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ARTH GYAN



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From the Editor's Desk

At the outset, the Department of Economics is grateful to the Principal Dr Debajit Sarkar for suggesting and supporting the hosting of e-magazine on the college website. Accordingly the Department got in to action and decided to host the very first Volume and Issue in the month of February 2017 it self.

As Head of the Department of Economics, I am delighted to host the first ever Departmental Publication "Arth Gyan" on the college website. The Department consists of Ms. Samiksha Jadhav, Mr Rahul Dandekar, Mr Uday Sinha and Mr Dinesh Molavade. These enthusiastic Assistant Professors have contributed to this magazine in their simple way. Mr. Laxman Rathod and Ms. Ahmedi Sarang are our two Assistant Teachers in Economics from the Junior College.

The first Issue has four contributions to the magazine: two review articles and two articles on current affairs. Ms. Samiksha Jadhav has reviewed the book "Identity and Violence: The Illusion of Destiny" by Dr Amartya Sen. Mr. Uday Sinha has brought an article on "America's New Visa Policy and its effect on India". The rumblings in the World's largest economy in the wake of last Presidential elections are viewed from an economic view. Mr Rahul Dandekar reviewed the book on "Economics of Education" written by N.Ramnath Kishan. Mr Dinesh Molavade has come out with the article "Is RBI Punishing the Savers?" It brings out the link between inflation and interest rate on Savings.

The reviews and articles are worth reading. Our endeavor is to bring economic issues to the fore and make them understandable to the common man.

I am sure the readers will find the review articles and articles based on current topics interesting and revert back with their issues.

Dr. K Venkateswarlu

Book Review

Ms. Samiksha Jadhav
Assistant Professor

वे डरते है
किस बात से डरते है वे ?
तमाम धन- दौलत, गोला -बारूद
पुलिस फौज के बावजूद !

वे डरते है कि,
एक दिन
निहत्थे और गरीब लोग
उनसे डरना बंद कर देंगे ।।

- गोरख पाण्डेय

The above Hindi poem reflects the current situation of how few powerful people in the society exploit the emotions related to singular identities of people for their own advantage. It brings out the insecurity among such narrow-minded people who proliferate the ignorance of mankind about its own strengths.

Prof. Sen's through his book 'Identity and Violence' reflects on the reasons behind the current alarming issues of terrorism and extremism which are a huge hurdle for the overall development of the mankind. According to Prof. Sen, today, religious identities are exploited to nurture organized crimes which have led to increase in terrorism and violation of human rights on a huge scale worldwide.

Prof. Sen through his work 'Identity and Violence' has discussed a very alarming issue of global violence as a result of ignorance of individuals and society about their identity. According to him, attaching single identity to anybody is very cruel. Every individual is multi-faceted. It is impossible to generalize and categorize people with just one identity. But over the ages, mankind has categorized itself into single identities based on religion, community, caste, race etc. It has not learnt from the historical experiences about the consequences of categorizing people into single identity.

Dr. Amartya Sen, a Nobel Laureate, brings forcefully to the readers notice about the problem of identity crisis and understanding exactly, the way of identification of individuals. The author, who is a firm believer in human values, has criticized the suppressing of multiple identities of individuals which they carry simultaneously. He emphasized that these multiple identities cannot be mutually exclusive.

In the first three chapters, he clearly builds the theme of identity from point of view of an individual as well as society. Every person, is a unique combination of different qualities and talents. The author has put forth the concept of multiplicity of identities of every individuals very confidently by giving examples.

It is important that every individual realize this fact and accept that he or she can have multiple identities on the basis of citizenship, residence, origin, gender, class, politics, profession, food habits, hobbies, sports interests, social commitments etc. But even if the individual realizes this, yet it becomes difficult for the individual to convince a narrow-minded society. The narrow-minded people in the society try to view an individual with a single identity. There is always a scope of extremist view where a person is given single identity that is generalized and is taken for granted.

He gives an example of 1944 communal riots in India in which he was a witness of deaths of many. According to the author, in communal riots, people were killed because others perceived them with single religious identity, ignoring the fact that they had different roles to play in the society. The point that Prof. Sen wants to explain here is that we are born to love each other. But the social situations surrounding us create the fire of hatred. This is well reflected in the following lines:

“Any kiddie in school, can love like a fool,
But hating, my boy, is an art”

- Ogden Nash

The author has also discussed the role of culture in determining identities. According to him, cultures grow and become richer by assimilation. No culture can claim to own different value systems. He strongly criticizes the author, Samuel Huntington for his book ‘Clash of Civilizations’ where he bluntly bifurcates the civilizations into western and Islamic.

