



# SPEAKER SERIES

E-Circle | Department of Economics | KC College | 2018-19

## Principal's message...



At KC College, we consider it our obligation to open avenues to our students, which are far beyond what the courses have on offer. Continuing the tradition, the Department of Economics has once again successfully organised the Speaker Series during the session 2018-19.

I was indeed happy to know that the 3rd Speaker Series saw the highest participation in the history of the series.

I take this opportunity to congratulate the proactive members of the Department.

I extend my best wishes to the program and to all future activities of the Department. May it grow from strength to strength.

—Dr.Hemlata Bagla  
Principal



It has been three years since the inception of the Speaker Series initiated by the Department of Economics and it is a matter of pride and achievement that we have been able to sustain the interest of the students. The Speaker Series has served as a platform to sensitize the students of the current economic scenario and evoke meaningful responses to the issues at hand. It has given the students a panoramic view of the not only the Indian economy but also of the world. We have been fortunate this year to have six eminent speakers ,all stalwarts in their respective fields.

We began with the talk on Derivatives by our alumnus Mr.Manoj Jain who introduced Futures and options to the students. This was followed by Dr.Shubadha Rao's lecture on the Resilient India Economy. Dr.Rao brought in her experience as the Group Executive and Chief Economist of Yes Bank to bring into focus the resilience of the economy post demonetisation and introduction of GST. The next talk was on Prompt Corrective action by Mrs,Jayasree Menon ,Vice President of Indian Banks' Association. This was a sequel to the lecture on NPAs which we had earlier. The recent RBI measure to stem NPAs through PCA was explained with examples. Dr.Swati Raju, Associate Professor ,Department of Economics, Mumbai University spoke about the Fiscal Illusion or the failure to perceive the amount of government expenditure. Dr.Praggya Das, Director Monetary Policy Department of RBI went into the formulation of the monetary policy by the central bank and the procedures to be followed in its implementation. This was indeed interesting as the students got to hear from the policy makers themselves. We wound up the series this year with a visit to Sasson Dock in Colaba to study the fishing industry. Mr.Koli, a fisherman took us around to explain the fishing and distribution mechanism. The students were able to appreciate the very short period nature of the market and its implications

## Derivatives

Mr. Manoj Jain, Entrepreneur



The inaugural session of the 3rd Speaker Series, organised by the Department of Economics, was delivered by Mr. Manoj Jain on derivatives market.

Derivatives is a product whose value is derived from the value of one or more basic variables in a contractual manner. Derivatives

are acquired from underlying assets, that is, something which is acquired from another source.

He later elaborated on various types of derivatives; namely Forwards Contract, Futures Contract, Options and Swap & their subtypes.

He concluded the session by explaining the concept of speculators in derivatives market.

*"In my view, derivatives are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal."*  
—Warren Buffet

## Resilient Indian Economy amidst Global Volatility

Dr. Shubhada Rao, Group Executive and Chief Economist, Yes Bank

Structural reforms in areas like taxation and bankruptcy have helped the Indian economy in building resilience to global shocks and maintain a robust growth rate despite challenges.

The data available across decades shows that India's long-term growth process is steady, stable, diversified and resilient.

The resilience of India's growth process was on display in recent years when the country recovered quickly from the impacts of two major policy events — demonetization and the implementation of the Goods and Services Tax (GST), an important indirect tax reform.



Going forward, sustaining a growth rate higher than the trend growth rate of 7 to 7.5 percent, and reaching a growth rate of 8 percent or higher, will require contributions from all domestic sectors as well as support from the global economy.

## Prompt Corrective Action by Banks

Ms. Jayasree Menon, Vice President, Indian Banks' Association



To ensure that the banks do not go bankrupt or banks aren't under severe turmoil, the RBI came up with a framework which restricts banks which are under loss. The RBI set up certain trigger points which help in monitoring, controlling and taking corrective measures. The RBI has listed three trigger

points which, if unfulfilled, bring a bank under PCA. Parameters that invite PCA from the RBI are Capital to Risk weighted Asset Ratio (CRAR), net NPA, and Return on Assets (RoA).

Under PCA, the banks face certain restrictions by the RBI like restrictions on recruitment and even halting the opening of new branches. It also restricts the banks on borrowing from interbank market.

However, many policy makers believe that this provision cripples the growth and the profitability of banks. There have also been discussions on relaxing these norms but the RBI is focused on the financial health of the

## Fiscal Illusion

Dr Swati Raju, Associate Professor, Department of Economics, MU

Fiscal illusion is the failure to accurately perceive the amount of government expenditure. The benefits from tax revenue through government expenditure are not fully understood by the taxpayers if the government revenues are unobserved.

Since some or all taxpayers benefit from government expenditures from these unobserved or hidden revenues the public's demand for government expenditures increases, thus providing politicians incentive to expand the size of government. This illusion can influence the perception of the people on outcomes and expectations.



### Did you know?

*The theory of Fiscal Illusion was first developed by the Italian economist Amilcare Puviani in 1903.*

## Monetary Policy in India

Dr. Praggya Das, Director, Monetary Policy Department, RBI



Dr. Das started with the basics of monetary policy. She described it as a significant tool to achieve the objective of price stability in the economy. The trade-off between inflation and growth is an important dilemma which the RBI needs to look after, since it is in control of the monetary policy.

It uses repo rate as a weapon to control creation of credit in the economy. As repo rate is lowered, banks as a result offer cheaper loans and more cash is pumped into the economy. This gives a boost to the investment. The RBI also undertakes open market operations to control the money supply.

The inflation rates, in terms of CPI are aimed to be kept at 4% with a band of  $\pm 2\%$ .

She also talked about the responsibility of the RBI in case of failure of the decisions taken by it. The RBI also conducts various seminars aimed at students, researchers and journalists.

## Trip to Sassoon Dock

Account by Sweta Baliarsingh, TYBA Economics

A visit to Sassoon docks was organized as part of the Speaker Series. Mr. Prakash Koli a fisherman by profession, was the guide for the visit. He explained the features and special nature of the Fish Market. Since fish is a perishable product the catch has to be sold before noon. The market opens early in the morning around 3 a.m. The catch is transported from Sassoon Docks to various destinations via trucks, lorries and trains. Middlemen and agents played an important role. Mr. Koli said, at times, the middlemen would bid for the catch much before the ship reached the shore. We talked to the fishermen who told us that they spent days at a stretch in the sea catching fish and that ships had deep-freeze storage facilities to keep the fish fresh till it reached the shore.

We also got to look at the trawlers they use to catch fish. We were surprised to know that some of them cost more than 50 lakhs. Mr. Koli also enlightened us about the loans that banks offered to buy trawlers.



We were shown the different types of fishes and the fishermen gave us detailed description of the process of fishing. They showed us the different nets and techniques they used to catch fish. Here too we found China had made a headway in producing cheap nets!

We also met the middlemen who told us about the profit and the cost involved in the fish industry.

We were happy to see modern equipment being used and the efficiency of the market was admirable.