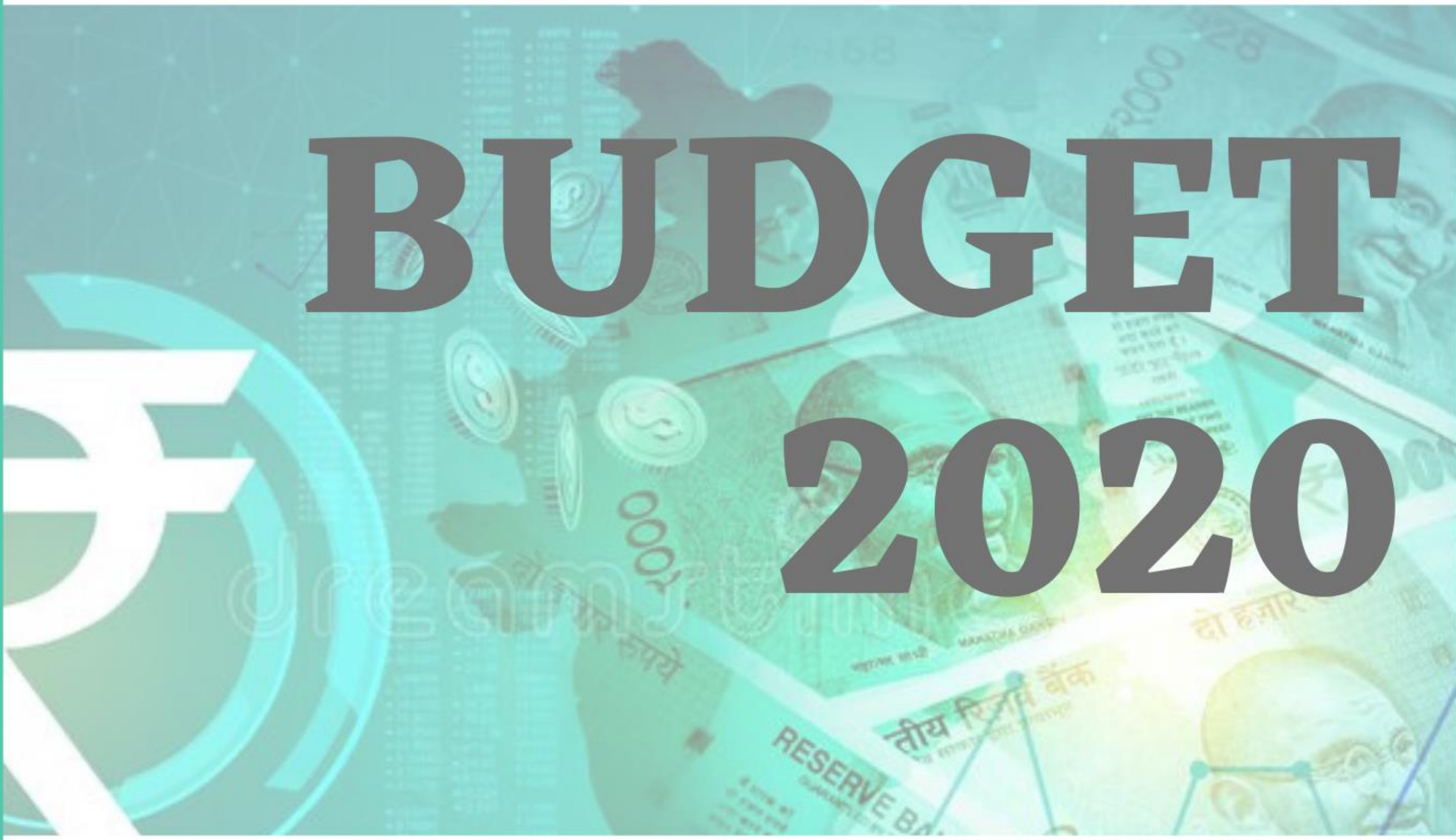
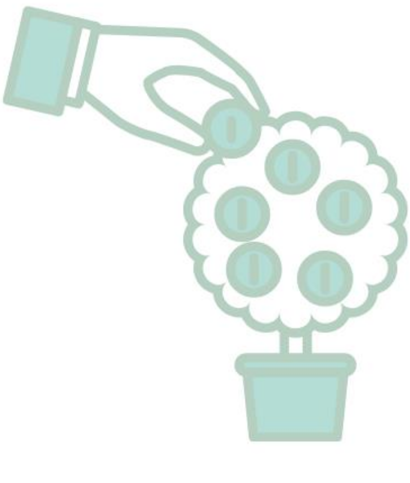
February 2020



BUDGET 2020

"A budget is telling your money where to go instead of wondering where it went" - Dave Ramsey

WE CHAT



Mr. Gaurav Sharma

Digital Channel & Campaign manager; Credit Cards- Axis Bank

ABOUT US

OUR VISION

"To nurture thought leaders and practitioners through inventive education"

CORE VALUES

Breakthrough Thinking and Breakthrough Execution

Result Oriented, Process Driven Work Ethic

We Link and Care

Passion

"*The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn*." - Alvin Toffler

At WeSchool, we are deeply inspired by the words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities require a new approach both in terms of thought as well as action. Cross-disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy the mind's eye needs to be nurtured and differently so.

We school has chosen the 'design thinking' approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

MESSAGE FROM THE DIRECTOR

Dear Readers,

Prof. Dr. Uday Salunkhe
Group Director

It gives me great pride to introduce SAMVAD's edition every month. Our SAMVAD team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone.

As we begin a new journey with 2019, I sincerely hope that SAMVAD will reach new heights with the unmatched enthusiasm and talent of the entire team.

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

SAMVAD is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

Prof. Dr. Uday Salunkhe,
Group Director

FROM THE EDITOR'S DESK

Dear Readers,

Welcome to the February Issue of SAMVAD for the year 2020!

SAMVAD is a platform for "***Inspiring Futuristic Ideas***" and we constantly strive to provide articles that are thought provoking and that add value to your management education.

With courses pertaining to all spheres of management at WeSchool, we too aspire to represent every industry by bringing you different themes every month. We have an audacious goal of becoming the most coveted business magazine for B-school students across the country. To help this dream become a reality we invite articles from all spheres of management giving a holistic view and bridge the gap between industry veterans and students through our WeChat section.

