding with the role played by HUDCO Loans and external assistance. Finally, they develop a bi-variate model to test whether decentralization (which was measured as composite index of revenue and expenditure decentralization) led to a rise in expenditure on urban services. Based on the results, they conclude that decentralization holds a key to explain the State level spending on urban services.

Kulipossa (2004) attempts to review decentralization in theory and practice and draws some implications of it. Based on the review of theory, he lays down that decentralization offers potential benefits such as political education and leadership, political stability and equality, accountability, responsiveness, improved decision making, inter-organisational coordination and promotion of competition. These benefits get subsumed into values that can be grouped under (i) Political values (ii) Governance values and (iii) Efficiency values.

However, decentralization also poses some problems such as intensification of secession / ethnic identities, political instability, inter-regional disparities, local elite power capture, macro-economic instability due to budget deficits, fiscal irresponsibility and local government indebtedness. Therefore, it is argued that centralization also has some potential benefits (mainly economic) such as allocation and (re) distribution of resources, control of overall demand, regulation and protection of property and consumer rights, macro-economic stability through fiscal and monetary policies to control inflation, employment, forex reserves and financial flows.

Decentralisation in practice is very different from theory. It needs some pre-conditions such as political will, legal framework, political system, resources to local government and competitive politics, for achieving success. However, even after the favourable conditions present, it failed in some of the countries like Argentina, Brazil, Ethiopia, Philippines, South Africa, Uganda and Zimbabwe. Even in India, decentralization has been successful in few states like Kerala and Karnataka rather than everywhere.

The author concludes that despite the potential benefits of decentralization in theory, the practice suggests that there is a great variation in success or failure of decentralization. Decentralisation need not always foster participation and democracy; rather, the prevalence of participatory governance and democracy may lead to its potential success. However, the author also notes the need for more research on the direction of causality.

Lalvani (2002) makes an attempt to test whether decentralization of government leads to a non-realisation of potential revenue due to leviathan and collusion effects. Leviathan effect hypotheses that total government intrusion into the economy should be smaller when taxes and expenditure are decentralized. A caveat to the Leviathan hypothesis is the Collusion hypothesis, which suggests that the disciplining impact of decentralization can be nullified if revenue decentralization does not keep pace with expenditure decentralization and if there is an increase dependence on intergovernmental grants.

The author first measures the association over a period of 1991-98 between (i) income decentralization (ratio of income receipts of local governments to total income of State) and per capita income of State (ii) expenditure decentralization (ratio of expenditure of local governments to total income of State) and per capita income of State (iii) revenue decentralization (ratio of own revenue of local governments to total income of State) and per capita income of State. She also notes a rise in the share of local government expenditure in the combined expenditure of State and local government (decentralization) as well as a rise in the compensation assignment to local bodies by the State (collusion) over the above period.

Subsequently, the author develops a model and performs empirical testing for the States of Indian federation. The results indicate that decentralization had negatively affected per capita own purpose expenditure of State government and per capita combined expenditure of local and State governments but positively affected per capita total expenditure of local governments. The same testing was done by using the total figures (rather than per capita figures) and she gets the same results indicating the leviathan and collusion hypotheses. The author thus suggests that a two-pronged strategy is required if government growth is to be checked – first, more efforts to be made to strengthen local bodies; second, intergovernmental transfers need to be examined and their growth to be restricted.

Own Revenue Resources

Rath (2009) is a case study concerning one major revenue resource of Mumbai – Octroi. The author puts the case as an argument for the need to find and put alternate sources of revenue before taking measures to remove or abolish a source of revenue of municipal bodies. The author begins with the importance of Octroi to the finances of Municipal Corporation of Greater Mumbai (MCGM) and then goes into the controversies associated with the Octroi by doing historical review of it – both in Indian and international context. The author then establishes the importance of Octroi as a revenue source in terms of (i) the changes brought out by MCGM in collection system (ii) the share of various commodities that give Octroi revenue (iii) the growth of Octroi revenue in MCGM during 1977-2007 (iii) the Share of Octroi in the revenue income of MCGM and (iv) the Comparison of Octroi revenue with the revenue from select State taxes (v) the Comparison between property tax and Octroi revenue.

The author also digs into the major attempts to bring out alternates to Octroi such as local business tax, supplement or surcharge on sales tax, entry tax and business property tax. She notes that all these alternatives have some disadvantage in terms of not buoyant but also may not to realize the same revenue potential of Octroi; some may even result in tax burden. She notes that non-Octroi cities (only a couple of cities studied) have high dependence on grants, which does not fit to Mumbai. Therefore, the author argues that there is hardly any suitable alternate resource raising mechanism for Octroi and ends with no suggestions on this part.

Rath(2015) studied the potential for improving property tax revenue in municipal bodies in India through a case study of Municipal Corporation of Great Mumbai (MCGM) for the period of 1992-2007. The paper begins with the observation that property tax revenue has grown at a much higher rate (8.3% per annum) than that of revenue income (6.5% per annum) and it was even higher than that of buoyant revenue source like Octroi (6.3%). Growth becomes more dominant during the above period when government taxes are netted out from property tax revenue (9.1% per annum). The share of property tax revenue in the revenue income of MCGM was rising during the above time period whereas that of Octroi increased marginally.

The author attempts to measure the buoyancy in property tax through a 'tax effort model' comprising four underlying elements: (i) collection efficiency (ii) tax rate effect (iii) tax assessment effect and (iv) tax base effect. It begins with the observation of a general decline in tax revenue collection (including property tax revenue) and increase in property tax share in rateable value as well as Net Income (NDDP) during the period of 1995-2007. Using log linear models, the author estimates elasticities of the above four components of 'tax effort' using the data for the above period. The results indicate positive elasticity for all four components, with only the elasticity of collection efficiency falling below 1.

