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India, Policy & Governance

Topic: Policy and Governance during COVID-19 times

The Republic Of India is a country in the Asian continent that occupies a greater part of south Asia and it is the second most populous country in the world. India is a constitutional republic which means that the executive branch of the government is held accountable to the legislative branch of the government. The Indian government represents a highly diverse population consisting of thousands of ethnic groups from its 29 states and 9 union territories. With a current population of 1,380,227,549 (~1.38 Billion) in an area of 3.288 million square kilometers makes India one of the top 30 densely populated countries of the world. Along with that, 1 of every 6 people in the world live in India (CIA, 2020). Its coastline consists of over 7500 kilometers bounded by its borders with six countries. India is bounded to the northwest by Pakistan, to the east by Burma and Bangladesh, north by China, Nepal, and Bhutan and to the south by Sri Lanka. India is the land of diversity in all aspects from culture, economy, landscape, climate, or ecological (CIA, 2020).

India has all possible landscape terrains that our planet earth has from wide seashore and tropical islands, cold mountains to deserts, and vast plains to hot and humid plateaus. India can be categorized into the following geological features, the Himalayan mountain range in the Northmost, the northern plains, Indian Thar desert to its west, peninsular plateau to the south, Gangetic delta to its East along with coastal plains and islands. (Britannica, 2020). India experiences variations in climate from humid and dry tropical in the south to temperate and alpine in the northern ends. Overall, India can be summarized into a large tropical country with diverse climatic features (FAO, 2020). With 60.45% 1,797,210 sq. Km of agricultural land, an average Indian farmer owns about 2.3 hectares of land compared with a US farmer on an average owning 250 hectares. Most of the Indian farmers inherit the land so over time the land is distributed resulting in a low average (IANS, 2015). Along with that, commercial farming is far lower in India than the United States. India is the world’s largest producer of milk, pulses and jute, and ranks as the second largest producer of rice, wheat, sugarcane, groundnut, vegetables, fruit and cotton. India is also one of the leading producers of spices, fish, poultry, livestock and plantation crops.

The average Indian family is around 4.8 people in size, however, the average varies between north and south. Most of Indian population lives in rural areas with basic housing. The typical Indian family buys fresh vegetables, legumes and meats for the day and cooks fresh to consume. The government subsidizes rice, wheat, and lentils for low income households. An average Indian meal is rich in carbohydrates and
fats mainly consisted of rice, wheat, legumes, vegetables, grains, fruits and dairy (Sharma, 2015). Over the last 6 years due to rapid increase in consumer food price index (2.99% to 14.12%), average Indians are forced to make risky compromises with their already simple meals. An average Indian typically earns around 31,900 rupees per month with 8,080 Rupees being the lowest average to 143,000 rupees being the highest average with information technology, Aviation, Retail, hospitality, healthcare being the top industries hiring (Johari, 2020).

Now, what type of government does India have? The Republic Of India is one of the most recent constitutional republics on the Earth. After almost 100 years of British rule, the Republic Of India was formed in 1947. As a constitutional republic, similar to the British parliament, India is made of three branches, the executive, legislative, and judicial. Based off Montesqui’s separation of powers system, the three branches regulate one another, ensuring one does not have too much control. The executive branch, in which the President who is elected by an electoral college consisting of Parliament acts as the Commander-In-Chief and preserves the constitution, and enforces laws that are made by the legislative branch. This branch is usually bound by the Prime Minister and the Ministers, who are all elected, and provide advice to the President. The legislative branch is a bicameral congress consisting of the Rajya Sabha, which is the upper house that is elected by the President, and the Lok Sabha, which is the lower house that is elected directly by the people. The head of the majority party and the most senior member of cabinet is the Prime Minister, who is the chief of government. The Prime Minister is the head of the leading party and the President is bound by many of the Prime Minister and their cabinet's wishes. The Judicial Branch decides the constitutionality of laws, and is composed of 30 associates and 1 chief judge.

