



## Covid-19: Rebooting the Indian Economy?

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### ABSTRACT

The Indian economy is considered as a Middle Income Developing Economy. It is the world's third-largest economy by Purchasing Power Parity (PPP) GDP and the sixth-largest by nominal. According to International Monetary Fund, India ranked 124th and 142nd by GDP (PPP) and GDP (nominal) respectively in 2020. In 1991 an acute balance of payments crisis and the end of the Cold War led to the adoption of a broad economic reform LPG (liberalization, privatization, and globalization) in India. The annual average GDP growth has been 6% to 7% since the 21st century. India was the world's fastest-growing major economy, surpassing China in four consecutive years 2014-2018. Historically, for most of the two millennia from the 1st until the 19th century, India was the largest economy in the world. India has been largely disruptive due to the economic impact of the 2020 coronavirus pandemic. India has seen a downfall of 3.1% growth in the fourth quarter of the fiscal year 2020. In 2020, India's partners were China, Germany, Hong Kong, Indonesia, Malaysia, Saudi Arabia, South Korea, Switzerland, and the United States.

Keywords: India, Indian Economy, COVID-19, Middle Income, Developing Economy, Coronavirus Pandemic, Largest Economy, Trading Partners.

### 1. Introduction

#### **Darker Outlook, less visibility**

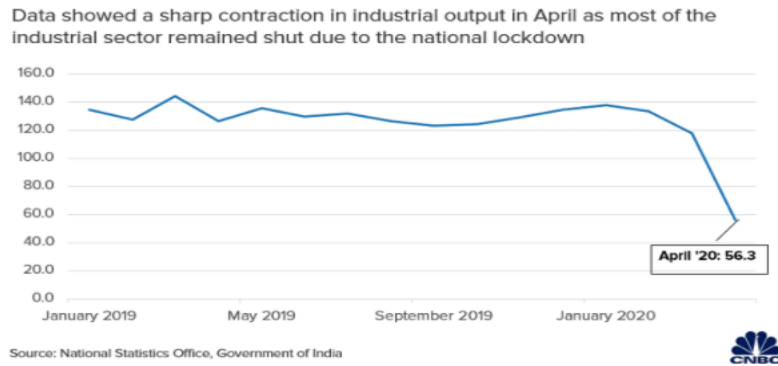
COVID-19 has given a blow to economies all around the world. Even countries like the USA, Spain, and Italy have been badly mutilated, the worst hit in America with unemployment spiking to 25%. The Pandemic has caused tremors for the Indian economy as well. Indian economy had been growing since the beginning of the 21st century and due to the pandemic, the Indian economy has been impacted adversely. Our economy was depended on four values namely manufacturing, capital flow, exports, and consumptions.

#### **1. Manufacturing**

The manufacturing industry has been hit very badly due to the Corona effect. To start with, the lower production is due to lower offtake. More and more employees stop coming in to work, due to government orders and lockdown, which results in reducing the scale of operations, with consequent effect on quality and quantity, production, volume, and cost. Even in this pandemic, there are some distributors, who sense an opportunity to earn profits in an increasing shortage situation.

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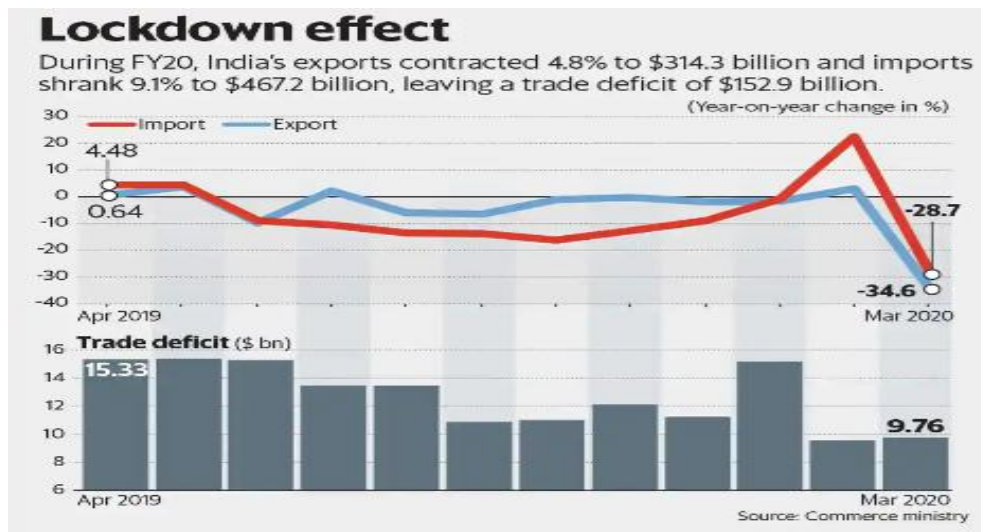
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**2. Capital flows:** Due to the pandemic the risk aversion is more and the markets have felt the impact of capital outflows which also results in slowdowns in Capital Inflows. All this and general psychological fear about the Pandemic have impacted our economy. Many have even tried comparing the 2008 financial crisis and 2020 Economic shock but both are completely way out of comparison. The crisis of 2008 was restricted to liquidity for the banking sector and the pandemic shock is affecting almost the entire real economy.

**3. Exports:** On account of the coronavirus lockdown, India's exports shriveled by a record 60% in April-May, 2020 to \$10.36 billion and imports too plunged by 58% to \$17.12 billion, leaving a trade deficit of \$6.66 billion.

Products	Percentage declined
Gems and Jewelry	98.74
Leather	93.28
Petroleum	66.22
Engineering goods	64.76
Chemicals	42.00



**4. Consumption:** consumptions are seen down 8-10% and it will reach the Pre-Covid-19 level only by 2022-2023. The pandemic has drastically changed the mindset of a consumer and their spending behavior.