The results indicate (i) a decline in collection efficiency (due to reduced tax compliance) (ii) an increase in tax rate effect (due to piggybacking of other taxes on property tax) (ii) an increase in tax assessment effect (due to rise in rateable value of properties in a booming property market), (iii) an improved tax base effect (due to new properties coming under revised assessment and rise in rental value of old properties and redevelopment/revision of use of land). The author concludes that buoyancy in property tax revenue in MCGM was a positive outcome but the contributing factors to it do not give a positive meaning i.e., much of the buoyancy is due to an excessive increase in tax rate (rather than improvement in collection efficiency) and the rise of tax base is due to new and recycled properties (rather than revision in rental value). The author cautions about perpetuation of inequity from the property tax reform being attempted in MCGM.

Inter Governmental Transfers

Pierce (2016) makes an attempt to study the level of inter-government transfers (grants from state to local governments) in the system of municipal finance in India and the dependency on such transfers using the from a large sample drawn from Census (2001) data on small and medium towns. The paper begins with a general literature review, which is comprehensive to cover a very large part of the work on urban public finance; it then moves to the literature review concerning public revenue and fiscal transfer to cities in India. He notes that transfers are still 'discretionary' and 'normative', and do not follow criteria such as efficiency or decentralization.

For the sample of 3,524 urban areas, the author collects information on fiscal aspects (non-transfer revenue per capita), administrative aspects (population, density and city class), service delivery (coverage of water and sanitation as %), distance from State headquarters and SC population share. The political data on alignment to state political party and margin of victory were collected manually from 1,238 cities. In the descriptive analysis, the author notes that fiscal dependency stood at 44% and non-grant revenue had a high standard deviation. Water sanitation coverage was low at less than 10% and SC population was 14%. The fiscal dependency increases as one moves from Class I (34%) to Class VI (56%).

The author then develops a model (covering 3,524 towns) with fiscal dependency explained by the parameters – non-transfer revenue per capita, population, city class, density, density, water and sanitation coverage, distance to headquarters and share of SC population. The results show the parameters of non-transfer revenue per capita, city class and distance to headquarters as statistically significant variables (and also SC population and water and service coverage). The model was then extended to include political variables covering 1,238 towns and it finds that the variables of non-transfer revenue and city class were statistically significant together with alignment to state party and alignment margin. The author concludes that the equalization mechanism is robust and fiscal transfers are well linked to the fiscal condition of cities.

Isaac and Chakraborty (2008) make a critical argument of the approach taken by the Central Government in the determination of fiscal resources available to States within the Centre-State framework of public finances. The paper begins with argument that the State level fiscal policy is being undermined by fiscal reforms proposed as conditions by bilateral/multilateral agencies on one hand and was getting exacerbated by the approach laid down by Twelfth Finance Commission for devolution of intergovernmental transfers to State governments.

The authors note that the Commission's approach to link transfers to fiscal performance comes at a time when the State Governments already face constrained from the provisions of Fiscal Responsibility and Budget Management Act (FRBM) 2005 and increased flow of funds to State governments as tied grants and conditional transfers. The 13^{th} Finance Commission, in its approach, was looking forward to issues like monitoring Fiscal Responsibility Acts of State, reviewing Debt Consolidation Relief Facility (DCRF), proposal of GST and other issues, which have implications to the fiscal autonomy of the States.

The authors show using historical data of 1950-2006 that the expenditure of States has been on the rise whereas their income was not rising at the same pace to perpetuate the imbalance and give rise to vertical imbalances.

The worsening of imbalance appears to prevail, even after being moderated by the Inter-government transfers, as seen in pre and post devolution gaps. The authors argue that the imbalances are also due to the fact that the States were forced to borrow from market at higher lending rate that further led to decline of their fiscal health. They also note the rise in Central Sponsored Schemes that give rise to more conditional grants and thereby affecting the fiscal autonomy of States. They also point to the decline in social sector spending by various State governments as a consequence of their eroded fiscal capacity.

The authors also note local government transfers (rural and urban) are increasing but not in line with the level of spending needed at that level/ tier of governments. By comparing with other countries and also the rising levels of urbanization, they point to the need for more transfers to be made by the Central government, not as tied grants and conditional transfers, but more discretionary expenditure financing. The authors therefore emphasize upon designing a fiscal devolution system that reduces the constraints faced by sub-national governments rather than exacerbating it through tight conditions (such as compliance to FRBM and Central Schemes), which will preserve their autonomy within the federal structure of governance.

Oommen (2010) makes a critical performance review of the State and Central Finance Commissions in the devolution of grants-in-aid to the ULBs in India. The author begins with the mention of Oates' theory of fiscal federalism concerning about the reaching of an optimal level of public goods through effective citizen engagement (for eliciting demand/ preference) and provision of them through local government efficiency. He also notes that Indian government system followed dual federal structure prior to 73rd/74th CAA. After that it is more of multi-tiered federal structure which has the feature of cooperative federalism. He also notes that governance is an important and integral part of federal system at levels.

He also notes a narrow viewing of decentralization on the measures of revenue and expenditure shares of local governments, given their larger institutional dimensions. The State Finance Commissions (SFC) have been given the mandates of (i) review the financial position of local government and to make recommendations as to (a) principles which should govern the distribution between the state and local governments of the net proceeds of taxes, duties, tolls and fees leviable by the state and inter se allocation between local governments.(b) the determination of taxes, duties, tolls and fees which may be assigned to or appropriated by the local governments (c) the grants-in-aid from the consolidated fund of the state to local governments (ii) the measures needed to improve the financial position of local governments (iii) any other matter referred to in the interest of sound finances of local governments.