Next, there are 29 states and 6 territories, making up 35 different state governments, each with elected legislatures and local governments( The Commonwealth, 2019). Each of these states has an elected chief minister, who acts as the head of that state's legislative and executive branches. In terms of fiscal policy, because India is a very heterogeneous population, with 16 official languages, 4 religions, regional differences, and caste system divides, many political ideologies remain( Newworld Encyclopedia, 2018) Currently, the Bharatiya Janata Party is the majority party in the country. Economically, its fiscal policies promote globalization and foreign competition in the market. In addition, its policies promote deregulation and privatisation of government agencies whilst still promoting significant government control of food and drug prices.

However due to missing critical links between policy makers and academia, divisions in India by caste, religion and region have persisted resulting in policy differences resulting in challenges. Access for free public education is greater in urban areas than rural. Even with availability of free public education only a little over 50% of the students make it to 12th grade(Sharma & Haub, 2008). The country’s diversity, rapid economic growth and historic wealth redistribution have caused significant societal barriers such as health, social and income inequalities across India to evolve and these barriers are causing typical rural families to remain in poverty. Even with this comprehensive democratic system, many policy issues related to the issue of food security still remain. In India over 200 million suffer from malnutrition, which is down from 500 million in 2003. However, over the past several decades, India has seen stabilization of economic progress, with the GDP slowing to levels not seen since the 1990’s and the highest unemployment in half a century. Now the Covid-19 pandemic has risked a massive economic recession, as millions have lost their jobs due to the disrupted supply chains, risking food security for many. During these times is when the Indian government needs to take realistic and decisive steps to ensure food access
for all Indians.

Even before COVID-19, India’s official consumer, trade, investment, import, exports, and government revenue indicators were very worrisome and indicated a severe slowdown in the economy. Based on the official statistics for 2019, the Indian GDP has slowed to 4.7%, the lowest since 2013, the highest unemployment rate in 45 years and worst performance by all industrial core sectors in the last 14 years which fell by 5.2%(Subramanian and Felman, 2019). The slowdown could be a result stemming from structural and cyclical factors. The COVID-19 pandemic has caused an unprecedented shock to the Indian economy which was already in a precarious state. To mitigate the spread of the virus, the Indian government has enforced far reaching measures by enforcing the country wide lockdown for all non-essential services and businesses including shutting down all retail, educational, religious, public utilities, government offices along with closing all means of travel across the country of 1.3 Billion people. As expected, the lockdown continues to have an adverse effect on the already fragile economy as all economic activity has come to a halt, with no income for millions of daily wage workers. All types of transportation has been severely constrained disrupting supply chains and distribution chains causing an abrupt halt in all trade and commerce activity. Local/national spending has been drastically reduced as millions are staying home due to lockdowns and are spending only on much needed necessities and postponing their non-essential expenditure (Dev & Sengupta, 2020).

Due to the coronavirus lockdowns, disruptions in domestic food supply chains and loss of incomes are causing even more tensions and food security risks than before and the trend seems to be going in the wrong direction. In the short term the impact will be for both urban and rural populations and in the long term the vulnerable populations of rural areas will be impacted again as the prices for the basics are expected to increase due to short supplies and adjusting supply chains. The food shortage affects all populations equally and historically, it will be disadvantageous towards women, elderly and children. Minorities and marginalized populations will be the ones most impacted as they were already vulnerable even before COVID-19 and the disruption in distribution logistics will affect their incomes and livelihoods (Maggo, 2020). Farmers and food producers will face a lot of losses as buyers and traders are limited in spending due to the COVID-19 disruption.

However, the future's still bright for this rising superpower. Over the past two decades, India has lifted almost 300 million out of poverty (IANS, 2015). India has adopted crucial national and international policy changes to bring in much needed reform to the outdated policies and governance that no longer help the majority of the population. This trend in India where we have seen a rapidly decreasing poverty rate has led to less hunger and malnutrition. Radical and comprehensive steps taken by the Indian government to reduce hunger have focused on two major aspects of life. First, India has focused on providing free access to education to all poor students, and very low tuition costs for middle class students. This increase in education has meant increased wages, thus less people have fallen into poverty and hunger. Next, India has focused on increasing access and availability of foodgrains by providing significant subsidies to producers. Along with that, they passed the National Food Security Act in 2013, providing 25 kilograms of rice to poor families (200 million people) a month at a far reduced price. These policies have allowed for supply to meet demand and have made sure that poor families have a constant source of food. Over the past two decades, India has implemented free college tuition for poor students
and the National Food Security Act of 2013, which provided constant food subsidies to poor farmers.