Prof. Sen elaborates with certain examples of how the now seen discrete civilizations have important interrelations which we tend to forget, ignore and overlook. He criticizes the

western world to identify the Muslims only as Shias and Sunnis and overlooking the various contributions made by the community to literature, professional art, philosophies, lifestyles, attitudes, political and social beliefs.

He has discussed some examples from history to show how the Muslim rulers were also tolerant about religious identities of people. They were scholars of different scripts and philosophies inspite of being Muslim. He gives example of Akbar who was tolerant emperor. Aurangzeb's elder brother Dara Shikoh was a student of Sanskrit, scholar in Hinduism and translated Upanishads into Persian. On the other hand, during the same period the so called modern Europeans were intolerant to many science inventions as well as religious identities. Many ideas and knowledge that travelled from India, finally to reach Europe, was through middle east through translation of knowledge material from Sanskrit to Arabic and Arabic to Latin.

Prof. Sen is of the view that only religion or religious faith does not solve problems in life. People can have social and political priorities. It was 9th century Arab mathematician al-Khwarizmi from whose name the word 'algorithm' is derived. The term 'algebra' is derived from the name of a mathematician 'Al-Jabr wa al-Muqabalah'. Through this Sen emphasizes that Islam has made many early contributions to Mathematics and Science and that they were the most committed globalizers of these streams of knowledge.

He explains further that religion is just one identity. And that people can be different although they belong to same religion. Two Muslim women, an activist from Bangladesh and a house wife from Saudi Arabia, although belonging to the same religion, can be entirely different personalities due to their difference in countries and upbringing.

Prof. Sen is of the view that the increased role of religious leaders rather than civil society is one of the reasons for increase in terrorism. Further he brings out the fact that globalization is reality which cannot be changed. The fact that the people who oppose globalization themselves act as global community.

The book 'Identity and Violence' is a very elaborate thought of Prof. Sen's view about all individuals and the current global problems. The language of the book is eloquent. The historical examples provided by the author assist the readers to understand the thoughts that he reflected on. Through this book, Prof. Sen has once again brought individual human beings at the center of all thought processes and philosophies.

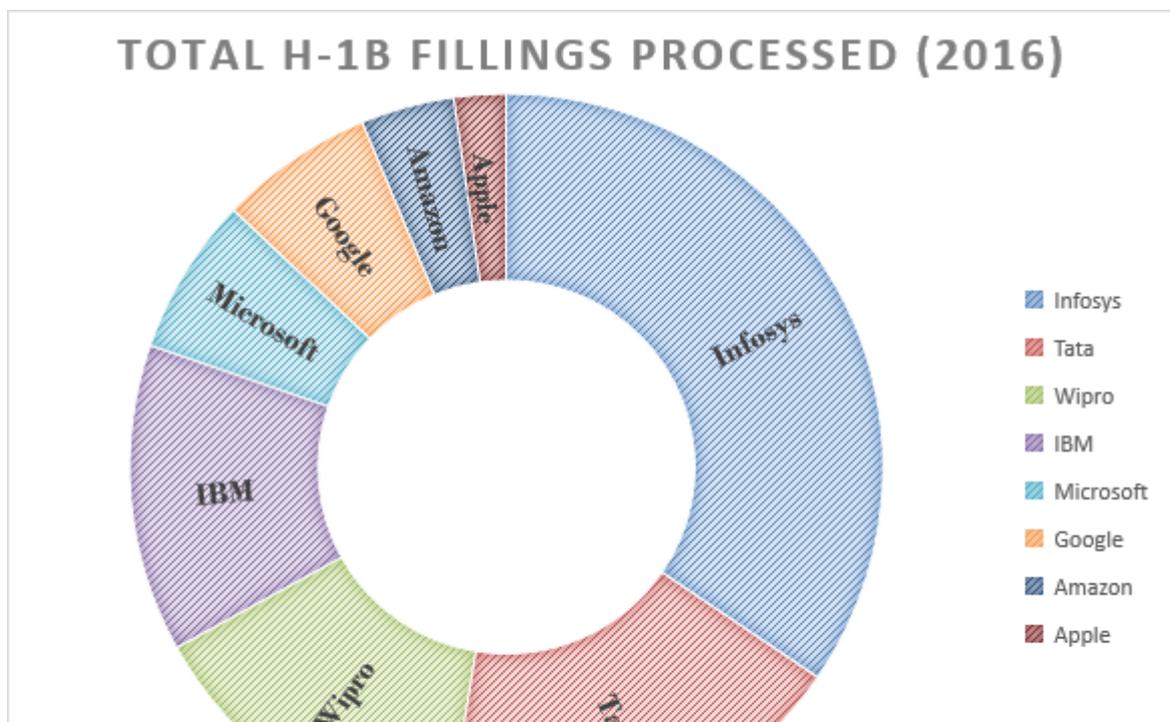
America's New Visa Policy & its Effect on India

