Finance Matters

10 YEARS

News, Views & Perspectives on Economic Policies & Financial Institutions

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Gloating in False Growth?

“The greatest trick the devil ever pulled was convincing the world he didn't exist.” Those are the famous words from the 1995 thriller ‘Usual Suspects’. That's a line that one recalls looking at the 7.8% GDP growth figure for the first quarter that the government is boasting about. Faced with a systemic grievance from the country’s youth reeling under both hopelessness and joblessness, the usual suspects within the government seemed desperately in need of conjuring a positive image that doesn't exist. Or at least it doesn’t beyond the paidpipers in the newsrooms. That’s what experts like Subhash Chandra Garg, Raghu Ram Rajan and Prof Arun Kumar seem to suspect.

If everything is going so well, that too despite the war clouds and its consequent stress, then why is it not showing in the form of jobs; why are the youth on the streets; why are the corporates refusing to invest; why are the FMCG companies worried looking at their numbers; why has foreign investment dried up; why are real wages in a puddle. And what would be more desirable, to gloat in false glory? Or to actually diagnose and look for the right prescriptions. Those have been some of the concerns floating around in expert circles who risk being branded as “dimaagi naxals” for their “pessimism” (read objectivity).

The former Finance Secretary who is supposed to know a thing or two about GDP calculations, has for instance, pointed at a major shift in the baseline while arriving at the numbers. The government, he said, has revised last year’s current-price GDP for quarter 1 from Rs 86 lakh crore to Rs 80 lakh crore. It is this massive lowering of the previous year’s numbers that helps the government in conjuring the jump in GDP figures this year. If one were to calculate on the basis of the earlier numbers, then the growth would have been just 2.6% and even that would have gotten erased had one factored in inflation. He said that while the economy may be growing at atleast 4-5%, but the euphoria of nearly 8% growth is misplaced.

Experts like Prof Arun Kumar have attempted to catch the sleight of hands from the other end. While on one end is the convenience of a low base, at the other end there seems to be an over-estimation. The data is a ‘projection’ from the previous financial year, not based on the real data obtained from the relevant quarter. Considering the numbers for the organised sector is still largely arrived at by holding organised sector indicators as proxy, the manifold hardships of the unorganised sector stays out of the calculations. The cylinders that vendors purchased at higher prices from the black market; the fertilizer that the farmer bought from black market at higher rates; the informal workers who lost jobs and went back to the villages - none of that got to “blemish” the cherished growth figures.

That leaves one to ponder as to whether the debt burden on the households, the uncertainties of the youth, the women forced into self-employment are all imagined or real. Because clearly as per the great leader, these are problems that don’t seem to exist.

- Team CFA

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Five Day Banking Inevitable

The demand for five-day banking and work-life balance started when banks were understaffed due to long years of silent ban on recruitment, which was revoked after the All India Bank Officers Confederation gave a strike call. After 1993, the recommendations of the Narasimhan Committee led to reduction in cost by reducing recruitment and giving an attractive Voluntary Retirement Scheme. In 2002, the Banking Service Recruitment Board was abolished and Banks were allowed to recruit bank-wise.

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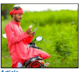

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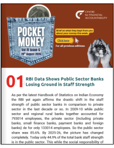

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