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ICMRS23 Conference Proceedings

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Analysis Of Unemployment in India

Prof. Vijay Kundlik Wakode

S.P.M. Tatyasaheb Mahajan Arts & Commerce College Chikhli Dist – Buldhana.

Introduction:

Unemployment occurs when a person who is actively searching for employment is unable to find work. Unemployment is often used as a measure of the health of the economy. The most frequent measure of unemployment is the unemployment rate, which is the number of unemployed people divided by the number of people in the labor force. National Sample Survey Organization (NSSO) defines employment and unemployment on the following activity statuses of an individual:

Working (engaged in an economic activity) i.e. 'Employed'.

Seeking or available for work i.e. 'Unemployed'.

Neither seeking nor available for work.

The first two constitute labour force and unemployment rate is the percent of the labour force that is without work.

Unemployment rate = $(\text{Unemployed Workers} / \text{Total labour force}) \times 100$

Types of Unemployment in India

Disguised Unemployment:

It is a phenomenon wherein more people are employed than actually needed. It is primarily traced in the agricultural and the unorganised sectors of India.

Seasonal Unemployment:

It is an unemployment that occurs during certain seasons of the year. Agricultural labourers in India rarely have work throughout the year. 1/6

Structural Unemployment:

It is a category of unemployment arising from the mismatch between the jobs available in the market and the skills of the available workers in the market.

Many people in India do not get job due to lack of requisite skills and due to poor education level, it becomes difficult to train them.

Cyclical Unemployment:

It is result of the business cycle, where unemployment rises during recessions and declines with economic growth.

Cyclical unemployment figures in India are negligible. It is a phenomenon that is mostly found in capitalist economies.

Technological Unemployment:

It is loss of jobs due to changes in technology. In 2016, World Bank data predicted that the proportion of jobs threatened by automation in India is 69% year-on-year.

Frictional Unemployment:

The Frictional Unemployment also called as Search Unemployment, refers to the time lag between the jobs when an individual is searching for a new job or is switching between the jobs.

In other words, an employee requires time for searching a new job or shifting from the existing to a new job, this inevitable time delay causes the frictional unemployment. It is often considered as a voluntary unemployment because it is not caused due to the shortage of job, but in fact, the workers themselves quit their jobs in search of better opportunities.

Vulnerable Employment:

This means, people working informally, without proper job contracts and thus sans any legal protection. These persons are deemed 'unemployed' since records of their work are never maintained. It is one of the main types of unemployment in India.

Related Terms

Unemployment trap is a situation when unemployment benefits discourage the unemployed to go to work. People find the opportunity cost of going to work too high when one can simply enjoy the benefits by doing nothing.

Description:

While the purpose of social security and welfare systems is to provide relief to the unemployed, they end up providing them with an incentive not to return to work. An unemployment trap arises when opportunity cost of going to work is higher than the income received, discouraging people from returning to work and being productive. Harmonised unemployment rates define the unemployed as people of working age who are without work, are available for work, and have taken specific steps to find work. The uniform application of this definition results in estimates of unemployment 2/6 rates that are more internationally comparable than estimates based on national definitions of unemployment. This indicator is measured in numbers of unemployed people as a percentage of the labour force and it is seasonally adjusted. The labour force is defined as the total number of unemployed people plus those in civilian employment.

Measurement of Unemployment in India

National Sample Survey Office (NSSO), an organization under Ministry of Statistics and Programme Implementation (MoSPI) measures unemployment in India on following approaches:

Usual Status Approach:

This approach estimates only those persons as unemployed who had no gainful work for a major time during the 365 days preceding the date of survey.

Weekly Status Approach:

This approach records only those persons as unemployed who did not have gainful work even for an hour on any day of the week preceding the date of survey.

Daily Status Approach:

Under this approach, unemployment status of a person is measured for each day in a reference week. A person having no gainful work even for 1 hour in a day is described as unemployed for that day.

Unemployment Rate of India

Unemployment Rate in India: According to the recent CMIE Report, the unemployment rate in urban areas increased to 10.09% in December from 8.96% the previous month while the rate in rural areas decreased to 7.44% from 7.55%.

According to separate quarterly figures prepared by the state-run National Statistical Office (NSO) and released in November 2022, the unemployment rate decreased to 7.2% in the July-September quarter from 7.6% in the preceding quarter.

Although India's unemployment rate has historically been high, it is predicted to rise in the next years. In fact, even if the nation's economy continues to expand at a healthy clip, the Organization for Economic Cooperation and Development (OECD) forecast that India's jobless rate will quadruple from 4 per cent to 8 per cent by 2022.

From a 6% unemployment rate in 2017, India's unemployment rate would climb to 8.3% by 2022. According to the estimate, over the next four years, 10 million more people will join the ranks of the unemployed, bringing the total to 220 million by 2022. The government also forecasts that there will be 1 million additional job vacancies over this time period, but it also expects that the number of jobs would not be sufficient to counteract the population expansion in general.

CMIE's Data on Unemployment Rate in India

The Centre for Monitoring Indian Economy, a private organization (CMIE), estimates India's unemployment rate in India is around 8.3% at present. It is 10.09% in urban India whereas only 7.44% in rural India. India's daily and monthly unemployment rates are made public by CMIE on 1st January 2023.