In the process of confining to the narrow mandate of revenue sharing, the SFCs have forgotten the role that they could play in ensuring minimum basic services and also laying down foundation for participatory democracy. The author also notes that the 73rd and 74th CAA mandates have been made without reference to the capacity of local governments and SFCs are not recommending the transfers based on the resource gap estimations. The paper also critically challenges the revenue-neutral position of grants, as laid down by the X, XI and XII Finance Commissions. Not only that these FCs did not consider the SFC reports in the distribution of grants but also they did not use decentralization performance as a parameter. However, the author concludes that SFCs have missed the opportunity to take decentralization to next stage by fulfilling their mandates and enabling better support to local governments.

Vyasulu (1996) makes a similar assessment of the Finance Commissions. The article first notes the mechanisms for improving Central-State relations, which witnessed worse relationship during 1980s and 1990s. The two mechanisms of financial relationship of these governments were (i) awards of Central Finance Commissions (ii) Plan transfers of Planning Commission. The importance of local governments and their share in inter-government system was brought out by the 73rd and 74th CAA, which established a similar mechanism for them. However, it also left much to be desired to make it happen, especially the coordination between local governments and the next tiers to be established under the above amendment. As a result, decentralization at next level i.e., State and Local governments, did not happen as envisaged.

Alternate Sources of Finance

Mitra (2001) examine the role of external funding as a source of finance for the ULBs in India. The external fund financing began without a distinction of rural or urban but the author notes that it could play a role in the urban areas, which were becoming concentrations of urban poor and were experiencing rapid decline in services. Global co-operation was improving in 1980s due to the uprise of environmental issues and the establishment of Global Environment Facility (GEF) to address them. The author notes that in 1980s multi-lateral agencies like the World Bank and the Overseas Development Agency provided aid to developing countries like India through Urban Management Programme and Poverty Alleviation Programmes respectively.

The author then performs a review of financial assistance available to ULBs from internal (domestic) sources and external (international sources). Many of the Central Government schemes like IDSMT, Low Cost Sanitation, Accelerated Water Supply, Mega Cities, SJSRY and NSDP involved the contribution of both Central and State governments but the avenues were increasing during 1990s with international aid/donor agencies returning (after a budget dry-up of their nations) to finance urban services. Using the historical data, the author notes that their role was progressively increasing during 1991-97. Later, they evaluate the policies of select international agencies – ADB projects, WHO projects, World Bank projects, DFID project and other agencies (KfW, GTZ); they also evaluate the involvement of some agencies in the development of urban services sector e.g., Urban Development Funds of World Bank and FIRED of USAID. For long term-term, the author suggests leveraging resources available from external/international agencies and developing projects that suit to their lending priority. She, however, also cautions the need to take into account the risk of currency/exchange rate fluctuations, which can play havoc in debt repayment, if not understood well.

Pethe and Lalvani (2006) make an attempt to critically evaluate the finances of ULBs in Maharashtra and come out with a model for their empowerment through creation of a virtual financial intermediary. The first section of the paper is stock taking section that examines the current status of ULB finance in Maharashtra and ascribes reasons for the same. Based on the aggregated data on revenue structure for 2000-2003, they arrive at (i) dependence in terms of grants to total revenue was on decline (ii) continued dependence on Octroi as a major revenue source (iii) decline in share of land and housing taxes. The authors quickly suggest raising resources by adopting innovative instruments like FSI and TDR.

In the next section, the authors examine the scope for other instruments like borrowing from market in the form of bonds and note that this route was used only by large established municipal corporations and not suitable for smaller ULBs. Subsequently, the authors develop a model for pooled financing of ULBs, based on such model of bond bank (run by an enterprise) in the USA. They suggest that the model uses risk sharing principle underlying the pooling but would take a different route by creating 'virtual entities', which mimic the role of intermediary.

Based on the financial data of ULBs, they create two major categories of them: 'revenue surplus' and 'revenue deficit'. Revenue surplus ULBs are further categorized into (i) Super-Cherries (U-I) – those ULBs with per capita revenue surplus of more than Rs 1000, and (ii) Cherries (U-II) – those ULBs with per capita revenue surplus less than Rs 1000. The revenue deficit ULBs are categorized into (i) Salvagables and (ii) Dudes based on multiple criteria – dependency ratio, administrative expenditure and public goods provision. The authors then suggest a virtual pooling structure (that mimics the pooled bond structure in the USA) between (i) Super Cherries and Cherries (ii) Cherries and Cherries (iii) Cherries and Salvagables. This virtual entity can then undertake projects that are filtered based on the project technical and economic strengths (using the pooled resources). The Dudes need the support of State government to be able to develop infrastructure and improve urban services.

Accessing Capital Markets

Bagchi (2001) makes an assessment of financing urban infrastructure through capital markets by reviewing the current status of States' urban finance i.e., that of urban local bodies at State level, and examining the experience of four major cities that went for bond financing. The paper begins with the rising need of urban infrastructure services in India in the wake of urbanization. Traditionally, the urban infrastructure development projects in India were undertaken using the loans available from domestic financial institutions like the HUDCO, LIC. However, the quantum of lending they could do was limited; therefore, the need had arisen to look for alternatives. The World Bank supported water supply project in Tirupur and sanitation project in Alandur have demonstrated that urban projects could be developed under new PPP model. Then, the USAID had come to provide assistance under FIRE(D) programme and IL&FS also came into scenario.