The response to SAMVAD has been overwhelming and the support and appreciation that we have received has truly encouraged and motivated us to work towards bringing out a better magazine every month.

We bring to you the February 2020 Issue of SAMVAD which focuses on "**Budget 2020**". The Union Budget which is presented every year on the 1st day of the month February paves a way for the future economic activities of our country. And while this year's budget is already making history in its own ways (longest budget speech ever delivered by a Finance Minister of India), we would like to share some of the best articles we received from our peers specializing in different domains of management about what 2020's Budget means to them and their niche sectors.

We hope you read, share and grow with us!

Hope you have a great time reading SAMVAD!

Best Wishes,

Team SAMVAD.

WECHAT

Mr. Gaurav Sharma
Digital Channel & Campaign Manager; Credit Cards- Axis Bank

Team SAMVAD

1) Sir, you are an alumnus of our college, so can you please take us through your journey here?

Ans: I was a PGDM student in Welingkar; I belong to the first Rural Management batch of WESchool, i.e., 2012-2014 batch. In fact, I was also the Placement Secretary of my batch for both years.

Being a Placement Secretary was quite challenging at that time since we were the first batch of Rural Management. We also faced a lot of hurdles during summer internships as well as executives placements because we had to prove our merit; we had to explain the companies about our course, about how our skill set can be as an asset from them and pitching to various organization HR & Recruitment teams, etc. Those two years, I learned quite a lot in terms of people management. Before Welingkar, I already had three-year work experience, and after my PGDM, I got placed in Standard Chartered Bank, and now for the past four years, I am with Axis Bank.

2) That sounds like quite a journey! Coming to the Budget 2020, what according to you was the central theme this year?

Ans: Well, one of the biggest highlights for this Budget was the change in Income Tax slabs. From the taxation point of view, they have relaxed the net percentage of income tax applicable for the corporate segment; in fact, this is actually in line with what has happened in the USA as well, where they had reduced the Income Tax for Corporates. You see, even the highest Income Tax slab for corporates is lower than the highest Income Tax slab for individuals! Let me explain this better- Imagine I have a package of 1 Crore p.a., now I as an individual will be paying more taxes than a company which has the same amount of taxable income generation in a year, so that is a huge discrepancy out there. Besides this, there hasn't been any significant change because obviously if we look at the Current Account deficit and the GDP of our country- it has stagnated. The government had already exhausted the funds by Dec'19 for the last FY which they were supposed to utilize for an entire financial year, so they did not have much room to announce new schemes or initiatives because of the significant gap like these and also because of other reasons like rising oil prices, etc. So overall, the Budget didn't have any severe ground-breaking developments.

3) You spoke about the revision of Income Tax slabs, would you like to add on it?

Ans: According to the new Income Tax slabs, you will be taxed from 5 lakh rupees onwards or more as compared to the previous years', but there is a catch here; if you allow yourself to be taxed as per the new tax slabs, you are no longer eligible for any tax reduction.

Now, as a salaried person, I had a couple of advantages when I was being taxed as per the old slabs; it promoted investment and saving behavior within me. Say if I were to invest 1.5 lakh rupees and I get the reduction as per the I.T, then I am not only saving on my taxes, but I am also making long-term investments, which will be beneficial to me in the future! However, this was proving to be a problem for the government since the purchasing power of the public reduced in that manner.

Now instead of investing that 1.5 lakh, if I would have spent that amount on some fancy holiday with my family or buying a car etc. then the government would have earned revenue from my purchase in the form of taxes like GST, Center & State excise duty, cess, etc.

So no doubt my purchasing power was curtailed a bit in the old tax slabs. Nonetheless, if you look at the schemes at that time, you'd realize that the government was also promoting the salaried class people working in private organizations in terms of savings & investments. They even supported the state government and central government employees; when they came up with pension plans like NPS- National Pension Scheme, which had separate income tax benefits also attached to them. So these savings which I would have accumulated over the years would have been useful to me & my family when I turn 60 and retired. The entire proceeds of such investment accumulated over the years are non-taxable too. This all has changed a little w.r.t to the new slabs introduced this year.

4) What would you like to say about the Banking Sector w.r.t the Budget? They allocated a lot of capital for the recapitalization of PSUs and more; what is your take on that?

Ans: Effective from this financial year, major government / PSU banks are going to undergo a substantial change wherein they are going to be consolidated into and merged. To be more precise, ten public sector banks are going to be merged into four. Rest may follow by the end of the current FY.

The government is carrying our consolidation because it is no longer financially viable to have a huge network of branches within proximity without being fully utilized. So now the government is taking a step back, saying that we can't recapitalize you beyond a point, so it's better if you merge and make your systems more efficient rather than depending on us for additional money. Here the government is letting go of some amount of control over these banks, no doubt, there will be regulations for them to adhere to, but there will also be less government interference in terms of the financial stability and decision-making capacity of these banks.

Now coming to NBFCs/ HFCs / MFIs, no one can deny that they are in a susceptible spot right now, and the worst is yet to come.

Already the scams have been making big headlines and questioning a lot of things. Everyone knows about the DHFL and the IL & FS crisis, and the primary reason behind this is that they have been lending to riskier segments.

You see, NBFCs norms are not very stringent when it comes to providing loans & lending to corporates for expansions, especially in greenfield projects, which have always been risky & prone to government scheme/subsidies & policy changes.

Example if a student goes to Axis Bank and asks for a loan, he will need to show that he has minimum work experience of 2 years, it acts as a proof that you have something to fall back on; however if the same student goes to an NBFC, they might give him a loan even with a work experience of 1 year! Now that student can be a riskier customer, and he will have to pay his EMIs in the future for sometimes as long as 5-6 years. This increases his chances of defaulting, and this is what NBFCs have been doing; they have been lending more to riskier corporates and retail segments, which are now hitting them years later when they haven't been able to pay back on their loans. It's also important to note that the NBFC is, in-turn taking the initial funding for their investment from the Banks. Here the banks are regulated by RBI and are pushing banks to link all their loans to RBI's benchmark Repo-Rate and Bank's internal MCLR rate based lending.

5) How do you think the future looks for the Indian Economy?