Mr. Uday Sinha
Assistant Professor

When Mr. Donald Trump announced his candidacy for the US presidential post in 2015 from the lavish Trump Towers in New York, it was covered more as a celebrity event than a major political event. A year and a half or so later and Trump has not only emerged victorious but has also very quickly gotten to establishing his legacy as America's 45th President. One of his early moves to establish an 'America for Americans' consists of passing an executive order to overhaul the method of granting H-1B visas followed by America. If this order passes into actual law, which seems highly likely, it will greatly affect the various companies operating on America soil and none more than Indian companies.

The order, amongst various other changes, proposes to almost double the minimum wage for H-1B visa holders to \$130,000 as well as reserve 20% of the visas for small and start-up companies. It will also seek to prioritise the visa granting process according to salaries, thereby granting visas for higher paying jobs first and lower paying ones later. The logic being that the lower paying jobs can be easily taken up by Americans while higher paying jobs can be handed out to foreigners to attract the brightest and most skilled individuals and thereby promoting innovation.

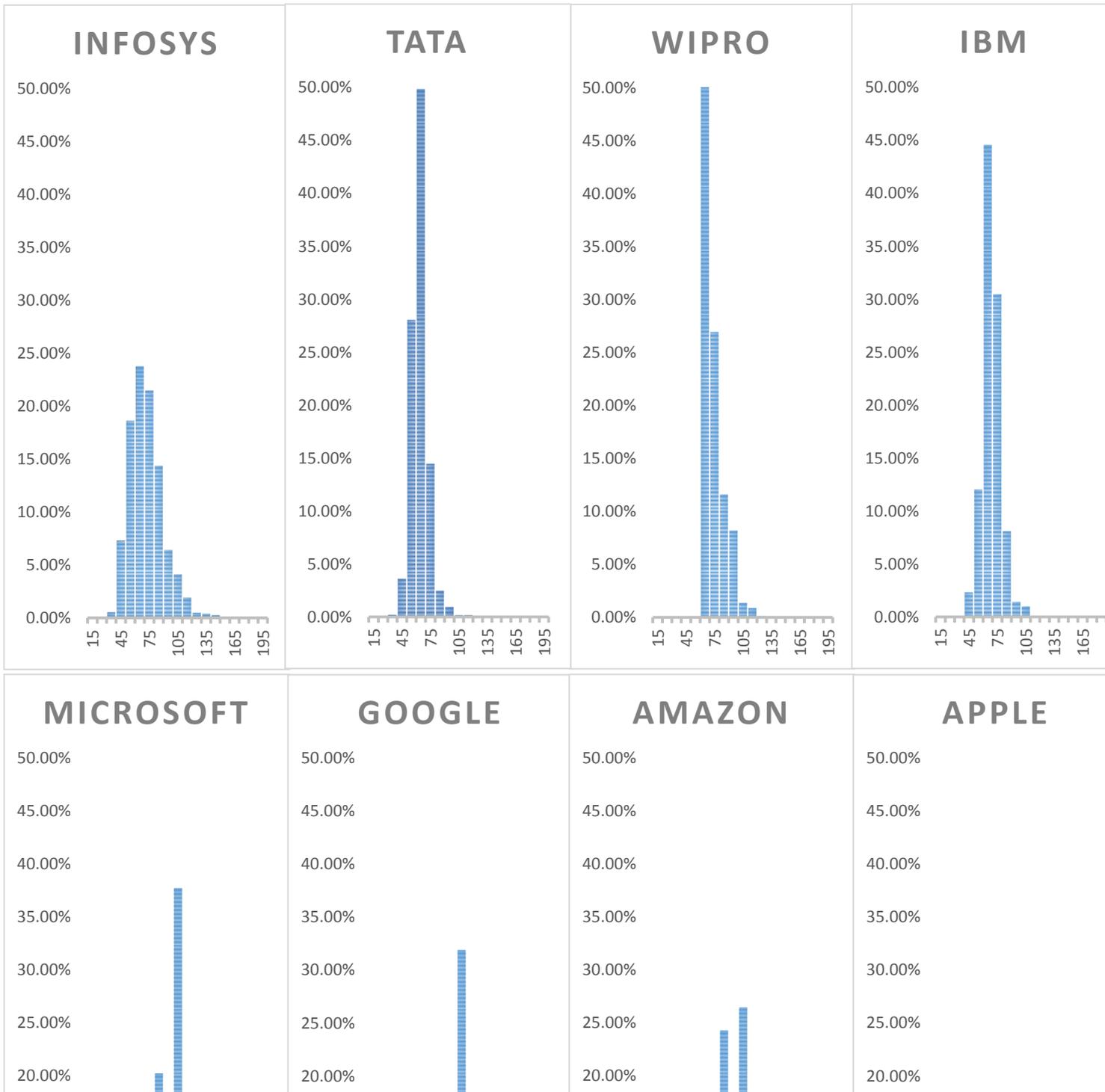
Since Indian companies are the biggest users of H-1B visas, they stand to lose the most if this law passes. Thousands of companies apply and receive such visas for their workers but a comparison of the top four Indian firms using H-1B visas with top four American ones shows a drastic skew as far as number of applications for H-1B visas is concerned.



