

Addressing Consumer Demand and Producer Supply during the crisis

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Pre-COVID Slowdown





- Excluding govt expenditure, Indian economy grew at a meagre **3.3%**.

Pre-COVID



Automobile
Sector
Contraction
(Global and
Indian)

Declining in
FMCG volume
growth

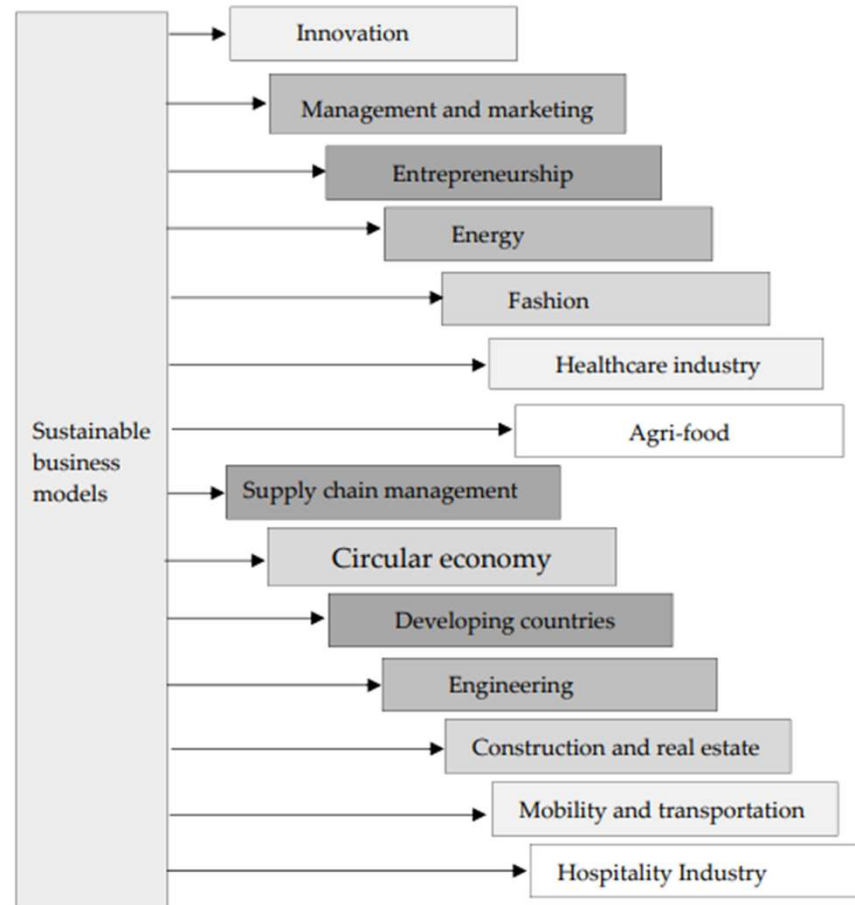
Drop in net
household
savings

GDP decline
with rise in govt
expenditure
and non-govt
GDP

Post-COVID

- Rail freight revenue down by 35%.
- Unemployment rate ~25%.
- Possible contraction in FMCG sector as well, which is rare.

Sector Wise infrastructural Gaps during COVID-19 period



Small and Medium Enterprises (SMEs) sector- wise that may have been affected during the Pandemic

Cold Storage

- Lack of reefer vehicles and cold chain logistics providers, non-standardized vehicle boxes, scarcity of skilled operators and drivers of the reefer vehicles
- High industry fragmentation

Transportation Facilities

- The ability of firms to obtain transportation services that deliver goods to a large DC (Distribution Center) footprint with sufficient speed and reliability

Unemployment Benefits

- No central unemployment insurance
- Leads to more layoffs and decreased supply

Why infrastructural Gaps were created

Three major reasons,

1) Insufficient infrastructure capacity

Capacity must be thought of not only as a physical metric, but also an operational metric which varies by the type of commodity being moved.

2) Incomplete infrastructure connectivity

Newly designated industrial zones are not well integrated with the rail network, as well as with destination points. Many Indian container ports are also not effectively integrated with the mainline rail network.

3) Insufficient cost advantage for efficient modes.