Ans: Well, if you are speaking with regard to the Union Budget, then I would like to say that like all the past years, there has been a range of ideas and proposals- out of which some do look promising, but in the end, it all comes down to execution.

Overall it is a reasonable budget with its potential impact on our country, but the focus should be more on implementation & quick dissemination of various benefits being passed to corporates & individuals. It is not just about the revenues and expenditures; a lot of macro & micro factors have to be considered when you talk about the economy as a whole. But in a nutshell, the future looks quite desirable for India & India looks like a favoured destination in the world for FDI investment opportunities.

6) What advice would you like to give to the students who would be starting their careers soon?

Ans: In the end, the only advice I would like to give the students is just to do your job with sincerity and enjoy your work while you do it. The markets are always going to have reasons to fluctuate; something unexpected is still in store for everyone, and you can't forever control these situations, so the only thing you should focus on is your performance. Focus on high growth sectors & lookout for opportunities that have promising futures, government push, where policies of the regulators enhance a culture of high growth and provide the necessary momentum & exposure in your initial career days. Give your best at work and rest everything will fall in place sooner or later. Have faith in yourself & give your best!

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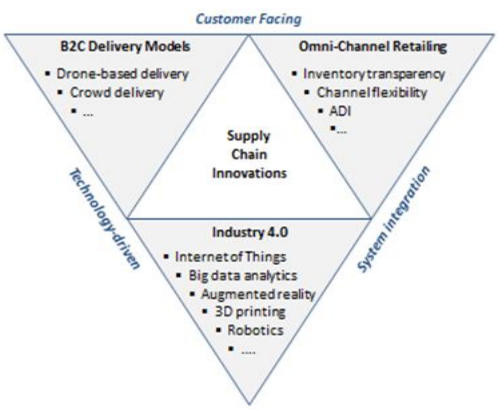
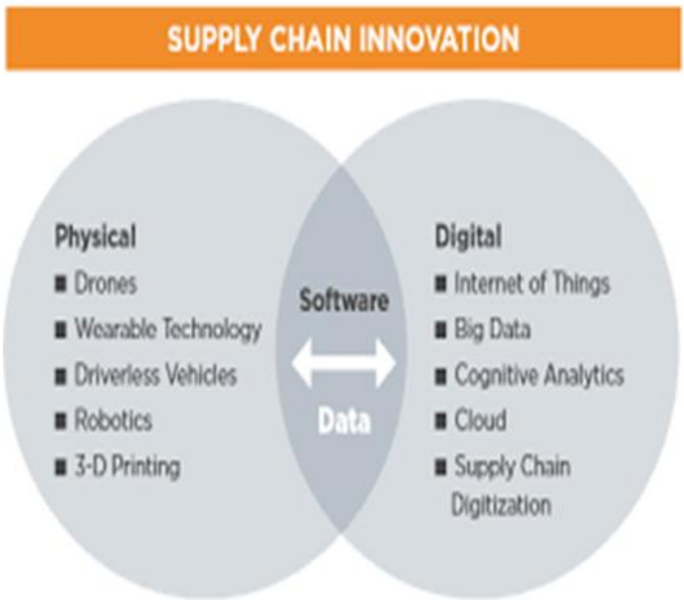
OPERATIONS

Focus on Promoting Disruptive Technology - A Boon for Supply Chain and Logistics Industry

Amit Jha- MMS 2019-21, Prin L. N. Welingkar Institute of Management Development and Research, Mumbai

Supply chains of today have emerged as a more holistic concept that includes product development, marketing, operations, distribution, finance, and consumer service & thus touching upon the various tangents of business and therefore requires a broader perspective with broadened horizons. It has become the backbone of the firm, and now the two firms compete not only on the level of offerings and strategy but even on the supply chain front. Disruptive technologies like the Internet of Things, Artificial Intelligence, Blockchain, Big data analytics, Visual Reality/Augmented Reality, Cloud computing have emerged to be game-changing technologies and disrupted the status quo left to right and center. These technical buzzwords, which frequently appear in media reports, parliamentary debates & in day to day discussions, have now revolutionized various business processes like never before representing the future aspirations of a new era.





Supply chains of today have transformed themselves from simple linear chains to a complex network of web aiming at maximizing the overall value created due to marketing and logistics activity as it correlated to the profitability of the whole system. So, the supply chain must support the competitive strategy of the respective firm.

Supply chain decision making works on three levels -strategic, tactical, and execution in concordance to the competitive strategy of the firm. Today it not only includes the movement of goods but also the movement of information and funds in both the direction.

Today's supply networks face challenges like lack of synchronization between planning and execution due to the lack of real-time data available, which leads to reduced flexibility in the network and distribution footprint at the time of market volatility and production line imbalance and cost fluctuations. Way out of these challenges is to move into smarter logistics to improve supply chain visibility, proper demand forecasting, Managing volatility through efficient inventory management & by optimizing sourcing and logistics services. But existing supply chains are large & monolithic. So, to make them more agile, a confluence of various disrupting technologies is required, which would make them ultra-efficient and hyper-connected.

Industries are investing heavily in these nuevo-spaces to create and maintain a zone of strategic fit, which is nothing maintain an economic balance on responsiveness – Efficiency spectrum by pulling the required control levers based on real-time insights rather than educated guesses.

In the case of FMCG goods, having a high degree of perishability conventional solution to this distribution dilemma meant means smaller distribution system length & thus low no. of intermediaries. But it is just like picking a low hanging fruit. Global supply networks winners have entirely changed the way at looking at business prospects by changing the essential ecosystem with customer-centric distribution models, data-driven insights, and state of the art technologies.

Walmart's competitive strategy is focussed on "everyday low pricing," which means that large no. of products on a particular day at a particular place at the minimum possible price. Thus, the whole concept revolves around economies of scale. To leverage that advantage, they have created a digital twin of their distribution network. They have incorporated blockchain to the entire distribution network to have a definite end to end visibility as well as traceability in the system.