Month	India	Urban	Rural
Dec 2022	8.30	10.09	7.44
Nov 2022	8.00	8.96	7.61
Oct 2022	7.92	7.34	8.19
Sep 2022	6.43	7.71	5.83
Aug 2022	8.28	9.57	7.68
Jul 2022	6.83	8.22	6.17
Jun 2022	7.83	7.32	8.07
May 2022	7.14	8.24	6.63
Apr 2022	7.83	9.22	7.18
Mar 2022	7.57	8.28	7.24
Feb 2022	8.11	7.57	8.37
Jan 2022	6.56	8.14	5.8

Current Unemployment Rate in India

As per the National Statistical Office's 16th Periodic Labour Force Survey, in the fiscal second quarter that ended on September 30, India's unemployment rate for those who are 15 years of age or older and live in urban areas dropped from 9.8% to 7.2%, indicating a sustained recovery from the coronavirus pandemic that had left millions of people without jobs. From July to September, the unemployment rate for females (aged 15 and older) in urban areas dropped from 11.6% to 9.4% and for males dropped from 9.3% to 6.6% a year ago.

According to recent CMIE statistics released on 1st January 2023, here is a complete list of the Unemployment Rate in India State-wise in December 2022

State	December 2022	State	December 2022
Andhra Pradesh	7.7	Maharashtra	3.1
Assam	4.7	Meghalaya	2.7
Bihar	19.1	Odisha	0.9
Chhattisgarh	3.4	Puducherry	4.7
Delhi	20.8	Punjab	6.8
Goa	9.9	Rajasthan	28.5
Gujarat	2.3	Sikkim	13.6

Haryana	37.4	Tamil Nadu	4.1
Himachal Pradesh	7.6	Telangana	4.1
Jammu & Kashmir	14.8	Tripura	14.3
Jharkhand	18.0	Uttar Pradesh	4.3
Karnataka	2.5	Uttarakhand	4.2
Kerala	7.4	West Bengal	5.5
Madhya Pradesh	3.2		

Statewise List of Unemployment Rate of India 2022

Here is the list of the Unemployment Rate in India Statewise and Monthwise as per the CMIE Report:

STATE	JAN 2022	FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022	JUL 2022	AUG 2022	SEP 2022	Oct 2022	Nov 2022
Andhra Pradesh	6.2	7.1	9.2	5.3	4.4	4.5	5.8	6	4.8	5.4	9.0
Assam	8.5	10.2	7.7	1.2	8.2	17.2	3.7	NA	0.4	8.1	13.2
Bihar	13.3	13.9	14.4	21.1	13.3	14	18.8	12.8	11.4	15.0	17.3
Chhattisgarh	3	1.7	0.6	0.6	0.8	1.2	0.8	0.4	0.1	0.9	0.1
Delhi	14.1	9.3	8.9	11.2	13.6	10.2	8.9	8.2	9.6	6.7	12.6
Goa	11.6	12	12.7	15.5	13.4	5.5	13.7	13.7	10.9	NA	13.6
Gujarat	1.2	2.5	1.8	1.6	2.1	3	2.2	2.6	1.6	1.7	2.5
Haryana	23.4	30.9	26.5	34.5	24.6	30.5	26.9	37.3	22.9	31.7	30.6
Himachal Pradesh	13.8	11.8	11.7	0.2	9.6	10.7	6.3	7.3	8.6	9.7	8.8
Jammu & Kashmir	15.2	13.2	25	15.6	18.3	17.2	20.2	32.8	23.2	22.6	22.4
Jharkhand	8.9	15	14.5	14.2	13.1	12.1	14	17.3	12.2	17.1	14.3
Karnataka	2.9	2	1.8	2.7	4.3	3.7	3.5	3.5	3.7	2.8	1.8
Kerala	5	5	6.7	5.8	5.8	5.3	4.9	6.1	6.4	4.8	5.9
Madhya Pradesh	3	2.8	1.6	1.6	1.7	0.5	1.9	2.6	0.8	0.8	6.9
Maharashtra	4.2	4.3	4	3.1	4.2	4.8	3.7	2.2	4	4.3	3.6
Meghalaya	1.5	1.4	2	2.2	4.1	2.3	1.5	2	2.3	3.5	2.3
Odisha	1.8	1	9.7	1.5	2.6	1.2	0.9	2.6	2.9	1.1	1.6
Puducherry	7.8	3.7	4.2	5.6	5.6	0.8	2.8	5.2	3.9	2.6	2.9
Punjab	9.3	9	6.9	7.2	9.2	8.5	7.7	7.4	7.2	9.1	7.8
Rajasthan	18.9	32.4	24.5	28.8	22.2	29.9	19.6	31.4	23.9	31.3	25.0
Sikkim	NA	NA	NA	8.7	7.5	12.7	6.5	NA	NA	3.9	5.7

STATE	JAN 2022	FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022	JUL 2022	AUG 2022	SEP 2022	Oct 2022	Nov 2022
Tamil Nadu	5.3	3.2	4.1	3.2	3.1	2.1	3	7.2	4.1	3.0	3.8
Telangana	0.7	12.9	6.5	9.9	9.4	10	5.8	6.9	8.6	8.8	6.0
Tripura	17.1	9.8	14.1	14.6	17.4	9.4	13	16.3	17	10.6	14.4
Uttar Pradesh	3	2.7	4.4	2.9	3.1	2.8	3.3	3.9	4	4.1	4.1
Uttarakhand	3.5	4.6	3.5	5.3	2.9	8.7	NA	NA	0.5	3.3	1.2
West Bengal	6.4	6.3	5.6	6.2	5.8	5.2	6.3	7.4	3.3	5.8	5.4
India	6.6	8.1	7.6	7.8	7.1	7.8	6.8	8.3	6.4		

Highest Unemployment Rate of India

Since January 2022, the employment rate has grown, reaching a record high of 37.1% in December 2022. With 28.5% in Rajasthan, 20.8% in Delhi, and 37.4% in Haryana, the unemployment rate increased in December 2022, as per the CMIE recent Report.

Unemployment Rate Calculator

The percentage of persons without a job is known as the unemployment rate. The percentage used to indicate this rate. The unemployment rate fluctuates according to the state of the economy. The employment rate will rise if the economy is struggling and there are fewer jobs available. Similarly to this, it is predicted that the unemployment rate will decrease when a nation's economy is strong, growing, and offering the general populace a wide variety of job opportunities.