The author notes, however, that things did not move into right direction in terms of the establishment of financial intermediaries that would lend capital development projects in urban areas. This is due to the unpreparedness of the urban local bodies, whose state of finances was very poor – many of them had a poor tax revenue and were dependent upon single major revenue source like Octroi (which was being abolished). Also, the difference in the frameworks of project financing (conventional) and urban finance management (new model) towards infrastructure development was not well understood. The author discusses the reasons for the lack of development of financing urban services development using capital markets under three categories: (i) Economic factors (ii) Institutional factors (iii) Structural factors.

The economic factor refers to weak financial position of the city governments due to (i) the narrow tax base (ii) limited or no implementation of user charge levy (iii) high incidence of administration and establishment charges. As a result, the municipal bodies were dependent upon State governments for the capital investments. The tax revenue as well as own tax share of urban local bodies of most States remained stagnant during 1994-98, as there were no innovations and the property tax had several implementation limitations. The non-tax revenue was primarily Octroi but it was not rising in all States. The proposed abolition of Octroi gave a lot of uncertainty to the further improvements in revenue. User charges were not implemented in the urban local bodies, which is why the non-tax revenue was low. Absence of buoyant tax resources. low level of user charge collection and high establishment expenses all have rendered municipal bodies not well placed in terms of finances and financial efficiency.

The institutional factors refer to: (i) urban governance system (ii) lack of financial discipline in ULBs (iii) lack of developed capital market. The urban local bodies were still under the control of State governments and did not have good systems of accounting and book keeping as well budgeting practices. The municipal accounts would never give a true picture of current status (income-expenditure) and balance sheet (assets and liabilities), which are essential if capital investment has to be planned. India's deb market was also not well established and most of the investment began to come through either FDI or FPI route but not as investment in debt market.

The Structural factors refer to the procedural or processual factors i.e., complex and lengthy process associated with accessing financial market for capital investments. This requires the processes like issuance/floatation, credit rating and securitization mechanisms of bonds and also adhering to the controls laid down under the same. Many of the municipal bodies are not prepared to enter into the complex processes associated with bond floatation / capital market accessing. There is lack of transparency and accountability and also the lack of capacity in municipal bodies to access the municipal bond market. Municipal bodies are sometimes not aware of the obligations coming from the GO or SO bonds, especially in the event of revenue crunch or expenditure rise.

Pethe and Godhke (2002) argue for the development of municipal bond market for providing access to finance to ULBs in India. The paper begins with the importance of infrastructure and the changing role of governments from 'providers' to 'facilitators' of services. The authors review the emergent models of infrastructure development and the role of capital markets to support the operationalisation of these models. The authors note the gap of infrastructure funding which was evident from various previous studies and the establishment of large capital market for bringing in the finances. The banking sector will not be able to provide adequate resources.

They argue for moving away from implicit or explicit obligations of governments in a risk-sharing framework of the PPP contracts to the state of a secondary market for hedging and underwriting such risks. This would require the development secondary markets for municipal bonds, apart from the primary market, which has already been existing for the floatation of bonds. The authors seek lot of changes in the structure of capital markets operated in India for the municipal bonds such as settlement of bonds trading, making municipal bond attractive to investors, tapping untapped sources like pension funds and securitization of market.

Singh and Singh (2015) is recent paper that dealt with the financing of ULBs with a specific attention paid to accessing market based finance. The paper begins with the importance of cities and urbanization and the focus brought on it by the 74th CAA 1992. The paper also brings out the measures taken to improve ULBs during the five year plans. Subsequently, the financing structure as well as categorization of ULBs has been done before reviewing the role played by Central and State Finance Commissions.

In the subsequent part, the authors dwell upon the role played by the municipal bonds in the financing of ULBs in India. They provide a statistical summary of bonds floated and amount mobilized by various ULBs. Subsequently, they also discuss the role that the pooled funds can play in accessing financial capital. The paper concludes with the need for more efforts to tap capital markets through bonds and pooled fund mechanisms and also to reform the ULBs.

Summary and Way Forward

The literature review of urban public finance in India reflects that the literature has been more concerned with overview of finances and decentralization. Analysis of municipal finances and urban civic services did not receive the attention they deserve, as they are quire useful to fiscal planning and decision making at local government level. Literature paid lesser attention to the sources of finance – own and alternate. Inter government grants and capital markets access received good amount of attention but they are linked to fiscal federal structure of government.

Table-1 shows the tabular summary of literature review under the above broad themes along with research methods used. Literature primarily deployed quantitative analysis or qualitative review or mixed methods of both. However, case and comparative research methods were not deployed much, which would give more useful results in the context of urban local governments.

Therefore, the research studies on urban public finance in future could focus on the themes of the analysis of finances and urban civic service delivery. In terms of methodology, deploying case or comparative or case-cum-comparative approach to research might render more useful results to the urban local governments.

Table-1: Classification of Studies on Approach and Research Methods

Research Theme	Study Authors and Year	Research Study Approach	Research Method(s)
Urban Finance Overview	Bandyopadhyay (2014)	Review of existing literature in the context of India and highlighting key issues of relevance	Qualitative review
	Rao and Bird (2010)	Analysis and review of existing theory and suggesting broad directions for developing countries	Qualitative review
	Mehta and Mehta (2010)	Analysis of the progress of urban development in India with specific reference to the 74th CAA and JNNURM	Qualitative review
	Mathur (2006)	Discusses the context of municipal finance in India and performs inter-state analysis of municipal revenue and expenditure.	Qualitative and Quantitative Analysis
Analysis of Budgets	Mohanty et al (2007)	Estimates the costs of urban services in a sample of five cities and compares cost recovery	Quantitative Analysis
	Bidarkar and Sekhar (1999)	Budgetary analysis of trends and patterns of a sample of 5 cities for a five year period	Comparative Analysis
	Bhargava (1969)	Budgetary analysis of trends and patterns of expenditure of municipal bodies in Rajasthan for a ten year period	Case Study Analysis