Data Source: [US Department of Labor](#)

The four Indian firms of Infosys, Tata, Wipro and IBM together accounted for over 80% of the share in H-1B visas when compared with the top four US firms. Out of a total of 6,47,852 filings for visas 59,241 were by these four Indian firms while only 14,560 were filed by the top four US firms. The rest were divided up in minor numbers between thousands of other companies. Indian companies have a much larger share of filings for H-1B visas but they also pay much lower wages as compared with their US counterparts. In fact, most Indian companies pay wages at much lower rates than the current \$130,000 to H-1B visa holders, while most American firms pay much closer to it as can be seen by the diagrams given below.

Here the Y-axis shows the Percentage of workers employed at particular wage rates and X- axis shows the various wage rates in \$'000. Data Source: [US Department of Labor](#)



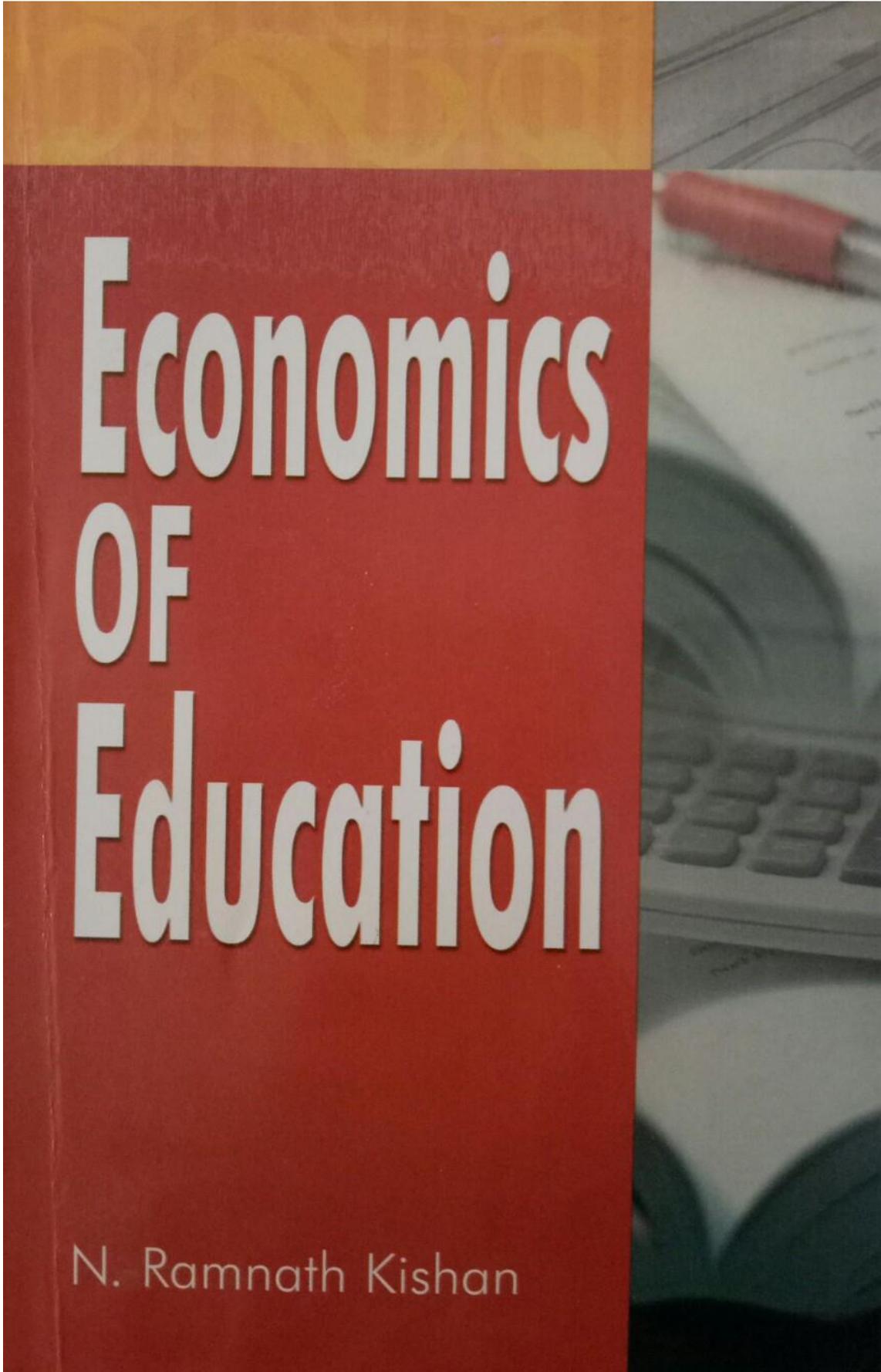
It can be clearly seen that for the Indian firms, most workers get much lower wage payments than their counterparts working in American companies. For example, in 2016, Tata paid over 92.32% of its H-1B employees between \$50,000 and \$80,000 while Google paid nearly 92.34% of its employees between \$80,000 and \$170,000. Most American companies tend to pay much higher wages to H-1B visa holders and hence would get a preference under the new system while the Indian companies which are hiring lower wage workers will be the bigger losers especially as they are so heavily dependent on H-1B visas. Tata Group in particular is at a very vulnerable position, with most of its subsidiaries making losses except for TCS and Tata Motors as well as turmoil within the company related to its leadership. However, this decision will not solely impact India but will also change how the US companies employ talent.