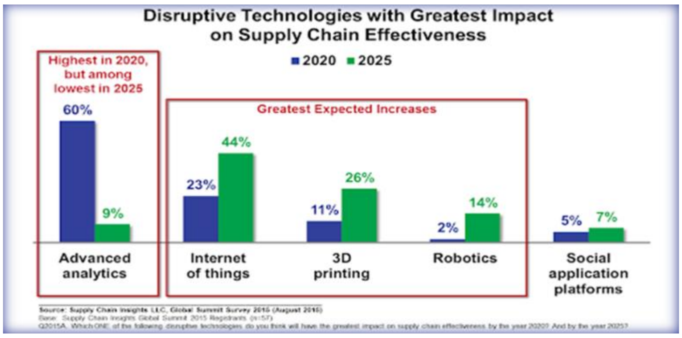
Various domains in which new networks have taken a quantum leap is the last mile connectivity. Most of the earlier supply chain in the first years of the 21st century was restricted to back office, but now omnichannel businesses have come into existence as nowadays it's not only about great product or service but also delivers excellent customer experience. See and purchase business channel is being slowly replaced by click and collect channel—customer's choice personalization of what where & who has an implication on supply chain landscape.

A significant amount of upskilling is observed in the sector. Bricks and mortar stores won't disappear, but considerable growth would be in omnichannel businesses. A recent study highlighted that 38% of supply chain decision-makers believe that it improves the bottom line of the firm, while 81 % believe that their supply chain is no longer fit for purpose.

Leading players have embedded the omnichannel mechanism into the heart of the corporate strategy. They even design products that are easy and cheap to be shipped to customers. They have also incorporated many 'Push and Pull' analyzing & decision-making techniques to increase the productivity of the supply chain.

Many of the leading players have also adopted drones & automated vehicles to improve last-mile connectivity. Robots & drones have also

found their way to warehouses. These developments are proof of how these disrupting technologies have changed the supply chains in efficient and responsive ways.
The process is challenging, but the rewards are tremendous & those who fail to adapt will eventually perish on this dangerous pursuit.



Now when we come to digitalizing the supply network, it is nothing but a value-driven system that leverages new approaches with technology and analytics to create a new form of revenue and business value. With the help of these technologies, we can convert raw data into actionable intelligence by the analysis, which could be prescriptive by nature thanks to the advancement in big data. This can minimize our forecasting error, avoiding the bullwhip effect leading to excess inventory and stocks out. Apart from this, it can also help to improve network resilience, which in turn depends on you upon how bottlenecks and lead times are affected by disruptions such as demand shifts, capacity reduction & communication failures and what capabilities exist for swift rectification of these disruptions.
The node that is both critical and vulnerable is a significant source of risk and an opportunity to build resilience. Resilience in the supply chain can be increased by adopting measures such as interchangeability, which could be further aided by Plant, Product & Part standardization.

To conclude, we see that every strategy boils down to efficiency, agility, and resilience, which in turn opens infinite possibilities. Even though many of the disruptive technologies are still incipient, but as far, their growth trajectory is concerned sky is the limit, and there are no two ways about it

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FINANCE

Removal of Dividend Distribution Tax (DDT)

Ritwik Garg- PGDM, T. A. Pai Management Institute (TAPMI), Manipal

The Shareholders will now have to pay the tax on the dividend they receive. How unfair is it to the shareholders? But is it really? Let's dive in.

In India, there is a tax that's imposed by the government on the companies that pay dividends to their shareholders. Although it's not taxable in the hands of the shareholders, ultimately, it's them whose share of profits has been decreased. When the company is paying tax for its shareholders, all the shareholders have been charged a flat rate of 20.56% irrespective of their economic status.

Impact comes in the reform: Removal of Dividend Distribution Tax (DDT).

From April 1, 2020, the companies would not be charged the DDT when they distribute the dividend. It will be the shareholders who receive the payment, on whom the tax will be imposed. Let's just suppose, Hari and Krishna were two shareholders, and they'll receive their part of dividends from the full amount that the company had set aside for dividends. No tax has been charged on the amount set aside. It will be Hari and Krishna who'll be paying the tax now. Here is where things become Interesting and Fair. The same tax percentage will be charged on the dividends received, as is defined by the tax slab they fall in according to the income earned. Both the shareholders will now pay a different percentage of tax on the dividend received.

Suppose Hari belonged to the lower income group with under Rs 2 lakh income. He comes under the tax slab of 0% and therefore is not liable to pay the tax on dividends received. So, on dividend declaration of Rs 100 previously, Hari was getting Rs79.44 @ 20.56% DDT due to the indirect incidence of DDT. But now he'll be getting full Rs 100 and won't be taxed.

Income	Tax Slab with DDt	Tax Slab	Dividend Distributed	Dividend received during DDT	dividend Now	NetLoss/ Gain
200000	20.56%	0	10000	7944	10000	2056
450000	20.56%	5.00%	10000	7944	9500	1556
650000	20.56%	10.00%	10000	7944	9000	1056
850000	20.56%	15.00%	10000	7944	8500	556
1100000	20.56%	20.00%	10000	7944	8000	56
1350000	20.56%	25.00%	10000	7944	7500	-444
1750000	20.56%	30.00%	10000	7944	7000	-944

(The table suggests that shareholder coming below or in the tax bracket of 20% are sure to gain from the removal of DDT)

On the other hand, Krishna, who is high net worth individual and falls in the highest tax slab of 30% (can go up to 43%), will be paying that much percent on the dividends received as well. Along with High Net Worth Individuals, Promoters of the corporations we talked about earlier will also stand to lose due to this new regime. The one who earns more is taxed more- Progressive taxation at its best. To escape the increased incidence of taxes, the HNI's can invest in Mutual Funds (MNC fund or PSU fund). The HNI's will get the benefit of pass-through dividends as Mutual Fund's income is not taxed.

Another stakeholder is the company that is paying Hari and Krishna their dividend. With DDT, the company had to deal with several compliances that go along with taxes and incur additional expenses. For example, the company had to deposit DDT within 14 days of declaration or distribution of dividends, whichever is earlier.

Otherwise, interest is charged on DDT with a rate of 1%.

With the removal of DDT, the onus of paying tax lies on the individual shareholder. The company is free from that burden. Therefore, it becomes easy for it to operate. This will help the ease of doing business in the economy, and more companies from foreign markets will find the country attractive to work in.