Research Theme	Study Authors and Year	Research Study Approach	Research Method(s)
Urban Public Services	Sridhar (2007)	Performs case study of Ludhiana on the financing of urban water and sanitation and discusses reforms	Qualitative and Quantitative Analysis
	Sridhar et al (2006)	Estimates the costs of urban services in a sample of five cities and compares cost recovery	Quantitative Analysis
	Kundu, Bagchi and Kundu (1999)	Reviews the status of urban basic services among Indian States and suggests the development of capital markets for meeting the challenge	Quantitative Analysis and Qualitative Review
Decentralisation	Murthy and Mahim (2016)	Review of decentralization process in India after CAA 1992 and analysis of impediments to it	Qualitative Review
	Bagchi and Chattopadhyay (2004)	Impact of decentralization on the financing of urban services through before-after analysis	Quantitative Analysis
	Kulipossa (2004)	Review of potential benefits as well as pitfalls of decentralization; empirical analysis of link between decentralization and democracy	Qualitative Review
	Lalvani (2002)	Hypothesizes leviathan effect and collusion effect of decentralization undermining tax effort of ULBs	Quantitative Assessment
	Vyasulu (1996)	Analysis of setting up and functioning of financial commissions at Central and State levels	Qualitative Review
Own Revenue Sources	Rath (2010)	Examines the importance of non-tax revenue (Octroi) for Mumbai and discusses abolition of it	Qualitative and Quantitative Analysis
	Rath (2015)	Assesses buoyancy of property tax revenue of and discusses issues arising from it	Quantitative Analysis
Inter Government Transfers	Pierce (2016)	Performs an assessment of whether inter government grants have equalization effect in India	Quantitative Assessment
	Oommen (2010)	Critically examines the role played by Central and State Finance Commissions with regard to devolution of grants-in-aid and methodology	Qualitative Analysis
	Isaac and Chakravorty (2008)	Performs a critical review of the approach taken towards inter government grants by 13th CFC	Qualitative and Quantitative Analysis
Alternate Sources of Finance	Mitra (2001)	Examines the external and international sources of finance for urban infrastructure in India	Qualitative Analysis
	Pethe and Lalvani (2004)	Study the finances of ULBs in Maharashtra and suggests to access funds through pooled finance structure	Qualitative and Quantitative Analysis
Access to Capital Markets	Bagchi (2001)	Studies the financial position of ULBs in the context of accessing capital markets and constraints to it	Qualitative and Quantitative Analysis
	Pethe and Godhke (2002)	Argue for the development of municipal bond market in India for financing urban infrastructure	Qualitative Analysis
	Singh and Singh (2014)	Provides an overview of the finances of urban local bodies and then discusses the role of municipal bonds as well as capital market	Qualitative and Quantitative Review

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Journal of Governance and Public Policy

ISSN 2231-0924 Volume 13, No 1, January-June 2023 pp: 72-84

Using a Start-up Promotion Lens to Analyse India's National Education Policy 2020

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The paper aims to examine the measures proposed in India's New National Education Policy (NEP) 2020 with regard to their association with creativity, innovativeness and startups. Such policy measures can help build resilience in the youth against uncertainties, like due to the recent COVID-19 pandemic.

Universalization of basic education has always been a key policy goal in independent India, the present policy presents several new priorities that can create an entrepreneurial mindset in the upcoming generations. While emphasizing quality in education, there is an advocacy towards holistic education, multidisciplinary research and experiential learning. The introduction of flexibilities in educational frameworks and delivery, transformation in assessment patterns towards being formative rather than summative and the integration of vocational education into mainstream education are notable. Higher education institutions are enabled with initiatives like the National Research fund and Incubation centers to translate research output to startups.

NEP was released in July 2020 and is designed to equip students at both school and college level with skills important for technological progress. This paper has attempted to cull out the measures from the policy statement and examine those that can help future generations in building innovations and creating startups.

Keywords: Innovation, Multidisciplinary, National Education Policy, Start-ups, Vocational

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Background

In recent years, India has implemented several policy measures to develop the infrastructure and processes that support the creation of startups; creating jobs is a policy priority, as this can combat economic challenges and build resilience in the workforce against uncertainties. Huge government spending to build a well-developed startup ecosystem in the country has focused on setting up incubators and accelerators across the country. This has developed the physical infrastructure to support the creation of innovation and startups. A large number of these incubators are located in higher education institutions. At the school level, the government has built tinkering labs to develop creativity in young minds.

However, the optimal utilisation of these spaces depends on human endeavour. Skilling the youth of the country has to be accompanied by a change in the education system, to focus on developing creativity and creating an innovative mindset. A country having more human capital stock to carry out R&D will result in faster economic growth, because the investment in R&D will lead to economic growth via innovation (Romer 1990).

Growing evidence suggests that successful entrepreneurs appear to think differently from other persons in several respects (Scott 2006). Most of the skills that an entrepreneur must ostensibly possess include creativity, leadership, teamwork, compassion, etc., which usually develop from experiences in the school setting. They influence the students' personalities and ultimately the choices that go on to shape their careers. A policy that teaches young students to think and act independently yet responsibly, provides a holistic approach to learning. Further, if the education system has built-in flexibilities students can pursue their choice of subjects as they learn and grow. The journey can be more meaningful when they work on areas of their own interest. This fosters creativity and results in building products that form the basis for technology-led businesses, known as startups (Rigolizzo and Amabile 2015).