Unemployment Rate = Unemployed / Civilian Labor Force

Or
Unemployment Rate = No. of Unemployed Persons / (No. of Employed Persons + No. of Unemployed Persons)

Unemployment in India Causes

In every nation, there are a variety of reasons that contribute to unemployment. Whether unemployment is brought on by a drop in the labour force or a lack of jobs determines whether it will be temporary or permanent.

The main causes of unemployment in India are four different forms of unemployment. These four categories of unemployment include structural, frictional, seasonal, and cyclical. Through expansionary monetary policy, we may combat seasonal and cyclical unemployment by raising public spending when times are tough.

A few main causes of unemployment are:

A sizable population

The working population's poor educational attainment or lack of vocational skills.

Labour-intensive industries experiencing a downturn in private investment, especially the following demonetization.

Transitioning between the three sectors is challenging due to the poor productivity in the agriculture sector and the dearth of alternatives for agricultural employees.

Legal difficulties, insufficient government backing, and weak market, financial, and infrastructure ties to small firms render those operations unprofitable due to the cost and compliance overruns.

Low investments in the manufacturing sector and inadequate infrastructural development, limit secondary sector job opportunities.

The government can build up a public employment program that produces full-time employment at minimum pay levels to create job stability, or it can provide temporary labour to unemployed individuals as part of the food-for-work program. Stabilizing market forces and lowering the trend toward structural

changes or the necessity to fire people due to a lack of market demand, will lessen the cyclical type of unemployment.

CONCLUSION:

The steps taken by the government are satisfactory but not sufficient in providing jobs. Now there is also a demand for permanent employment and job security. But poverty limits discourage India to move forward in the struggle. Literacy levels must be improved and more jobs are needed in the corporate sector. For those with the required skills, the challenge is overpopulation. There is a startup boom and globalization has improved the situation for youth. But the Government needs to bridge the skills gap and invest more in creating jobs. The government should create a job-generating system and the youth seeking employment should insist on using it 100%. Fixed wages and lack of employment are not only indicators of a weak economy but also point towards political instability and crisis in the country. Ultimately, the need is that all the youth of the country should get work according to their ability and need, then only then a Healthy, Happy and Developed country can be imagined.

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Analysis of Demonetisation in India

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Introduction:

The withdrawal of currencies or other valuables by the central bank to be used as the legal tender in the nation. Such currencies either turn into scrap or are deposited in the banks and replaced by the new currencies.

Governments of many countries across the world have taken this drastic measure to curb black money and stop the counterfeiting of currency notes. Some countries failed miserably while others were successful in their goals behind demonetization. Let's take a glance at the countries that underwent demonetisation and the impacts they had to face.

The Decimal System in the United Kingdom in 1971: The biggest change to the currency of Britain for more than a thousand years took place in 1971 when the British adopted the decimal system. As per this system the pound was divided into 100 pence. The transition of Britain's currency to decimal was a success as it was done after spreading awareness and doing education campaigns for three years.

African countries:

In the year 1984 during the government of Muhammadu Buhari, Nigeria banned old notes and introduced a new currency. However, the inflation hit, and the debt-ridden country did not make the change well and the economy collapsed.

Similar is the case with Ghana, another African country that underwent Demonetisation in the year 1982. Ghana wanted to curb tax evasion and empty excess liquidity so they ditched their 50 cedis note. This made the nationalists support the black market and they started investing in physical assets which resulted in further weakening of the economy.

The Government of Zimbabwe in 2015 replaced the Zimbabwe dollar with the American dollar. Before this, Zimbabwe had a currency denomination of 100 trillion Zimbabwean dollars. Now, the multiple currency system is abolished by the Reserve Bank of Zimbabwe and replaced with a new Zimbabwe dollar known as the RTGS Dollar.

Myanmar:

In 1987 the military government in Myanmar invalidated eighty percent of the Myanmar kyat to curb black-marketeering and smuggling. This demonetisation drive caused terrible economic unease as it had no provision for any exchange of the scrapped denominations. There were mass protests and resulted in the ruthless killing of around a thousand people.

Soviet Union Monetary Reform 1991:

In 1991 Mikhail Gorbachev decided to withdraw 50 and 100 ruble notes. It was also known as Pavlov Reform on the name of Minister of Finance Valentin Pavlov. Due to this reform, the economy collapsed and even resulted in the dissolution of the Soviet Union.

Australia:

The Australian government was the first to introduce polymer-based plastic notes in 1992. To curb black money and improve the security features, Australia underwent Demonetisation and replaced all paper notes by plastic currency in 1996. As polymer-based notes were already in use for four years, the transition was smooth and didn't have any impact on the economy.

Pakistan:

Pakistan's central bank, in 2016 decided to phase out banknotes of older design to curb black money and gave the general public six years to exchange their currency. People were notified regarding the change

and there wasn't any chaos in the process. But field officers of the central bank will continue to accept the notes of older design till December 31, 2021.

Demonetisation In India

Basic meaning

It refers to the decision of RBI/Government to recall the status of a currency note to be used as a legal tender. Usually, all the currencies issued by RBI can be used as a legal tender as the value they carry is promised by RBI and once the value has been demonetized/recalled/revoked, the currency note cannot be used. Globally the central banks follow a practice wherein older currency notes are recalled and new currency notes with enhanced security features are issued to overcome the menace of counterfeit currency.

Why was demonetization done (as per the reasons given by the government in the present case)

To tackle the menace of black money/parallel economy/shadow economy

The cash circulation in India is directly connected to corruption hence we want to reduce the cash transactions and also control corruption and thereby move towards cashless transactions.