When the company used to pay the Tax for its shareholders, even though they received reduced income, foreign investors couldn't claim Tax credits in their home country. With the Tax incidence now lying directly on the foreign investors, they are liable to claim Tax credits. This makes their investment in India more lucrative. Hence with the removal of DDT, we will see more Foreign Portfolio Investment (FPI's) coming in.

As for the government, the removal of DDT is a step in the direction of improving the ease of doing business in India. This is something that the government has been targeting from all fronts. The only catch here for the government is that it must forgo Rs 25000 crores of its revenue after the removal of DDT. Economic slowdown followed by a reduction in corporate taxes has already plummeted the government's reserves, and now we see the elimination of DDT. But on the flip side, the removal of DDT is directly boosting the income of the Indian middle class. Hence as their purchasing power rises, so does the demand in the market. Therefore, removal of DDT can be the government's another attempt at curbing Demand-side aspects of the economic slowdown.

Looking at the impact of the removal of DDT on each stakeholder:

- **Retail/ small Investors:** One of the by-products from the removal of DDT is to increase the participation of retail investors in capital markets. Small investors are sure to be the ones who are going to be benefitted from this step of the government.
- **(HNI's) and Promoters:** This is the only segment that will be negatively affected by the removal of DDT. However, on flipside by investing in Mutual Funds, they can minimize the loss. That's another impact of the removal of DDT, promotion of Mutual Funds.
- **Foreign Investors:** They will be able to claim their tax credits in their home country. Hence there won't be cascading of the Tax, and they'll stand to earn more from India, making it a Favourable destination to invest.
- **Companies:** The High dividend-paying companies would have to worry about the compliances for paying the dividend. Hence it will be easier for them to work in India.
- **Government:** Only the time will tell if the government can meet its objective of
- **Short Term**: Aiding the demand-side factors of economic slowdown. Increasing the purchasing power of the middle-class people of India.
- **Long Term**: To make India a profitable place for foreign investors to invest in. Making the Indian Tax System just and transparent.

In all, the removal of DDT is a significant step and has the potential to solve a lot of problems. The Indian public welcomes it with open hands from April 1, 2020.

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MARKETING

Impact of Budget 2020 on Consumer Buying Behaviour

Abhishek Dhruv & Sanket Gawali- MMS 2019-21, Prin L. N. Welingkar Institute of Management Development and Research, Mumbai

Budget is something that began as only a review of the economy way back in 1947. In contrast to the budgets of other countries, the Indian Government presents its Annual Budget on a fixed date that is 1st February of every year. It allows more time for necessary changes before the implementation of the new Budget from the next financial year, starting on the 1st of April. While looking into the Budget we have to understand that a budget is more than just a series of numbers on a page; it is a personification of our values. Budget 2020 did little to relieve the consumer's concerns. It will leave more money in the hands of each taxpayers because of new tax slabs but does little to get grip on the broad inflation. The new tax regime comes with reduced tax rates than the current one but without many deductions and exemptions.

You won't be able to claim exemptions like HRA and housing loan interest, which makes up a significant amount. And under section 80CCD of the Income-tax Act, 1961 deductions have a limit of 10% claim on employee salary. With a tax rebate of Rs. 12,500 an individual is not required to pay any tax on income up to Rs. 5 lakhs in FY 2020-21. The disappointment also came from the fact that there are no amendments in favor of savings, no incentive to invest more and to spend more as well. The consumer doesn't feel like their salary will become heavy because of the new tax slab; therefore, in some exemptions, some continue to follow the old tax regime. Having 2 tax regimes makes it more complex for consumers to understand and take benefit of.

In this article, we are going to focus on one aspect of this Budget that is Consumer buying behavior. There is a decline in household saving and it is forcing shoppers to buy smaller packs and cheaper variants of household consumables.

Millennials are unwilling and hesitant to own homes due to tighter budgets, mainly due to low paying jobs, which is directly related to the economic crisis and recent Budget. In Rural areas spending seems to have drastically gone down followed by consumer price inflation in India increased to Highest in Near 6 Years of 7.59% in January of 2020 from 7.35% in December.

Annual food inflation in India slowed to 13.6 percent in January of 2020 from 14.1 in December, which was the highest since November of 2013. With 27.5% of the population living below the poverty line in 2019-20, the persistence of food inflation at high levels is extremely undesirable. This section already spends a significant proportion of their income on food and is unable to divert additional expenditure to food to counterbalance the effect of food inflation. Thus, high food inflation provokes nutrition deficiency, which is already at a very high level in India. If the consumer has confidence in the economy and his/her personal finance, then the consumer will spend more than save. When consumer confidence is high, consumers make more purchases. When confidence is low, consumers tend to save more and spend less.

With a Consumer Confidence decreased to 83.70 points in the first quarter of 2020 from 85.70 points in the fourth quarter of 2019, we can conclude how much satisfied they are towards current Budget. Researches related to Consumer behavior have demonstrated that significant differences in spending patterns exist at a macro level across social class categories, where income is one of the indicators of social class.

However, the influence of social class at the individual level is less clear and it may be due in part to differences in how individuals choose to allocate their available resources. The Government has decided to impose a 5% health cess on imported medical equipment. This is over and above the basic customs duty (BCD). This will definitely increase the medical treatment costs for patients even as the focus remains on Make in India. The cess could trouble the healthcare sector in India which is heavily dependent on imported medical devices to offer affordable treatment to patients. In the end customer had to save money for treatment and had to spend less on other requirements.

A lot of imported products have become costlier due to the increase in customs duties such as furniture, shoes, glassware, coffee/tea machine, fan, AC, water cooler, phones, toys, refrigerator, medical equipment, kitchen items, and stationery items. For common consumers day to day living has become more complicated and costlier. Due to these factors demand is not increasing which leads to economic crisis and many industries like automobile industry suffers. As there are no measures take for the automobile industry in Budget, the Indian two-wheeler market faced a sales decline of about 16%, and passenger vehicle sales plunged by 6.2% as there is no proper route for cash flow between Government, consumers, banks, and market. Economist Abhijeet Banerjee believes that the biggest problem in the economic crisis today is that of demand in economy which has fallen drastically over the year. That is, a common man in the country does not have money to buy, which leads to fall of market demand. In his opinion, the solution for this is to give money in the hands of the common and poor man. It can be done by either the National rural employment guarantee scheme (NREGS) or by minimum support price of the crops (MSP) scheme.