On the one hand Indian companies have already started hiring a larger number of local American workers in order to supplement the Indian workers working on visa programs in the US even as their stock prices plummeted following the revelation of this news. The largest numbers of visa applications are submitted by outsourcing companies rather than by tech firms and hence it is felt that they are used to fill up lower paid, unspecialized jobs requiring very little technical skills. The current US administration led by Trump, would rather see such jobs being offered to Americans. A wage based system (where visas would be given on priority to hired paid workers) would prevent the Indian outsourcing companies from flooding the system with visa applications as they hire workers at much lower wage rates than American tech firms (refer to the graphs above). However, this wage based hiring means that the companies will find it very difficult to find recruits to fill up the mid-level jobs for which the salaries in general tend to skew lower and at the same time there is a lack of locally available talent with the required technical know-how and skill set to fill the large number of openings. So the only way out for companies is to hire individuals from other countries but at much higher salaries than they would get otherwise in order to qualify them for visas hence setting a very high cost for labour.

Another important point to note is that a large number of the American tech firms, as well as others, rely very heavily on these outsourcing firms to help out in their respective IT departments. So any disruption in the hiring process for such companies is not going to be limited to the Indian companies only. Furthermore such a move would result in Indian firms radically changing their business models in order to stay afloat. Some might be able to negotiate higher prices with their customers (often times big corporations rather than small

individuals) and hence shift the higher costs of hiring as well as salaries. Others have already threatened pulling out of the US and shifting their offices elsewhere in order to find cheaper labour with fewer restrictions. India seems like the perfect market. Couple this with the fact that the ensuing uncertainty has already gotten a lot of Indian professionals working in the US talking about returning home and what you have is a situation which might just end up benefiting India.