To counter the menace of counterfeit currency

To prevent the cash being used for terrorist activities/terror funding

This is the only second-time post-independence (even before Independence Demonetization was done in 1946) that the measure such as Demonetization has been announced. The last time this was done was in 1978 under the Morarji Desai government when Rs 500, Rs 1000, and Rs 10000 notes were demonetized. A CBDT report which evaluated this measure concluded that

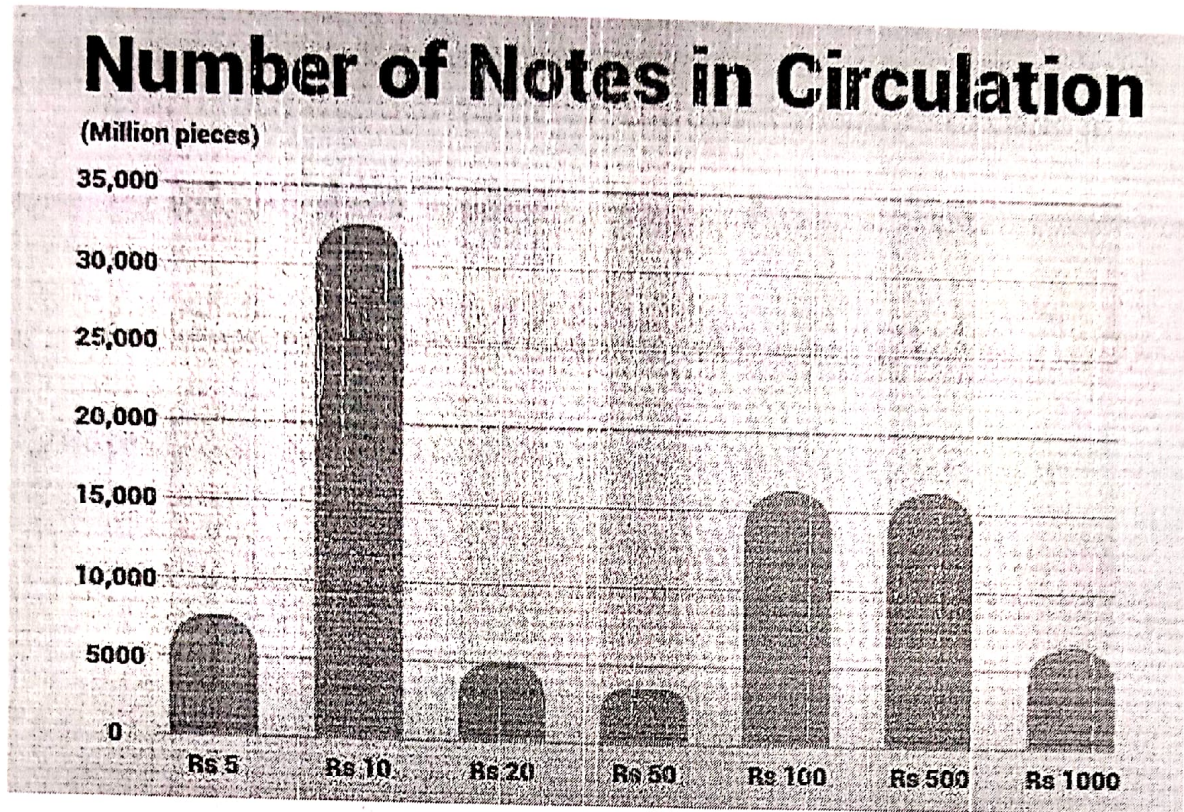
It was an ineffective move as only 15% of the high denominations were exchanged

The rest never surfaced for the fear of stringent penalties by the government. As per the High Denomination Bank Notes (Demonetization) Act, 1978, it barred the transfer and receipt of high denomination banknotes and made any contravention including a false declaration by depositors and others punishable — with a fine or a three-year prison term

The report concluded that demonetization may not be a solution as black money was largely held in the form of benami properties, bullion, and jewellery. Such a measure would only increase the cost as more currency notes which have to be printed. It could also harm the banking logistics

India has one of the highest levels of currencies in circulation which is more than 12% of its GDP value, and the 1000 and 500 rupee notes account for 24.4% (around 2300 crore pieces) of currencies in circulation but over 85% in terms of the value of the currency in circulation Having said so it has to be kept in mind that India is not an outlier in this segment as there are various other countries such as USA's \$100 note and Japan's ¥10000 account for over 80% of currencies under circulation.

Denomination	Number of Units in Circulation (millions)	%age of units out of the total circulation	%age value out of the total value of notes
Rs 100 note	15778	17.5	09.6
Rs 500 note	15707	17.4	47.8
Rs 1000 note	06326	07.0	38.6



Cash is the king :

In India majority of the transactions are done in the form of cash

As per RBI, 87% of the transactions in India are cash transactions

As per the RBI report, debit cards at ATMs account for 88% and 94% (by volume and value respectively) of the debit card transactions, and 12% and 6% account for POS transactions.

The infrastructure growth is slow – The POS machines and ATMs are 1.2 million (and there are around 14 million merchants in India, in essence, more than 90% of the merchants are not using the POS machines) and 0.19 million respectively. (From 2013 to 2015, ATMs increased by 43% and POS machines by 28%)

Reasons

ATMs and POS machines are concentrated in an urban area

Penetration in non-urban areas is very poor add to this, the connectivity issues

Even if the POS machines are installed, low-value transactions are discouraged by the merchants

Silver lining

The number of cards issued is on the rise

The acceptance infrastructure has to be placed

Increasing trade on e-commerce (provided it promotes online payments/transactions)

The increasing number of digital wallets-Paytm, Pockets, etc

The government has implemented Jan Dhan Yojana and under this, a large population has been able to open their accounts which will be helpful (in the sense the debit cards issued have increased)

Menace of counterfeit currency (FICN-Fake Indian Currency Notes)

As per the statements given in RS by Arjun Ram Meghawal (Minister of State for Finance), the total FICN is to the tune of Rs 400 Cr.