The issues of access and equity have always been the key drivers of educational policy, in fact, the universalization of basic education was introduced by the Right of Children to Free and Compulsory Education Act 2009. However, the present policy presents several points of departure. The New Education Policy of 2020 introduced by the Indian government displays significant divergence by moving to advocate quality with access, to promote holistic education rather than only the 3Rs (Reading, Writing and Arithmetic), experiential learning instead of rote learning, supported by formative assessment instead of summative. The introduction of fun-filled learning and Early Childhood Care and Education (ECCE) are new features of the policy. Vocational education has been treated as meant for those who were not able to do well with regular education due to capability or due to economic urgency, for the first time it is proposed to be integrated into mainstream education (Mehrotra et al. 2014).

The educational framework has to support initiatives that involve risk to move away from the straight path of pursuing degrees to create startups through flexibilities. In the present policy, one of the measures proposed at higher education level focuses on both flexibilities in curriculum and on entry and exit into the formal system.

Besides, the policy appears to strongly believe that the key transformative word is 'multidisciplinary'. There is an emphatic emphasis on the role of building multidisciplinary research and teaching into the educational system (Fiore, Sansone, and Paolucci 2019). The policymakers believe that a multidisciplinary focus in teaching and research needs to be woven into the education fabric to bring about holistic learning and enable research that solves real and pressing societal problems. A well-organized higher education system may help to increase the efficiency of research activities. That leads to rise in the stock of knowledge capital which is the basis for technological progress (Cervantes 2017).

India's Performance in Global Rankings on Innovativeness and Startup Creation

Global Innovation Index (GII)

The Global Innovation Index (GII) ranks 130 world economies over 71 indicators to measure their innovative capabilities and outcomes. The indicators include themes related to primary and secondary education quality and accessibility, percentage of the population that receives higher education as well as research and development, entrepreneurship, etc. From 2015 to 2020 India has advanced its position from 81st in the GII to 48th place, entering the list of top 50 countries for the first time (NITI Aayog 2020c). The Global Innovation Index (GII) is published by Cornell University, INSEAD and the World Intellectual Property Organization, in partnership with other organizations. The index aims to not only measure innovation but also to understand the processes that create innovation. It focuses on identifying policies and practices that increase innovation in a country.

Five key factors that capture the innovative elements at the country level and form the Innovation Input Sub-Index are :(1) Institutions, (2) Human capital and research, (3) Infrastructure, (4) Market sophistication, and (5) Business sophistication (Ujjwala Bhand 2017).The Indian government has taken measures to improve these factors through various measures like the Skill Development Policy 2015, the 'Startup India' program 2016, the Insolvency and Bankruptcy Code 2016, and recently the NEP 2020 to enable and empower the children and youth of the country to 'create jobs'.

Role of Government in Building Innovativeness

Higher education institutions have made an important contribution to India's success in global rankings as per the Global Innovation Index. This has been largely attributed to the innovative outcomes from universities such as the Indian Institute of Science in Bangalore, Indian Institutes of Technology (IIT). Their outputs in terms of world class scientific publications and 242 patents granted to them in 2019-20 contribute significantly to India's rank on the GII (Council of Indian Institutes of Technology 2020a, 2020b)

India's knowledge capital base and fast-growing startup ecosystem, have been enabled through the efforts of government bodies like the Department of Science and Technology, Department of Biotechnology, University Grants Commission, Department of Atomic Energy, and several others. The *NITI Aayog* was set up in 2014, to replace the country's long-standing institution known as the Planning Commission. This key policy making body has supported both policy making to promote entrepreneurship and the development of infrastructure for innovation in a big way. Almost 70 incubators have been set up under Atal Incubation Center (AIC) in higher education institutions (NITI Aayog 2020a), there are more than 5400 Atal tinkering labs in schools that have been funded till date by these government organizations (NITI Aayog 2020b). A huge mentoring program, called AIM-Mentors of Change has more than 5000 enlisted mentors to support innovations, especially by school children (NITI Aayog 2020c). Recently there has been priority given to innovation in areas such as electric vehicles, biotechnology, nanotechnology, space and alternative energy sources.

'Startup India'(Sarkar 2016), a government initiative also encompasses several tax exemptions in long term capital gains, investments above market value and shareholder losses to name a few. It also gives a three-year tax holiday in a period of 7 years if annual turnover does not exceed INR 25 crore in any year (Cleartax.in 2021). The benefits include up to 80 per cent rebate in filing patents and winding up within 90 days under Insolvency and Bankruptcy Code, 2016. 'Startup India' with its various schemes has helped the number of startups recognised by the Department for Promotion of Industry and Internal Trade (DPIIT) exceed the 40,000 mark as of 2019 (Jain 2018).

Under the Startup India initiative, the Indian Prime Minister launched INR 10,000 Crore (~1.4 Billion dollar) Fund for Startups (FFS), in January 2016. As of January 2021, this has extended Rs 5,084 Crore (~0.7 Billion dollars) in funding to 391 government-recognised startups. The statistics show that the government initiatives taken to support the growth of startups are attractive and achieving desired results (Nandy 2021).

The data shows that India has made visible strides in creating supportive infrastructure, policies and institutions to support innovativeness and the creation of startups. However, the global rankings suggest that a lot more efforts are required for India to be globally recognised as a nation known for its innovation and startups. As the government builds the physical capabilities to improve innovation capacity, the need for policies that focus on human capital formation is pressing. In this context the introduction of a new National Education Policy (NEP) in 2020 can strengthen the knowledge economy and process of human capital formation.