What actually happens only time will tell with certainty. However if this law comes into effect what will definitely suffer is the innovative capacity of America and its tech sector with it and the profitability of Indian companies operating in the US, at least for a while.



Economics OF Education

N. Ramnath Kishan

BOOK REVIEW

Rahul Dandekar,
Assistant Professor

The book reviewed is titled *ECONOMICS OF EDUCATION* by **Dr. N. Ramnath Kisan** and was published by APH Publishing Corporation in the year 2016. Dr. N. Ramnath Kisan is currently working as The Principal and Head of University College of Education, Kakatiya University, Warangul, Andhra Pradesh. He is having about 17 years of teaching experience. The book revolves around the study done by the author who tries to investigate the association between the economic inputs and students' achievement in day and residential schools run by different managements like central, state government and private management in Andhra Pradesh.

This book is nothing but the in depth research study done by Dr. N. Ramnath Kisan. There are total 156 pages and 5 chapters followed by detailed bibliography.

Economics of Education is combination of both economics and education which creates a profound sense of awareness that economists steer the vehicle that leads us to the education policy discourse. It covers a wide range of dimensions such as finance and expenditure in education, school management, school infrastructure, qualification and appointment of teachers, quality of education and process of evaluation and so on. The study done by the author revolves around the concept of *Education Production Function*. Education Production Function shows the relationship between school inputs and school outputs. In this study the author has attempted to identify whether gender, socio-economic status, expenditure pattern of school, type of school, caste of the student, community background, occupation of parents and income of parents have any bearing on academic achievement of students

In the first chapter the author has given detailed information about all concepts and variables. All the objectives and hypothesises are clearly mentioned in it. The second chapter talks about review of related literature. Literature review helps us to identify theoretical underpinnings of selected area of study. The author has taken care to incorporate various studies from India as well as abroad. The third chapter deals with methodology of the research. In this chapter the author writes about the design of the study, population and sample of the study, process of data collection, tools for data collection etc. The fourth chapter deals with descriptive and inferential analysis where author has applied statistical techniques and drawn inferences out of it. The fifth chapter deals with summary and

conclusion of entire research study. At the end the author also found out that all the mentioned variables are significantly related to each other.

All the chapters are written in very simple and lucid language.

It's my privileged that I got the opportunity to read and analyse this book. This book has indeed helped me to get cognizant about various issues and concerns related to the concept of *Education Production Function*. This book is of great importance to all researchers who are undertaking research in the area of Economics of Education. Nowadays people prefer Interdisciplinary Research and this area is worth exploring.

IS RBI PUNISHING SAVERS?

Mr. Dinesh Molavade

Assistant Professor

From January 2015 RBI started to decrease the repo rate. Repo rate has decreased from 8% to 6.25% today. Repo rate is rate at which RBI lends to commercial banks. As a result rate of interest on fixed deposits (FD) have fallen from 8.9% to 7.00%. It means savers are receiving less for every rupee saved. Does it mean savings are discouraged by RBI? Here we have to use the concept of Real Interest Rate

Real interest rate= nominal interest rate – inflation rate

Nominal rate of interest is the rate of interest we get on our deposits

In simple words real interest rate is interest rate adjusted for inflation. Inflation erodes the value of the rupee. People are likely to save more if they are assured that inflation will not erode the value of rupee. In other words if rate of interest is more than inflation it will protect the value of rupee.

For example if inflation rate is 5% and nominal interest rate is 7% then saver is rewarded with 2% of interest rate. He will get 2% more purchasing power for his money after one year. On the other hand inflation is 10% then saver is losing purchasing power equal to 3% every year. Therefore positive real interest rate is good for saver. Today inflation rate is around 4% and rate of interest on FD is around 7%. It means real interest rate is 3%.

Year	Rate of interest	Inflation (average CPI for year)	Real interest rate
2009	7.0	10.83	-3.83
2010	6.75	12.11	-5.36
2011	8.25	8.87	-0.62
2012	9.25	9.3	-0.05
2013	9	10.9	-1.9
2014	9	6.37	2.63
2015	8.5	5.88	2.62
2016	8.0	4.97	3.03

Why savings are so important?

For any nation to grow it needs to invest and investments are financed by savings. The Higher the savings, the greater the investment and faster the economic growth.

Therefore it is clear that savers are in fact rewarded after the 2015 even though interest rates have come down.