Smart and effective solutions are required to revive India out of long-term slowdown and to help in alleviating the issues of food insecurity and poverty. Implementation of the following solutions will help to remediate few of the deep rooted social, fiscal and policy issues that are macroeconomic and structural in nature.

A history of India’s economic policies

- In 2015 Indian government initiated the largest economic reform since Indian Independence, which is to restructure public sector banks to be in sync with private banks. In India, public sector banks have a role and responsibility to provide banking to the millions of people at the bottom of the pyramid. The reform specifically focuses on enabling public sector banking for a smoother, quicker, and efficient loan and credit processing and distribution as well as efficient monitoring and recovering. Although the Indian government has quickly delivered the required infrastructure to dispose of stressed assets a lot more still needs to be done. Nonprofits must work with local agencies to provide buses and transportation to these banks, and must partner with local governments to oversee infrastructure projects and protect against corruption.
- Back in July 2017, India launched the biggest ever tax reform to replace the decades old Tax law. The new 2017 GST policy also needs to be further simplified to be more business friendly, cost effective and have a simplified tax calculation and collection along with measures preventing fraud(BBC, 2020).
- In December 2017 the Indian government sanctioned and invested 2500 million of rupees into 42 food parks to be built across the country in a 3-5-year timeframe. Each central processing center requires around 50-100 acres of land and each food park is expected to have around 30-35 food processing units with an expected annual turnover of about 4500-5000 million rupees along with generating direct and indirect employment to 30000 people. The objective of the scheme is to reduce wastage of perishables, ensure maximum value addition and help raise processing of food items from 6 to 20% and to increase India’s share in the food processing industry from 1.5% to 3%. As of 2020 January, 2 parks have achieved over 50% completion, 16 food parks are at 25% completion and rest 24 food parks have less than 10% completion. The reasoning for the below par performance is that banks are not financing the units and few units at 50% borrowed at 14% interest rate(Indian Brand Equity Foundation, 2009). If the Indian government wants to make the very well-intended scheme successful, then the finance department of the government needs to ensure financing and remediate the major bottlenecks hampering development of much needed food parks. Nonprofits must begin funding and crowdsourcing efforts to ensure financing of this scheme. They must also work with governments to build programs incentivizing such financing.

A Basic Income Program policy, which would provide a fixed monthly income to poor and working-class families. This program would allow for poor families to have a constant source of income, allowing them to use that money to increase their financial independence. By doing so, they would be able to pay back debts, save money, and be financially secure. This program would provide a basic source of income,
ensuring that food necessities are met, even in times of economic hardship. This newfound sense of economic independence would increase the number of entrepreneurs and would increase investment in poor villages due to the new businesses that would be formed. In addition to that, it would empower many women. In 2018, 75% of women in India were not employed, and many of them are bound within the household due to a lack of financial independence (Fetterolf, 2017). A basic income program would empower many women with a sense of autonomy, allowing for some to enroll in college and jobs. This would further decrease rates of hunger among women.

However, expect some counterarguments, which would focus on the fact that it may decrease rates of employment as people would not have to work, and that it would not be financially possible. However, as seen in countries where basic income programs exist, such as Mexico and Kenya, employment rates did not decrease, and the money spent on programs would be made up by rapid increases in GDP because a lower number of people remained in poverty. In countries such as Mexico and Kenya with existing Basic Income Programs, investment in domestic industries has increased significantly, allowing for more jobs to be created within the country, especially for poor and working class families (World Bank, 2017). For instance in Mexico, the universal basic income program has shown a substantial reduction in poverty right from the start. By the end of the phased approach, calculations show that the total poverty rate could be cut by half of the total poverty percentage. As of 2018, Mexico’s poverty rate is 23% in comparison to 2014 poverty rate of 33.6% (Bien Congress Report, 2018) Poverty has reduced by 10.6% since the program implementation.