Role of Technology to mitigate the needs of SMEs

- **Digital transformation (DT)**

1. Using social media to promote products or businesses.
2. Using online software can help in making billing and payment documents easily.
3. Monitoring business transactions virtually, where business owners can automatically reconcile banks on all cash and bank accounts.
4. Real time monitoring of inventories that aim to find out average buying and selling prices of their products.
5. As citizens are to engage in practices while maintaining social distancing, DT plays an important role

- **Artificial Intelligence and Blockchain Technology**

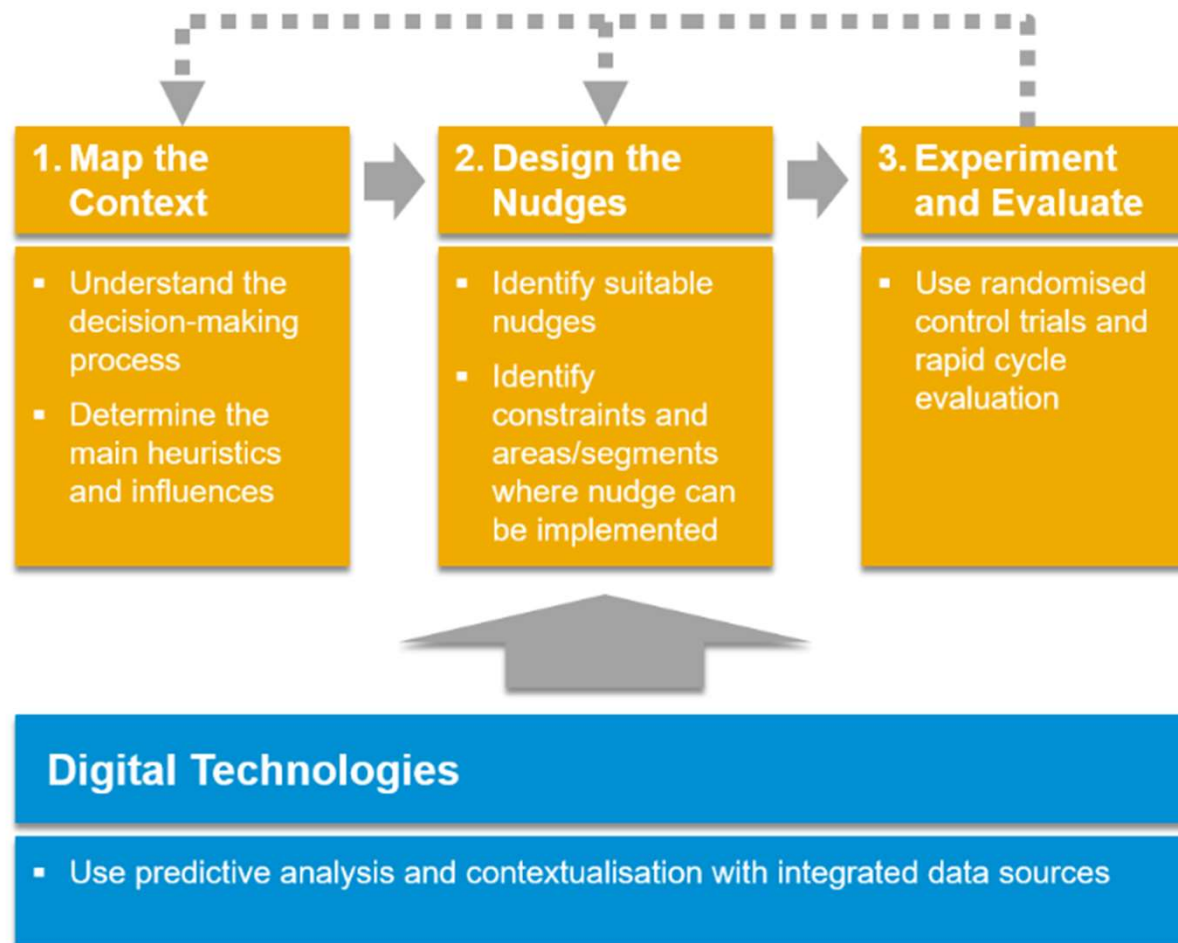
1. AI is considered a technological solution to improve the efficiency and the productivity of the sector, and its key role is recognized in its adoption to contribute to reaching SDGs.
2. Value of Blockchain has become apparent as COVID-19 reveals the risks associated with our dependence on long, complicated, and often opaque value chains.
3. Computerized transparency tools can give us a much better ability to identify critical nodes that might be prone to failure, thus enabling the industry to adapt more easily if supply chain becomes disrupted.

- **Automation**

1. Automation, the Internet of Things, and robotics that help reduce the labour required by different industry sectors.
2. Social distancing has translated into much slower productivity, Technologies to reduce labour and automated operations would help reduce these kinds of vulnerabilities.

Roles of Behavioral Nudges

'Nudge' gets new push as NITI Aayog seeks behavioural economists to reform policy making



GST ↓

- Put money in the hands of people (could reduce on FMCG)
- Good time for restructuring



- UPI transaction fell
- Incentivize spending through phones



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- Excise duty forms a huge part of tax revenue
 - Higher excise leads to higher pricing of goods and discourages spending

Opt-out Moratoriums

- Private players have opt-in moratoriums
- Processes are deliberately complicated

References

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- (7) Individual differences in reasoning: Implications for the rationality debate?
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- (2) Econ Central, Episode 2: Green Shoots in the Desert Sand

Databases

- (1) <https://www.cmie.com/>

Thank You!