The Government should focus on consumer demand and leave aside worries of fiscal deficit and inflation rate. Business Today editor Rajeev Dubey states that the Indian economy can be strengthened only by increasing consumption, which could be achieved by simplifying GST, simplify insolvency & bankruptcy code, real estate regulation act, and make foreign direct investment easy.

To realize the 'Make in India' vision, the Government needs to understand the disappointment and confusion. It is a budget without any conclusion. Even the finance minister herself did not conclude her budget speech on the floor of Parliament and left it inconclusive.

However, fear of a recession looms large on the horizon. People have lost money in the stock market crash and failing of certain banks. There will be a propensity to save more for the future, and spend less. But in the short run, liquidity crunch needs to be addressed on an immediate basis.

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HUMAN RESOURCES

Allocation of Funds for Skill Development in Budget 2020

Renuka Deshpande- RBA 2019-21, Prin L. N. Welingkar Institute of Management Development and Research, Mumbai

Finance Minister Nirmala Sitharaman presented her second Union Budget in the Parliament on 1st February 2020. The prominent theme of the budget was 'Ease of Living,' which was then woven around three central ideas – Economic Development, Aspirational India, and A Caring Society.

The FM cognized the fact that India by 2030 will have the largest population in working-age – this unique demographic feature provides our country to enhance our growth and source of skilled workforce to the world. In a World Bank report, it had been estimated that in the coming few years, the labor forces across the world would see a decline of 4% while in India, the same is expected to have an increase by 32%. Recognizing this need, the FM in the budget allocated total funds of Rs.99,300 cr. for the education sector in 2020-21 and Rs.3000 cr. for Skill Development. To equip our population with the necessary skills and knowledge so that they contribute substantially towards economic growth, it is essential that they need to be literate and also have job and life skills. The logic here being – the more skilled the people are, the more they are productive, and a more productive person is also paid more. Hence, here skill development and vocational training is the priority for the government.

Today there exists a massive demand for paramedical staff, nurses, caregivers, but the skill sets demanded by employers are not fulfilled, and this requires improvement in today's workforce. They need to be given practical situations to handle so that they are well prepared to handle emergencies. To be able to meet the requirement of skilled medical staff and qualified doctors, it has been proposed that a proportion of the Rs 3000 crore will be made available to states so that a medical college can be associated with a prevalent district hospital in PPP mode to help bridge the gap.

To help freshers acquire necessary skills, urban local bodies are expected to provide them with internship opportunities for one year so that they can learn on-the-job. It is a win-win situation for both as it will help engineers gain practical experiences while being industry ready, and the urban bodies will be able to plan better. The coming together of skills and knowledge in vocational training will be taken up through degree apprenticeships. More than 100 higher educational institutions are expected to start courses that have apprenticeship included in their curriculum in the coming year. With the current focus on technologies like Data Analytics, Fintech, Robotics, 3D Printing, Virtual Reality, and IoT it will be beneficial for the workforce of the future to be able to improve their skills with industry-relevant training in such areas, and this can be done with the Pradhan Mantri Kaushal Vikas Yojana. This move reflects that the government is focused on preparing the youth for the nature of jobs of the future.

In the budget, there is also an emphasis on language training, so that the skill-based training in international markets is as per global standards. There has also been a proposal for the introduction of self-paced online degree programs to extend the reach of education to the rural areas by the institutions ranked in the top 100 with the aim that education is accessible to all anywhere and everywhere.

As we move into a tech-savvy era, technology can be leveraged to extend the reach and accelerate the skill development efforts with high-quality content, which is today finding increasing acceptance among both employers and learners.

The government has identified critical sectors like electronics, food, agriculture, horticulture, energy which require the workforce to be skilled in the relevant areas and is supporting the same through specific policies such as:

- To fuel the initiative of 'Make in India,' the government is now encouraging the manufacture of mobiles, semi-conductors, etc. by taking up efforts to strengthen the Electronics industry.
- The government has also proposed initiatives to invite global companies for transparent, competitive bidding to set up mega manufacturing plants in advanced technological areas such as solar infrastructure and computer servers.
- Taking up initiatives to educate people with the importance of horticulture projects to strengthen the online portal Jaivik Kheti.
- Introduction of bridge courses for the Healthcare sector in collaboration with the Health Ministry and Ministry of Skill Development and Entrepreneurship.
- Focus on skill-development in museology and archaeology while also proposing to launch the Indian Institute of Heritage and Culture, which will help to overcome the lack of trained human resources and will eventually help fuel the tourism sector.
- National Logistics Policy to be released to facilitate single-window e-logistics and skill development and making MSMEs more competitive.
- A proposal was put forward to set up a National Police University and a Forensic Science University.

Overall, the budget proposed reflects an ambitious plan to create more job opportunities by coming up with skill-based development programs. It acknowledges the role technology plays today in tackling challenges and improving access to quality education and employment opportunities for India's youth. Clearly, skill development and education resonate with all of the three central ideas proposed in the budget 2020.

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GENERAL MANAGEMENT

Increased Investments in Agricultural Services

Yashika Mehta & Tanvi Sawant – PGDM 2019-21, Indian Institute of Management Bangalore (IIM-B)

Union Budget: An expert's guide to agriculture distress:

The Union Budget 2020-21 WAS woven around the theme of "Sabka Saath, Sabka Vikas, Sabka Vishwas" i.e. economic development for all and doubling farmers' incomes by 2022. However, the same did not translate to the allocation of funds towards agriculture and allied activities. As we can see from the given table, allocation towards agriculture has increased but very less as compared to other activities

Sectors	2019-20 (RE)	2020-21 (BE)	Variation
Communications	206	655	217.3%
Medical and public health	256	298	16.4%
Pensions	1840	2107	14.4%
Grants to states	4470	5148	15.2%
Agriculture and allied activities	2346	2650	12.9%

(Source: Budget at a glance, 2020-21)

The income of farmers grew at 0.44% a year between 2011-12 and 2015-16. There was a dire need to infuse cash and a substantial stimulus to government initiatives was expected due to farmer's distress.