However, other concerns such as inflation and labor markets also arise. Economist Larry Summers argued that it would desentavise working among the poorest of people and that this increase in overall wealth would spark wide-range issues with inflation. On the contrary, a 2018 meta-analysis by Ioana Marinescu found quite the opposite; it found that there were no impacts on the labor supply and inflation when Basic Income was implemented in Canada. More importantly, if such a program were to be implemented in India, it would not most likely boost rather than hurt the economy.

In Kenya, for example in 2017, a non-profit, known as GiveDirectly, gave $1000 direct cash payments to rural residents of Siaya County, Kenya, near Lake Victoria. These payments added $2.60 for every dollar given to the local economy, resulting in a 2.6 times multiplier (Vox News, 2019). Even in a 2011 and 2012 study in the Indian state Madhya Pradesh, 6,000 Indians were given 200-300 Rupees each month, resulting in increased sanitation, less hunger, and more educational attainment (Vox News, 2020). When individuals who have lived in poverty their entire lives, have access to direct money, most will first cover the necessities, and some will use the money given to further their economic well being. This sense of economic independence would increase the amount of entrepreneurs and would increase investment in poor villages due to the new businesses that would be formed.

Another policy suggestion that can be looked at is a Negative Income Tax, which is a form of a progressive income tax. A negative income tax would have negative tax rates progressively lower than the poverty rate. Rather than a Universal Basic Income program, which would unconditionally provide a constant source of money to individuals, a negative income tax would rather target populations of people who live under poverty. This program would allow for poor families to have a constant source of income, allowing them to use that money to increase their financial independence. By doing so, they would be
able to pay back debts, save money, and be financially secure. This program would provide a basic source of income, ensuring that food necessities are met, even in times of economic hardship. In his book, The Road To Serfdom, Frederick Hahek wrote in favor of direct cash payments to the poor that “monetary wellbeing is what makes a life worthwhile” (Frederick Hahek, 1944). The arguments for and against a direct cash payment to poor residents has been a topic of debate for generations. The argument for, however, is introduced best with a quote from Ronald Reagan's Inaugural Address on January 20th, 1981, when he said that “Government is not the solution to our problem, government is the problem” (Ronald Regan, 1981). Over the past century, what has reduced the rate of poverty in India has not been government programs; however, it has been the rapid rise of economic capitalism and economic globalism. That introduction of globalization has been a significant driver in the plummeting of extreme poverty rates from over 75% in 1980 to less than 10% today (Asian Development Bank, 2019). According to the Economic Survey proposal and the International Monetary Fund recommendations, a 2,600 Rupee Basic Income Program for 75% of the population in India, which would be in the form a negative income tax, would cost no money to the Indian Government if it served as a replacement to current subsidies for Indians under the poverty line (Mint Calculations, 2020). However, even modest reforms, similar to the one proposed by the International Monetary Fund of 1,215 Rupees per month would actually save several dozen billion dollars if they replaced current food subsidies. Other proposals, without replacing any subsidies, similar to Congress’s plan for 215 Rupees a month for 20% of the population, would cost less than a fourth of the National Food Security Act of 2013. Even the former Chief Minister supports such a plan due to the failure of the National Food Security Act of 2013 to decrease rates of hunger. The reason that this act failed is simple: it puts the decision in the hands of the government rather than the people. What will bring people out of poverty, allowing poor Indians to pay for necessities like food and water will not be government programs, but rather a choice for people to choose from. While some may abuse it, many will not. Many will use it to not only feed their families, but send their children to school. A basic income and a negative income tax both allow for all Indians to have far more equitable opportunities and will work to vastly reduce the current rates of hunger.