As per the Lok Sabha Website between 2011 and 2015, the RBI has seized around 26 lakh counterfeit notes of denomination Rs 500 and Rs 1000 amounting to Rs 167 Cr.

Amongst the two, the FICN of Rs 500 currency notes were higher (both in numbers and in value)

As per a study done by ISI (Indian Statistical Institute), at any given point of time, the FICN is to the tune of Rs 400 Cr and annually the FICN pumped into the economy is Rs 70 Cr.

FICN Notes seized between 2011 and 2015

S.No.	500		1000	
	Notes	Value in Crore (RS)	Notes	Value in Crore (RS)
2011	3.8 lakh	15.41	99,050	9.9
2012	5.3 lakh	26.51	1.65 lakh	16.54
2013	4.29 lakh	21.49	1.94 lakh	19.48
2014	2.9 lakh	14.52	1.46 lakh	14.69
2015	2.61 lakh	13.05	1.58 lakh	15.84
TOTAL	18.9 lakh	90.98	7.64 lakh	76.47

Measures taken

FCORD (FICN Co-Ordination) group has been set up by MHA (Ministry of Home Affairs) to share the information with other security agencies regarding controlling FICN

The MHA (Ministry of Home Affairs) has set up CCT Cell (Combating Financing of Terrorism Cell) to co-ordinate with FATF (Financial Action Task Force- it's an intergovernmental body has remarked that high-value bills are used in money laundering schemes, racketeering, and drug and people trafficking)

TFFC (Terror Funding and Fake Currency Cell) has been set up under NIA (National Investigation Agency) to investigate the terror financing using FICN

MoU (Memorandum of Understanding) has been signed between India and Bangladesh to prevent circulation and smuggling of FICN (the majority of the inflows of FICN is done through Pakistan, Nepal, and Bangladesh)

Less cash Vs Cashless

The debate has been raging in India over the need for the country to become a cashless economy but the fact of the matter is that a sudden shift from cash-based to cashless will have huge repercussions and not to forget that cash facilitates trade, hence there is a need for India to first move into the less-cash economy (one of the aims in introducing Rs 2000 note) and then move towards becoming a cashless economy

Views of Raghuram Rajan (again many economists have the same viewpoint)

The intelligent always find a way around when the currency is demonetized

It becomes much more difficult if they have stored the black money in other forms-gold, asset, etc

So the way out is that rather than running behind these measures, we must implement the systems, procedures which will bring all those who are supposed to pay the tax, under the tax bracket and we can collect the appropriate taxes from them (as in India, the highest rate of taxation is around 33%, whereas in America, after including the federal and state taxes the tax rates are around 50% and in case of UK it is hovering around 45%)

Analysis of Demonetisation in India

Pros of Demonetization

The menace of black money can be controlled to some extent

Terror financing, using black money for illegal activities, etc will all take a hit

The counterfeit currencies which have an impact on the real economy will be rooted out

The mobilization of deposits in the banks will increase, which may lead to increased credit flow and lowering of lending rates

The black money adds to the inconspicuous demand and hence the inflation to some extent will be under control

The government is also aiming to raise its revenue collection (eg- by taxing exorbitant IT rates over certain deposits, the tax collection in other forms will also increase, etc)

Real estate is one of the major sources of black money generation. With this move, it is expected that the property market rates may bottom out or moderate

It's a major step by the government towards forming a cashless economy

The honest workers will be rewarded under such a scenario

The elections are usually associated with black money generation and circulation, with this scheme the funding of elections through nefarious ways will be hit

It is expected that with this move the Fiscal Deficit of the government may come down

Cons of Demonetization

For one all the black money is not stored in the form of cash only and secondly, the measure takes care of the result but not the cause-black money is generated mainly because of corruption and tax evasion. This measure controls the usage of black money but cannot control the causes

Sudden and huge demand for the new currencies

Panic amongst the common man (already we have seen the case wherein people have looted fair price shop in MP, Cash Carrying companies seeking higher insurance, etc). already the panic has led to people hoarding currencies which have further reduced the liquidity in the market

The small trade/shopkeepers are facing difficulties

Black marketing of the new notes/currencies is on the rise

The establishments such as banks, hospitals, etc are under a lot of stress

Another area that is a cause of worry is the likely drop in the rural demand as the cash usage will become restricted. Apart from this, the experts are also expecting an impact on the SME sector, agricultural production (the economy was expected to perform well as there was an expectation of a good rabi crop after two bad monsoons but a prominent economist, Pronab Sen has said that demonetization is akin to third bad monsoon year as it will have an impact on agricultural production, but the more dangerous situation is this having a spillover effect on to fertilizer, tractor sectors)

Challenges

The coverage of the banking sector-

Only 27% of the villages have a bank within 5 Kms (as per Economic Survey 2015-16)

Despite recording breaking implementation of JDY, the banking penetration is low-on an average 46% in all the states (as per Economic Survey 2015-16)

Another challenge in implementing and eradicating black money would be the presence of the informal economy. It accounts for 45% of GDP and 80% of employment hence this move may have a greater impact on the informal economy

Logistics and cost challenges of replacing all the Rs 500 and Rs 1000 notes – as per the RBI documents this measure would cost at least Rs 12000 crore as it has to replace over 2300 crore pieces of these currencies

The decision to issue Rs 2000 denomination currency and withdrawal of Rs 500 and Rs 1000 currency will lead to huge challenge as most of the day to day transactions in India are centered around Rs 500 note (more than 47% of the value of notes in circulation is in Rs 500 note form)

The availability of Rs 500 and Rs 1000 notes will be the biggest challenge as both of them covered over 85% in terms of the value of total currencies issued

The process has led to huge rush and long queues of the people in front of ATMs and as per the statement of the finance minister the ATM recalibration would take around 2 to 3 weeks

As per data furnished by the Finance Ministry, Rs 17,50,000 crore worth of currency notes were in circulation in October-end, out of which over 85% percent or Rs 14,50,000 crore is in the now-defunct Rs 500 and Rs 1,000 notes. So far for the first four days, the government has been able to pump in Rs 50000 cr (on an average 12500 Cr). Going by these numbers it would take around 4 months to replace these notes as against the 50 days promised by the PM.