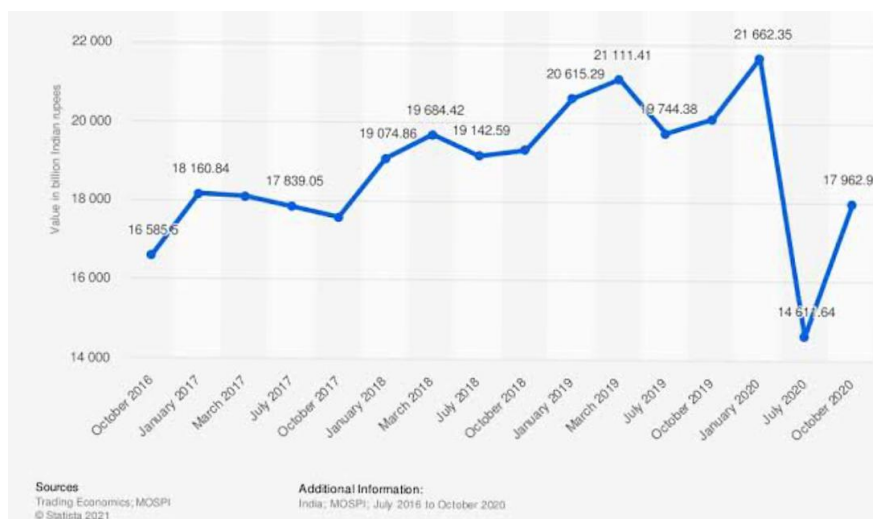


Fig showing: Consumer spending in India from October 2016 to October 2020 (in billion Indian Rupees).

## 2. Abhilash – The Desire to Reboot the Economy

- A- Alternative manufacturing hubs
- B- Bring about a fundamental change for the better
- H- Human Development Approach
- I- Invest in sustainable infrastructure
- L- Leveraging technology and trade for economic development
- A- Artificial Intelligence (AI).
- S- Surveillance strategies to curb the further spread of the disease in the community.
- H- Human Resource Management

### A- Alternative manufacturing hubs

The entire world including India is presently excessively dependent on China for raw materials. China's weakened global position is a "blessing in disguise" for India to attract more investment and now is the right time to challenge this supremacy of the Chinese, as companies and industries look for alternative manufacturing hubs. India could be their destination of choice, provided we offer a favorable micro and macro environment.

### B- Bring about a fundamental change for the better

The essential reforms are not just foreseen; they are definitely very much necessary to create a 'New India' thereby enabling all Indians to lead better lives as this will bring about a fundamental change for the better. The new economy should be much more equitable and should provide good jobs and opportunities for our billion-strong workforce. The new economy which we all are anticipating to create should be much more transparent, innovation-driven, feasible in nature, and globally cost-competitive.

### H- Human Development Approach

The Human development approach is not the richness of the economy in which human beings live. It is about expanding the richness of human life. Human development approach is an approach that mainly focuses on three aspects that are people, opportunities, and choices.

### I- Invest in sustainable infrastructure

Moving from traditional investments to infrastructural investments is a very effective way which enhances and boosts the Indian economy which results in economic activity and creates more job opportunity in the working middle class. Investments in clean energy and public transport will create more jobs than traditional investments.

Through appropriate policies and business models, India should grab the opportunity to increase support for renewable energy, particularly rooftop solar, and the adoption of public transport. Public transport will be critically important to reduce traffic congestion and air pollution. India should focus on vehicle charging infrastructure and involve closer coordination with the electric vehicle manufacturing companies.

### L- Leveraging technology and trade for economic development

Technology could be a key factor that drives productivity, growth, and competition in the global market and defines the global value chains. Technological innovation, creativity, and the demand chain will bring new businesses and shapes the character of international competition and international trade.

### A- Artificial Intelligence (AI).

The financial sector in India after a rough ride in 2020 under a spate of bad loans, now it's time to introduce new digitized lending models using artificial intelligence (AI). It should disburse credit basis business flows like invoices of Goods and Services Tax (GST) and not assets. This may be a boon for several startups and SME's Small and Medium enterprises that will preferably be denied funding due to an absence of collateral. By this, we can use the abundant data that is getting captured.

**S- Surveillance strategies to curb the further spread of the disease in the community.**

We must improve the coordination, communication and equip the Centre, states, and Union territories to have strong disease surveillance systems which can withstand any pandemics in near future. Each and every hospital should maintain the complete stock of critical lifesaving drugs and medical equipment. Every district should be equipped with more diagnostic labs and modern hospitals. The government needs to improve and maintain tracking of telemedicine/e-consultations.

**H- Human Resource Management**

HRM will surely show its effects on individuals and organizations but if it is used properly and precisely in the welfares at the societal level then it will be a greatest contribution for economic development. HRM can be used in the following

- a. Foreign trade
- b. Technological transfer
- c. Resource allocation
- d. Structural transformation
- e. Human capital formation
- f. Savings and investment

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### 3. Conclusion

In the past century we have seen that every great global economic crunch has been followed by a period of success. Despite the Great Depression of the 1930s or the recession after World War II or the oil shocks of the 70s or the most recently the Great Recession due to the Lehman Brothers. The Real GDP growth in the 20th century and 21st century has been exponential. There is no reason why the global economy wouldn't bounce back stronger this time around Post- Covid. Moreover, apart from all the economic impacts listed above, the coronavirus pandemic will also make our healthcare systems stronger and perhaps compel us to reconsider our relationship with the environment and nature.

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