Another solution could be focused investment for farmers. Currently, half the Indian population depends on the farming sector, especially poor and working-class families. As the green revolution has allowed for increased crop yields and less environmental impacts, many poor farmers in India have been left behind, furthering the economic gaps in the country (Roy Rajesh, 2016). In addition to that, land for farming is scarce, and techniques that would increase yield without increasing land would help protect deforestation and over farming in areas. If poor farmers were able to increase crop yields while keeping the same amount of land, it would allow millions to come out of hunger, and it would allow farmers to use their land more effectively, rather than use new land. A solution is government funding of fertilizers, chemicals, and other crop products used to increase crop yields by the government. If the government is able to make a focused investment into these areas, it would decrease the gap between poor and commercial farmers and would allow for communities and villages to have a far increased supply of food. For this solution, organizations like Rise Against Hunger India would need to help provide chemicals and fertilizers to farmers who need it. They would work with the Indian government to help ensure that all farmers who need the technology receive it. In addition to that, education programs surrounding effective techniques that farmers can use must also be topics of focus for both non-profits and the government.
Given the current COVID-19 situation, typical monetary and fiscal policies that India has implemented and could further implement will not have much impact as it might cause the banks to fail thus may cause financial breakdown. Any reforms have to be a joint effort between state and central governments. Once COVID lockdowns ease, the discussed reforms can be used to bring the operations back to pre-covid levels. For agriculture, governments and nonprofits must ensure to take care of the safety of the farm population, ensure smooth operations of the supply chain, smooth up crop procurement operations for farmers, restructure loans for the milk and poultry industry, and extend in-kind assistance packages to leasing farmers. In addition to the fiscal relief measures already passed by Indian government, the following additional measures are needed to relieve the informal sector further such as ensuring prices of essential food items are under control and creating effective cash support programs for the unemployed and poor. Banking sector reforms for helping to support corporations to halt bankruptcies, reviving credit growth also need to be considered. More importantly, the role nonprofits play in this process is extremely critical and very important. International organizations must bond and work together cooperatively to create plans, initiatives and programs that look to achieve success with the highlighted proposals in this paper.

To achieve the execution of a Negative Income Tax, Indians in poverty need to have access to a nearby bank, which many villages and rural areas do not. To achieve increased agricultural efficiency, smaller and subsidence farmers in India must be knowledgeable and educated on efficient techniques, fertilizers to use, and other Green Revolution technologies that will allow for the rest of India to make the leap into the 21st century and the modern agricultural age. However, the government cannot alone make these changes. In many cases, while subsidies and cash payments may be executed, local governments are vastly underfunded and corrupted by political and business pressures that are highly bureaucratic in nature. Nonprofits must fill that gap and ensure that the 20% of India that deals with daily issues of hunger and starvation has the ability to remove themselves from that position. They must work cooperatively with other non-profits in the establishment of bank education programs in rural towns and villages, working with small, rural, and subsidence farmers in educating them on given technologies that they can use to increase crop yields. The future is bright; a future in India where NGOs no longer have to focus on the issues of hunger and starvation, but rather issues like educational attainment and gender equality is possible within the next several decades. Once we can cross the gap from a nation of millions in hunger to one where everyone is fed, India will be able to focus and address the many other issues impacting Indians today and in the future will be able to transition to a true first-world-country where everyone is provided the guarantee of life. Governments within India must understand the issues impacting poor and rural Indians. They must also understand that programs like the National Food Security Act have failed for one reason: because it fails to address the root cause of poverty and hunger. The root cause of hunger is not because crop prices are too high, but because individuals incomes who are in poverty are too low. Because of that, they cannot feed their families nor can they invest in their future. The future of solving these deep rooted issues should be based on that timely quote that has played a role in American politics for decades: that “Government is not the solution to the problem, but the problem itself”. The ability for Indians in poverty to lift themselves out is not based on whether they pay less for food, but whether there is an incentive or an ability for them to advance the lives of themselves or their children. Whether they can invest in paying for a college education, or sending their children to school, or
allow for their families to have access to daily sources of food, the three proposals proposed will build a
more equitable future for all Indians, no matter their income.

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