Worries

The rural demand even after a good monsoon is unlikely to pick up and agriculture production is unlikely to achieve a 3.5 to 4% GDP growth rate

As per Prof Bhanumurthy (NIPFP), all the black money may not find its way to the banks hence GDP growth rate may come down by 1.1% (the professor has also remarked that the money which was not there in the system is being pumped in and add to this if the online transactions are promoted then the GDP growth may pick up rather than declining)

As per economist Pronab Sen, this may lead to a lowering of GDP by 0.2 to 0.3%, and in extreme cases, we may end up achieving 7% (targeted is 8%)

The opportunists

The online service providers have up their ante when there is a shortage of currency notes, pushing their products/services by providing discounts, coupons, credit, etc. For example, Paytm, which is the largest mobile wallet company, has said that it (since the ban kicked in)

Has seen a 700% increase in overall traffic on the platform

1000% growth in the value of money added to the Paytm accounts

The average transaction value has increased by 200%

Mobile app downloads have increased by 300%

Has processed around 5 million transactions each on 12th and 13th (Saturday and Sunday respectively) of this month

The future

There is no doubt that the coming months will be painful for the common man, small businesses, housewives, etc as there will be some shortage of legal tender/currency that will have an impact on them. Another rising issue will be that the demand for POS machines, Debit Cards which has to be resolved lest the measures will become an obstacle rather than the solution.

If these measures are implemented efficiently then we can expect a higher collection of taxes, higher investments in the market, price corrections, improvement of India in some of the international rankings, prevent corruption practices, etc and these are some of the reasons why people, although are going through difficulties, are lauding this measure of the government

But after having discussed so much, will this measure eliminate all the black money in the economy? The answer simply would be a confirmative NO as it has been seen that the black money is stored in various forms other than cash (such as gold, jewellery, assets, etc) and as per A 2012 report prepared by the National Institute of Financial Management – on unaccounted income – found that cash was the least preferred option for storing unaccounted wealth

Measures by the Government to control black money

One of the first cabinet decisions taken by the government was to set up SIT (Special Investigation Team) on Black Money

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, came into force on July 1, 2015, under which the tax rate imposed was 60%

Further upon the leaks of the Panama Papers, the government constituted a Multi-Agency Group (MAG) comprising officers of the Central Board of Direct Taxes, Reserve Bank of India, Enforcement Directorate, and Financial Intelligence Unit.

Lok Sabha recently has passed the Benami Transaction Bill, 2015 which is an anti-black money measure that aims to seize unknown property and prosecute those indulging in such activities.

This year the government has amended its DTAA's and is in negotiations with some other countries

It is also under negotiations with the authorities in Switzerland in signing Automatic Exchange of Information (AEOI)

In this year's budget government had announced IDS (Income Declaration Scheme) under which it has successfully collected Rs 65,250 crore in the form of taxes.

Conclusion –

A five-judge Constitution bench of the Supreme Court delivered its judgment on a bunch of petitions that challenged the validity of the Modi government's November 2016 decision to demonetise Rs 500 and Rs 1,000 currency notes. The top court upheld the government's decision and dismissed the petitions.

The constitution bench passed the 4:1 verdict in favour of the central government and the RBI. It has almost ensured that the Union government has bent upon demonetisation of the currency notes with the value of Rs 1000 and Rs 500 while addressing the three serious issues of the economy. The first among them was an abundance of fake currency notes in circulation that was difficult to identify. And the other two objectives that the unaccounted wealth was in the form of high denomination bank notes and the use of fake currency in subversive activities such as drug trafficking and terrorism are yet to be verified properly. After addressing the questions about the reference order, the court directed them to place it before that bench. Since that bench is no longer in existence, the administrative office of the top court will frame it sometime in the future.

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Nep – Challenges and Issues

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Introduction

In 2020, India unveiled its first and most comprehensive education policy of the 21st century. As the first omnibus policy since 1986, the New Education Policy (NEP) 2020 has the onerous task of addressing multiple crises facing India's education system. Addressing the completion of one year of the NEP, Prime Minister Narendra Modi remarked, "We are entering the 75th year of Independence. In a way, implementation of NEP has become a vital part of this occasion. This will play a key role in creating a new India and future-ready youth". The Education Minister, Dharmendra Pradhan, called NEP 2020 a visionary education policy for the 21st century through which India is harnessing the capabilities of each student, universalising education, building capacities, and transforming the learning landscape in the country. He stressed that the NEP would make education holistic, affordable, accessible, and equitable. What has been the progress so far? Is the NEP roll-out on track? What are the major challenges facing this mega education policy in the coming decades?

Major milestones

In the last 16 months since its eventful launch, the NEP has moved some ground in terms of meeting key milestones, notwithstanding the challenges from the global health pandemic. To begin with, the government has done well in terms of building awareness and interests amongst diverse stakeholders on the mission and vision of the NEP. This was marked in a 10-day long Shikshak Parv that saw a series of national-level events featuring the Prime Minister and other key officials. Further, to make the intent more pronounced, the government has renamed the Ministry of Human Resources Development (MHRD) to Ministry of Education. Significantly, this key ministry has been infused with doses of energy and dynamisms by bringing in Dharmendra Pradhan, the man who brought major transformations in the critical energy ministry. Mr Pradhan's proven implementation ability and his diplomatic negotiating skills will come in handy in pushing the mega initiatives that would likely face opposition in Opposition-ruled states.