Education Policies and Effect on India's Innovation and Entrepreneurship

Background of the National Education Policy of 2020

This policy has incorporated the suggestions of the Subramanian Committee Report submitted on May 7, 2019. The Committee had the mandate to study the existing policy and recommend changes to address limitations and problems in the current educational system. The committee noted that there was neglect of skill development and vocational education, with an overemphasis on acquiring qualifications which do not easily create successful outcomes in the job market. It proposed that there was a need for a shift in emphasis from rote to practical and experiential learning. The Subramanian Committee also recommended that budgetary allocations should be increased and facilities for carrying out high quality research improved to encourage and incentivise serious researchers (Aithal and Aithal 2019; Rao 2016).

The Committee recommended that pre-primary education for children between the ages of four and five be declared a right so that they may be able to keep up with their peers from private institutions. It also suggested that the Right to Education infrastructure and quality norms be extended to government schools as well so that uniformity could be maintained. With regards to vocational education and training, the committee called for parity in the certifying authorities between educational and vocational certification.

Promoting Skills and Mind-set for Innovativeness through NEP 2020

Accordingly, the 2020 National Education policy document, released on 29 July 2020, incorporated many of the suggestions of the Subramanian Committee. The policy appears to have made a philosophical change, from learning the 3 R's and rote learning to developing conceptual skills and experiential learning. This change in the very orientation of the policy aligns with the development of a creative mindset in the young learners. There are various advocacies in the policy that propose changes in processes and institutions that can create an overall favorable impact on innovation and startup ecosystems.

A progressive education policy can have far reaching effects on molding mindset and personality in desired direction. Redefining the education policy in 2020 indicates the intent of the government to develop skills and qualities in its young population which map contemporary expectations. These capabilities will build necessary resilience in coming generations to be better equipped to combat uncertainties that challenge individual and macro-economic stability. In the present globalized era of technology led growth, it is important that the workforce be capable of handling complex roles, and be able to adapt rapidly to changing environments, business or otherwise. A flexible and multi-faceted education is a direct attempt at building resilient human capital (Goldin 2016).

With globalization, rapid technological change, and advanced telecommunications, people have become increasingly connected, and the economy is increasingly knowledge based. The rise of big data, machine learning, and artificial intelligence has created greater opportunities for persons learned in subjects involving mathematics, computer science, and data science. Environmental degradation and derived challenges of disease and pandemics has stepped up the need for scientists across biology, chemistry, physics, agriculture and climate science. The realization that the innovations for tomorrow need a collaborative multidisciplinary approach also creates a need for people from humanities and the social sciences. All this leads to more opportunities for innovation but also more uncertainty, which calls for increased entrepreneurial skills and the ability to adapt to meet these challenges (Heinonen and Poikkijoki 2006). A study by Peter P. Groumpos in 2013 refers to interaction between education, research-innovation and entrepreneurship which are the key drivers of a Knowledge-Based-Society (KBS) (Groumpos 2013).

Measures from the National Education Policy of 2020 that Support Innovativeness

Building in Flexibilities into the System of Education

The policy seeks to build flexibilities into the education system by removing separation between arts and sciences, vocational and mainstream education, etc. Providers of education will have freedom to innovate curriculum and pedagogy, within a broad framework to ensure consistency (Aithal and Aithal 2019).

The system would offer multiple entry and exit points, which can provide opportunity to move out of the system. The advantage this new system can have in comparison to the older one is that it allows migration between fields of study and thereby can enable transition between various streams of education more feasible. It may encourage students to experiment and explore various career paths and syllabi by reducing the rigidity in the education system.

This can also support the possibility of doing a startup, and reduce the downside of losing a place in the education pipeline. Such flexibilities can help to design frameworks for educational delivery that support creativity and allow participants to explore new ideas and create innovations (OECD(a) 2018).

Vocational Education

Vocational education has commonly been perceived in India to be inferior to mainstream education; this has resulted in loss of mobility to return to mainstream after dropping out to explore vocational learning and opportunities. In order to overcome such notions, the education policy of 2020 proposes to integrate vocational education programmes into mainstream education in a phased manner. Beginning with exposure at early ages in middle and secondary school, quality vocational education will be integrated smoothly into higher education (Din, Anuar, and Usman 2016).

An interesting study by Ulrich Kaiser and Bettina Müller finds that practical experience shows people how to work rather than simply possessing the required diversity of tools and skills. It relates how vocational education can better promote innovation and startups (Kaiser, Ulrich 2015).

Developments Proposed for Higher Education Institutions

As per research, the quality of higher education and training is essential for the countries whose aim is to excel in innovations and complex technological processes and products (Nikonova 2020). Higher education and training relate to the enrolment rates in secondary and tertiary education. These along with the extent of vocational and continuous-on-job training are important to ensure constant upgrading of skills of workers (Schultz 1961).

Efforts to ensure both quality and quantity in higher education are applied so as to create a 'global workforce'. In India the government's Skill India Initiative, is a step taken in 2015 to foster skill development. The Skill India policy also focuses on developing vocational skills which can directly contribute to supporting innovation in products and processes. Benchmarking skills certification with international standards is also a feature of the Skill India policy (Ministry of Skill Development and Entrepreneurship, 2015).

Higher education is generally available at lower costs in developing countries like India, quality has been an important concern. The National Education Policy of 2020 has therefore specified the need to meet quality standards by instituting several checks via an accreditation system.

A Multidisciplinary and Interdisciplinary Approach

A major highlight of NEP 2020 is the focus on multidisciplinary approach to create holistic learning. A review of literature shows that multidisciplinary research is vital to the development of startups (Crișan et al. 2021).

Multidisciplinary research helps analyse problems in unique and vital ways, it also offers a variety of perspectives that make the solution completer and more robust (Spender et al. 2017). Building a multidisciplinary focus into the educational system recognizes that the teachers will require training in high-quality content as well as pedagogy; by 2030 education of teachers will gradually be moved into multidisciplinary colleges and universities (Aithal and Aithal 2019).