Three "Model" Acts have been introduced that not just privatize and formalize the involvement of huge companies in agriculture but give a better piece of the pie to private companies. The Finance Minister has instead of announcing schemes to resolve agrarian distress aggravated it by attempting to privatize it.

The budget allocation towards the PM-KISAN scheme (direct cash transfer to farmers) hasremained unchanged and MNREGA (employment scheme) has been reduced by 10,000 crores. The subsidy on fertilizers has been reduced by Rs 9,534 crore to encourage the use of organic ones and reduce chemical fertilizers.

There was no change in allocation for organic fertilizer subsidy as well. The government substantially reduced the food subsidy bill from Rs 1.84 lakh crore to Rs 1.15 lakh crore. This will indirectly impact farmers since their grains will not be purchased by the public distribution system to that extent. Thus, the government has taken a back step for investment in agriculture activities as per Union Budget 2020-21.

Besides, the Skill Development Program announced might lead to the migration of population from rural to urban areas.

As per report released by National Skill Development Corporation, the measures will thus reduce the current population to be engaged in agriculture from 50% to only 38%. Even then the promise of doubling farmers' income by 2022 seems farfetched because there wasn't any measure taken to provide immediate relief. It talked increasing the use of solar energy and organic fertilizers, which currently seems to be a distant reality.

Current distress of the agriculture sector:

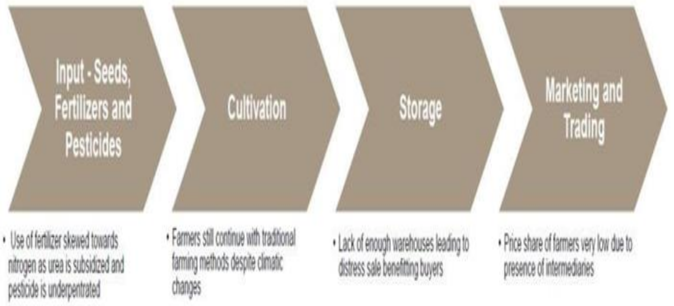
We need to resolve the current distress of the farmers:

- 11,379 farmers committed suicide in 2016 i.e., almost 31 suicides every day.
- 80% of the farmer's suicides were on account

of unpaid bank loans. The average monthly income per agricultural household was only Rs. 6,426.

- Over 66% of farmers who do not like farming state non-profitability as the primary reason.
- While employing over half the workforce in India, the contribution of agriculture to the GDP is less than 18% (2015-16 data).
- Agricultural yield (quantity of crop produced per unit of land) is also found to be lower than in most developing countries.

The following are the issues faced by the farmers across the value chain:



Why investing in agricultural activities in the need of the hour for India?

It is important to note that the momentum of growth for agriculture in developing countries like India is majorly contributed by the capital formation and TFP (Total factor productivity) Changes in TFP can be interpreted as a measure of the collective contribution of non-conventional inputs in agriculture such as improvements in input quality, market access, economies of scale, and technology apart from land and labour which can be also be demonstrated in the below figure:

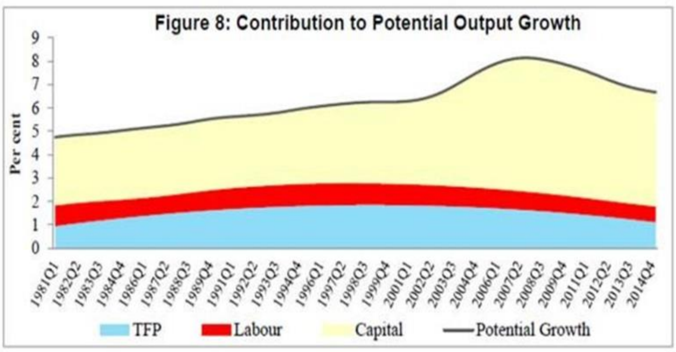


Figure 8: Contribution to Potential Output Growth

There has been stagnation in contribution from both the factors leading to a decline in the growth of the agriculture sector.

We all are aware that India is called as an agrarian economy as more than half of the population's livelihood is dependent on the same.

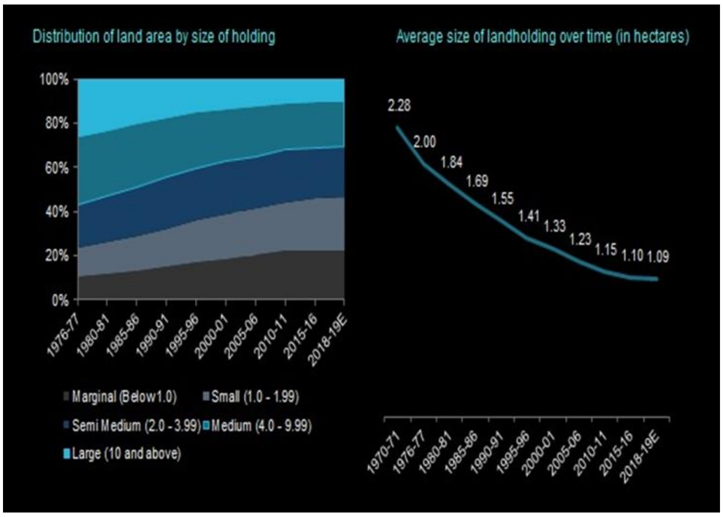
It will be a major concern if the backbone of the economy fails. Steps also need to be taken to avoid wastage of food.

Despite India producing enough to feed its population, it ranks 55 out of 76 countries on Global hunger index due to wastage of food on account of inefficient storage, supply chain management, etc.

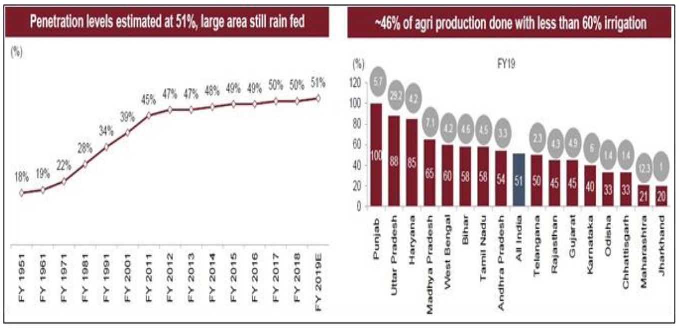
If India loses its self-sufficiency, it will lead to future problems like inflation, balance of payment deficit etc. like in the case of oil.