In terms of roll-out of key NEP activities, the school curriculum has been changed to include artificial intelligence (AI) and financial literacy. Given that the mother tongue or regional language received primacy in the NEP, the same has been introduced in several states, albeit on a pilot basis. Further, the ministry has launched the much-talked-about Academic Bank of Credit—a programme that will provide multiple entry and exit options for students in higher education. These apart, a number of key initiatives, such as NIPUN Bharat Mission—improving children's learning competencies in reading, writing, and numeracy by the end of Grade III; Vidya Pravesh—a three-month school preparation module for Grade I children; DIKSHA—a teaching-learning repository of e-content; and NISHTHA—teachers training programme for the secondary-level teachers. As far as roll-out amongst the states are concerned, only a handful of states, mainly under the ruling party have launched the programme. Karnataka became the first state to implement NEP on 24 August. Recently, Madhya Pradesh and Himachal Pradesh launched a series of NEP initiatives giving a much needed push to this mega policy. On the whole, NEP has started gathering pace.

Five major challenges

While the NEP has begun gathering a fair degree of momentum, the road to its realisation is filled with endless potholes. First, the sheer size and diversity of India's education sector makes implementation an uphill task. For example, sample the size of the school education system alone. With more than 15 lakh schools, 25 crore students, and 89 lakh teachers, India remains the second largest education system in the world. The size of the higher education system is massive too. As per the AISHE 2019 report, India's higher education sector consists of 3.74 crore students in nearly 1,000 universities, 39,931 colleges, and 10,725

stand-alone institutions. Thus, a countrywide implementation of this mega education policy is going to be a mammoth exercise involving multiple stakeholders at the state, district, sub-district, and block levels. Creating a shared responsibility and ownership amongst key stakeholders, including the private sector, at the state and district levels that have extraordinary diversity is going to be a major challenge for the education leadership.

Second, the NEP's eventual realisation is critically linked to state capacity. As rightly pointed out by the NEP Drafting Committee led by K. Kasturirangan, India's education system is underfunded, heavily bureaucratised, and lacks capacity for innovation and scale up. The internal capacities within the education ministries (centre and states) and other regulatory bodies are grossly inadequate to steer the magnitude of transformations envisaged in the NEP. For instance, moving away from a rigid content-driven rote learning system to experiential learning and critical thinking would require nothing short of a revolutionary change in the attitudes of the people running the education system, let alone the attitudinal changes amongst the teachers, students, and parents.

This means that thousands of schools and colleges would need capacity building and reorientation with regards to the operational aspects of implementing a mega programme with many experiential goals. In short, the existing organisational structure of the ministry and its ecosystems will have to undergo a massive overhaul. While it is heartening is that the NEP document has laid out a comprehensive roadmap for overhauling the existing regulatory system, and the education ministry is in the process of bringing out a legislation that would facilitate the setting up of a Higher Education Commission of India (in the place of existing regulatory bodies, mainly the UGC, AICTE, and National Council for Teachers Education), one has to wait for the new institutional architecture emerging out of legislative initiatives.

Third, the NEP would largely hinge on the extent of cooperation between the Centre and states. While the NEP has been drafted by the Union government (with inputs from multiple stakeholders including the state governments), its implementation largely depends on the active cooperation of the states. This is because most services-related education are performed by the state governments. In short, the Centre has to skilfully navigate the principles of cooperative federalism and decentralisation while rolling out key initiatives. And this is not an easy act to perform given the sharpening of political polarisation in the recent years and visible breakdown of trust between the Centre and states. A number of Opposition-ruled states have been raising strong objections to several key provisions of the NEP and the manner in which they are being rolled out. The more worrying development is that the Tamil Nadu government's recent decision to not implement the NEP can encourage other Opposition-ruled states to follow a similar path. Thus, managing federal math is critical to the realisation of the NEP.

A number of Opposition-ruled states have been raising strong objections to several key provisions of the NEP and the manner in which they are being rolled out.

Fourth, the role of the private sector, particularly in dealing with the higher education system, is extremely critical for translating the inclusionary vision of the NEP. It may be noted that as much as 70 percent of higher education institutions (colleges and universities) are run by the private sector. Significantly, roughly 65-70 percent students are currently enrolled in private higher education institutions. This apart, the private sector brings much needed financial resources and innovation. Therefore, it is imperative for the government and regulatory bodies to create workable institutional mechanisms that would harness the contribution of the private sector and recognise them as equal partner in the NEP process.

Finally, the successful execution of key initiatives requires availability of adequate financial resources for decades. In this regard, the NEP has stated that to realise the goals of the new policy, the country has to raise public spending on education to 6 percent of GDP. This is a daunting task if one considers the past promises and their actual realisation. For instance, the 1968 National Education policy had recommended 6 percent of GDP be allocated towards education. However, in all these decades, the public spending on education has not gone beyond 3 percent. Ironically, the union budget allocation for education in the NEP launching year has taken a dip. The education budget was reduced by 6 percent from INR 99,311 crore in 2020-21 to INR 93,224 crore in 2021-22. While this is understandable given the government's priorities are divided in the face of the COVID-19 pandemic and economic distress that large

sections of populations are facing, there is no clear roadmap yet how such enormous sums of financial resources can be augmented.