Focus on Experiential Learning

To foster creativity experiential learning will use story-telling, art and sports-based pedagogy. The key overall thrust of curriculum and pedagogy reform across all stages will be to move the education system towards creating understanding, building character and supporting holistic and well-rounded development of individuals. The NEP 2020, in its guidelines for Early Childhood Care and Education (ECCE) also lays emphasis on conceptual understanding rather than rote learning. It speaks of promoting creativity and critical thinking to encourage logical decision-making and innovation.

Assessment methods in the schooling system will shift from one that are summative and primarily test memorization skills, to being more formative and is competency-based. Curriculum content will be reduced in each subject to its core essentials, to make space for critical thinking. Teaching and learning will be conducted in a more interactive manner; making learning fun, creative and collaborative. Experiments show that experiential learning helps in promoting entrepreneurship education (Moylan 2016).

Promoting Special Talent

Those students that exhibit particularly strong interests and capabilities in a given subject will be encouraged to pursue the subject beyond the general school curriculum. Teacher education will guide teachers to recognize and foster such student talents and interests. This can be an important way for all young minds to think out-of-the-box and explore innovativeness. This can enhance students innate strengths and qualities that will improve their capabilities.

Significance of Research

R & D brings technological change, which results in innovation and innovation led economic growth of a country. 100 new centers for excellence, in the field of higher education are proposed to be set up to foster cutting edge research. These would be at a huge scale and be established by private investors or public money. Further, it is proposed that 200 foreign universities will be allowed to set up with the flexibility to offer their own degrees and certifications. "These universities will not only bring their own culture of flexibility in curriculum, research and innovation but they can also act as role models that provide guidance to Indian universities as well", NEP 2020. These kinds of initiatives can result in establishing institutions of global standards, which will help to retain talent in the country. Over 3 lakh students go abroad to study in the world's best universities, spending more than $10 billion, which is twice the total allocation for higher education in the Union budget (Khosla 2015).

The NEP 2020 proposes to set up a National Research Fund. This will seed, grow, and facilitate research at academic institutions, particularly at universities and colleges where research is currently in a nascent stage. It also plans to create network linkages between researchers and relevant branches of government as well as industry. This will guide scholars to work on problems of national urgency and enable implementation of innovated outputs (Cui, Sun, and Bell 2019).

Incubators

Studies in the areas of science, technology and innovation observe that incubators have played a key role in supporting the development of startups (Surana, Singh, and Sagar 2020). The NEP 2020 emphasizes on the further development of incubators in the country, which will help in creating more startups from the academic institutions and fraternity. The incubation system also motivates researchers to patent their technologies and move to commercialize these. This can result in licensing or creation of spin-offs, also called as startups (Berggren 2017).

Moving from Access to Quality in Education

NEP 2020 aimed to provide access to high-quality and equitable schooling, introducing scheme for Early Childhood Care and Education (age 3 onwards) through higher secondary education (i.e., until Grade 12), to all students, particularly students from underprivileged and disadvantaged sections. The improvement in quality of education has been proposed across all groups and educational institutions; quality in implementation will be ensured through a sample-based National Achievement Survey (NAS) of student learning levels, that will be carried out by the proposed new National Assessment Centre, PARAKH. These measures should help in improving capabilities, in creating the growth of new ideas and empower tomorrow's skilled labour force to face uncertainty of any kind.

Analysis of Keywords from the NEP 2020

To analyze the priority and weightage given to relevant key areas in NEP2020, Table-1 gives a list of key words and the number of times they have been used in the policy statement. These indicate the areas of focus in the policy.

Table-1: Keywords from National Education Policy 2020

Keyword	Times used (NEP 2020)
Multidisciplinary	71
Digital	38
Holistic	41
Innovative / innovating / innovation	55
Education	768
Student / students	286
Skill / skills	66
Online	50
Teacher	223

The use of words like student, teacher, skills and education is integral to an education policy and their frequent usage is only normal. However, the word multidisciplinary is used 77 times. The policy makers appear to have strong conviction that the adoption of multidisciplinary focus in teaching and research will create desired goals. In fact, the policy states that in the long run the aim is to create knowledge hubs, as clusters of multidisciplinary universities (MERUs – Multidisciplinary Education and Research Universities) (Max Barlow 2020). The emphasis on multidisciplinary nature is so important that the policy statement specifies that single subject HEIs may be phased out over time (Hamouda and Ledwith 2016), while most of the central and state universities and many of the large private ones are already multidisciplinary.

The use of the word holistic occurs 44 times and together with the use of multidisciplinary and innovation it can be related to creating a design thinking approach. Stanford University uses design, critical thinking and action-based research to promote innovation (Tu, Liu, and Wu 2018). Design thinking will enable the youth to conceptualize an effective solution to solve a real, societal problem.

Conclusion

The advent of new businesses and startups are the driving factor of a country's economic growth. Emerging countries such as India look to MSMEs and startups to provide economic growth and stability (Kantis, Federico, and García 2020). An added benefit for India is a relatively younger population and abundant access to build up physical infrastructural resources. A sound education policy, which embodies the fundamentals and core competencies of creativity, innovativeness and starting up will encourage innovators and entrepreneurs. By enabling youth to be '*job creators*' the policy will equip future generations to be more resilient. The discussion of specific measures from the policy examines the likelihood of achieving such outcomes. As the NEP 2020 advocates long run changes at institutional level, empirical data study to evaluate the implementation challenges or its impact on desired goals will be in the future scope of this research. The present paper is thus, able to only present a viewpoint at this juncture.

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Registered with the Registrar of Newspapers in India under Serial No. APENG/2011/45385