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Third Concept aims at providing a platform where a meaningful exchange of ideas can take place among the people of the Third World. The attempt will be to communicate, debate and disseminate information, ideas and alternatives for the resolution of the common problems facing humankind. We welcome contributions from academics, journalists and even from those who may never have published anything before. The only requirement is a concern for and desire to understand and take the issue of our time. Contributions may be descriptive, analytical or theoretical. They may be in the form of original articles, reactions to previous contributions, or even a comment on a prevailing situation. All contributions, neatly typed in double space, may be addressed to:

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INSIDE

Editorial

Economic Blues

Economic blues that have come to visit India's growth story for the past several months have triggered the debate among experts as to whether the ongoing slowdown is structural or cyclical. Almost all major sectors of the Indian economy – whether automobile, real estate and housing, textiles, steel industry or any other sector – this process of deceleration has afflicted them very badly in terms of stockpiling of stocks, absence of consumers, lack of further investments, laying off of workforce and decrease in exports. Cumulative effect of these developments has been that nation's economy is slipping into recession. A decreasing trend in the real GDP growth is apparently discernible. Holding an array of causes responsible for contributing to India's economic slowdown, experts often attribute demonetization of 2016 as the major factor leading to disruption of economy with its severe effect on the livelihood of millions of people in the informal or unorganized sector. Another concomitant contributing factor was the hasty implementation of the Goods and Services Tax (GST) that was designed to simplify the tax structure, but proved otherwise in terms of causing multiple problems for small businesses owing to complicated accounting operations for which small business community was ill-prepared. Resultant outcome was visible in declining export trends.

Then came the sudden collapse of the apparently invincible India Lease and Finance Services (IL&FS) in 2018. What led to the sudden collapse of the IL&FS is not known yet; nevertheless, some experts opine that there existed problems in accountability of the top officials in indiscriminate allocation of huge loans. The brunt of the collapse of IL&FS fell on the shadow banking industry consisting of Non-Banking Financial Companies (NBFCs) because of drying up of their sources of money supply that mainly originated from mutual funds, which had a Rs 76,000-crore exposure to the NBFC sector. Refusal by mutual funds from lending to NBFCs and non-buying of their bonds and shares pushed their credit growth on year-to-year basis from 30 per cent in March 2018 to 9 per cent in March 2019. NBFCs have been a traditional source of borrowing money for small business and individual consumers for the purchase of vehicles or dwelling unit. Besides, the entire MSME sector has been affected in the wake of drying up of liquidity and it is worth mentioning here that the MSME sector employs 120 million people and contributes about 45 per cent to country's exports. Apart from this, NBFCs have also been dependent on commercial and public sector banks for borrowing money and in the wake of banking sector already reeling under huge burden of NPAs, Rs 9.49 lakh crore for commercial banks and Rs 8.06 lakh crore for public sector banks, the banking sector also became reluctant to lend to the NBFCs thereby clogging the entire system of credit supply.

During the past one decade, India has witnessed three growth recessions. The first was in the immediate aftermath of the financial crisis that had its roots in the US. At that juncture, economic growth fell sequentially in the three quarters from June 2008, or the second quarter of fiscal year 2009; nonetheless, the downturn was sharp, but short. The second recession took place after the effects of the 2009 stimulus wore off. Economic growth peaked in the three months ended March 2011, but slowed for five consecutive quarters after that. Currently, India is now in the third growth recession since 2008 wherein economic growth has already slowed sequentially for four consecutive quarters. The distressed sectors have already given wide publicity to their poor economic health: The present dispensation has walked into all the ills that it accused the previous UPA government of imposing on the people. The direct job loss is a consequence of this slowdown in different sectors and is prone to take the unemployment figures at unprecedented level and it is not good for a country gifted with demographic dividend. The government's public borrowing has also increased, putting a squeeze on the capital in the market. Government's recent political moves are prone to exert unbearable pressure on the already stressed public exchequer and it is left with no option but to borrow more. Caution needs to be exercised while making grand announcements so that mismatch between promise and delivery can be avoided and so the resultant embarrassment.

— BK