To sum up, the NEP 2020 is truly a pathbreaking document in every sense. The policy, amongst others, aims to address pedagogical issues, structural inequities, broadening of access apart from making the learners future ready while meeting the demands of a 21st century India. Simultaneously, the NEP has the most challenging task of addressing multiple crises in the education system. Its effective implementation is critical if India wants to reap the demographic dividends and capitalise the opportunities from a rapidly growing knowledge economy. Given its transformative potentials, the Centre has shown urgency and a sense of purpose by launching a series of initiatives in the recent months notwithstanding the challenges of the pandemic. A number of states have officially launched the policy and many others are in the process to do the same. Yet, there is a long road ahead of the NEP. Given its scale and the kind of complexity involved in its execution, particularly securing coordination and cooperation amongst diverse stakeholders at state, district, private sector amongst others, makes it a daunting exercise. Apart from this, one has to deal with weak state capacity, availability of financial resources and, most importantly, the education ecosystem that acts as a drag on new ideas and innovation. Yet, the most critical challenge before NEP is building consensus and getting states to own the first omnibus programme after 1986. In short, the success of the NEP largely hinges on cooperative federalism and states taking ownership of the reforms.

Issues with the NEP- 2020

The new policy has tried to please all, and the layers are clearly visible in the document. It says all the right things and tries to cover all bases, often slipping off keel.

Lack of integration:

In both the thinking, and in the document, there are lags, such as the integration of technology and pedagogy. There are big gaps such as lifelong learning, which should have been a key element of upgrading to emerging sciences.

Language barrier:

There is much in the document ripe for debate – such as language. The NEP seeks to enable home language learning up to class five, in order to improve learning outcomes. Sure, early comprehension of concepts is better in the home language and is critical for future progress. If the foundations are not sound, learning suffers, even with the best of teaching and infrastructure. But it is also true that a core goal of education is social and economic mobility, and the language of mobility in India is English.

Multilingualism debate:

Home language succeeds in places where the ecosystem extends all the way through higher education and into employment. Without such an ecosystem in place, this may not be good enough. The NEP speaks of multilingualism and that must be emphasised. Most classes in India are de facto bilingual. Some states are blissfully considering this policy as a futile attempt to impose Hindi.

Lack of funds:

According to Economic Survey 2019-2020, the public spending (by the Centre and the State) on education was 3.1% of the GDP. A shift in the cost structure of education is inevitable. While funding at 6% of GDP remains doubtful, it is possible that parts of the transformation are achievable at a lower cost for greater scale.

A move in haste: The country is grappled with months of COVID-induced lockdowns. The policy had to have parliamentary discussions; it should have undergone a decent parliamentary debate and deliberations considering diverse opinions.

Overambitious:

All aforesaid policy moves require enormous resources. An ambitious target of public spending at 6% of GDP has been set. This is certainly a tall order, given the current tax-to-GDP ratio and competing

claims on the national exchequer of healthcare, national security and other key sectors. The exchequer itself is choked meeting the current expenditure.

Pedagogical limitations:

The document talks about flexibility, choice, experimentation. In higher education, the document recognizes that there is a diversity of pedagogical needs. If it is a mandated option within single institutions, this will be a disaster, since structuring a curriculum for a classroom that has both one-year diploma students and four-year degree students' takes away from the identity of the institution.

Institutional limitations:

A healthy education system will comprise of a diversity of institutions, not a forced multi-disciplinarily one. Students should have a choice for different kinds of institutions. The policy risks creating a new kind of institutional isomorphism mandated from the Centre.

Issues with examinations:

Exams are neurotic experiences because of competition; the consequences of a slight slip in performance are huge in terms of opportunities. So the answer to the exam conundrum lies in the structure of opportunity. India is far from that condition. This will require a less unequal society both in terms of access to quality institutions, and income differentials consequent upon access to those institutions.

There is a persistent mismatch between the knowledge & skills imparted and the jobs available. This has been one of the main challenges that have affected the Indian education system since Independence. NEP 2020 failed to check this, as it is silent on education related to emerging technological fields like artificial intelligence, cyberspace, nanotech, etc.

An ambitious target of public spending at 6% of GDP has been set. Mobilising financial resources will be a big challenge, given the low tax-to-GDP ratio and competing claims on the national exchequer of healthcare, national security and other key sectors.

The policy has also been criticised due to the legal complexities surrounding the applicability of two operative policies namely The Right to Education Act, 2009 and the New Education Policy, 2020. Certain provisions such as the age of starting schooling will need to be deliberated upon, in order to resolve any conundrum between the statute and the recently introduced policy in the longer run.

It is pertinent to note that past attempts at parliamentary legislations under the erstwhile regulatory set up have not been successful. The failure can be attributed to the role of regulators and the intended legislative changes being out of alignment, as in the case of Foreign Educational Institutions (Regulation of Entry and Operations) Bill, 2010, which lapsed; and the proposed Higher Education Commission of India (Repeal of University Grants Commission Act) Act, 2018 which remained did not reach the Parliament.

While the Universities Grants Commission and the All India Council for Technical Education have played a major role, questions pertaining to the role of the UGC and AICTE remain unanswered under the new policy.

Doubling the Gross Enrolment Ratio in higher education by 2035 which is one of the stated goals of the policy will mean that we must open one new university every week, for the next 15 years.

In higher education, the National Education Policy 2020's focus on inter-disciplinary learning is a very welcome step. Universities, especially in India, have for decades been very silo-ed and departmentalized.

Conclusion

Education is elemental for realizing full human potential, developing an impartial and unbiased society and advancing national development. Providing comprehensive access to quality education is the key to India's continued rise and command on the global stage in terms of economic growth, social justice and equality, scientific progress, national integration, and cultural safeguarding. The new National Educational Policy 2020 introduced on 29 July 2020, solicits to introduce and implement a sea of changes across all levels of education in India, including the basic apprehension of education in the country. Among additional aspects, the NEP has rechristened the Ministry of Human Resource Development (MHRD) as the Ministry of Education, Government of India a pointer of the country's changing the centre of attention on education.