The following problems can be solved by increased investment in agricultural services:

Problem	Description	Solution
Land degradation	30% of all land in India is affected by degradation which is eroding a value equivalent to 2.5% of India's GDP	• Investment in Organic fertilizers & check if adulterated • Quality inputs, pesticides
Land fragmentation	Small and marginal farmers (85% of total farmers) account for only 40% of the total Rs. 10.78 lakh-crore of agri-credit in the country.	• GOI can abolish intermediary interests and promote consolidation of holdings through Co-operative farming



Lack of irrigation facilities:



Problem	Description	Solution
Lack of irrigation facilities	41% of the farmers believe availability of proper irrigation can solve problems Penetration level of irrigation is only 51%	• Supply of water to drought-prone areas & incentivizing the use of micro-irrigation facilities

Exploitation by intermediaries:

Current Scenario

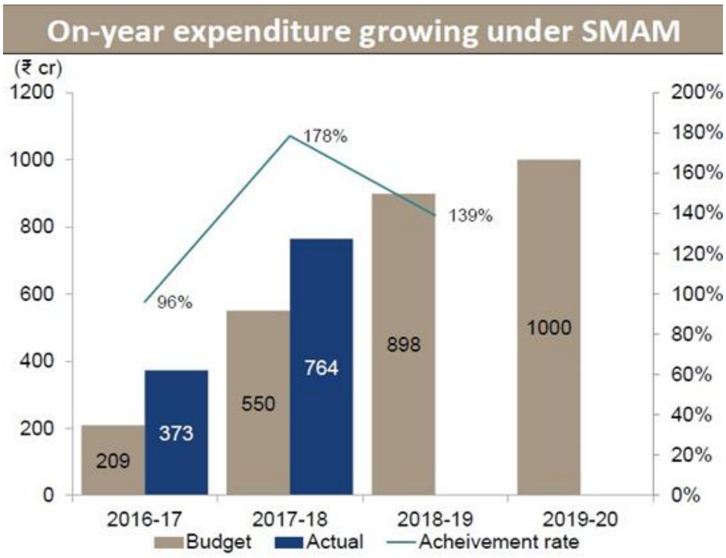
Farmer → Agent → Trader → Wholesaler → Retailer → Customer

	Farmer receives	End customer pays
Paddy (non-Basmati)	Rs. 17 – 19 / kg	Rs. 30 – 40 / kg
Mango	Rs. 40 – 60 / kg	Rs. 100 – 250 / kg

Here we can see the difference in the prices and the margins made by intermediaries. Farmers hardly cover their costs of production.

Problem	Description	Solution
Exploitation by intermediaries	Over 80% of the value is often taken up by the middlemen. APMC is exploiting the farmer's prices due to lack of knowledge	• Decentralize the APMC • Invest in storage facilities and cold storage chains

Lack of mechanization

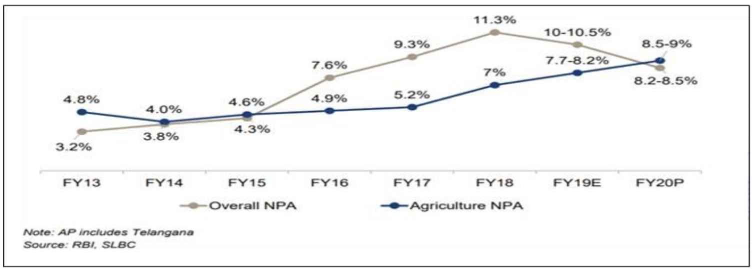


Source: CRISIL

Problem	Description	Solution
Lack of mechanization	Mechanisation rate of US is 97% and its contribution to GDP is 1% in contrast to India where it is 17% and mechanization rate of 40%	• GOI can invest in providing power supply without disruption and improve power adoption implements

Lack of credit facilities:

Rising NPA rate and impact of farm loan waivers



Source: CRISIL

Problem	Description	Solution
Lack of credit facilities	• 28 percent was non-institutional credit from unfair money lenders and loan waivers are of no help • Priority Sector Lending (PSL), Interest Subvention Scheme (ISS), Kisan Credit Card (KCC) have not been effective	• Digitalise all the land records to reduce land disputes • Enroll fintech players to assess creditworthiness & provide immediate finance (instead of loan waivers) like subsidies • Restructure loans, interest subvention & emphasize on policy benefits of direct benefit transfer, e-NAM

Conclusion

Even though a lot of measures have been taken up by the government, there is a lot of debate regarding the impact of these. On the grassroots level, there is not much regulation of the committees and groups set up by the government. While there are a lot of talks that happen amongst economists, politicians and even in the budget, there is also implementation inefficiency. Serious action needs to be taken in this respect.

Agriculture is still passed on from one generation to another. Formal education of agriculture, educating farmers on how to increase their yield, use of modern technology, organic fertilizers, and hybrid seeds are required to ensure that the decrease in available fertile land is adequately compensated.

Improved knowledge of farmers would guard them against exploitation by informal lenders and APMCs. Security in the form of MSPs and government purchases can ensure farm produce is monetarily rewarded.

We saw that the achievement rate of Sub Mission on Agriculture Mechanization was more than 130%. Besides, digitalization and use of technology into farming will improve the standard of farming practices in India.

Providing access to the internet would provide the farmers and increase their awareness and provide them with information related to farming and measures that are in place by the government to aid the agricultural sector.

Besides, a skill training equipping them to undertake other jobs during non-seasonal part of the year would reduce the vulnerability of their livelihood to external environment.

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CALL FOR ARTICLES

We invite articles for the March 2020 Issue of SAMVAD.

The Theme for March month- "**Aviation**"

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

You may also refer to sub-themes on Dare2Compete.

Submission Guidelines:

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com. Deadline for submission of articles: 31st March, 2020**
- Please name your file as: <Your Name>_<title>_<section name e.g. Marketing/Finance>
- Subject line: <Your Name>_<Course>_<Year>_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
- Clearly provide source credit for any images used in the article.

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IT IS NEVER
TOO LATE TO BE
WHAT YOU MIGHT
HAVE BEEN

GEORGE ELIOT