

# The story of India's negative growth

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## Introduction

Jamnagar in Gujarat had been the home for Nirala Kumar since 2016. He had rented a one room kholi near the brass factory, where he worked. He earned Rs 800 (10.53 USD) a day.

When his unit closed down on March 22 this year owing to the lockdown, courtesy Corona pandemic, Nirala thought that this was only a temporary crisis.

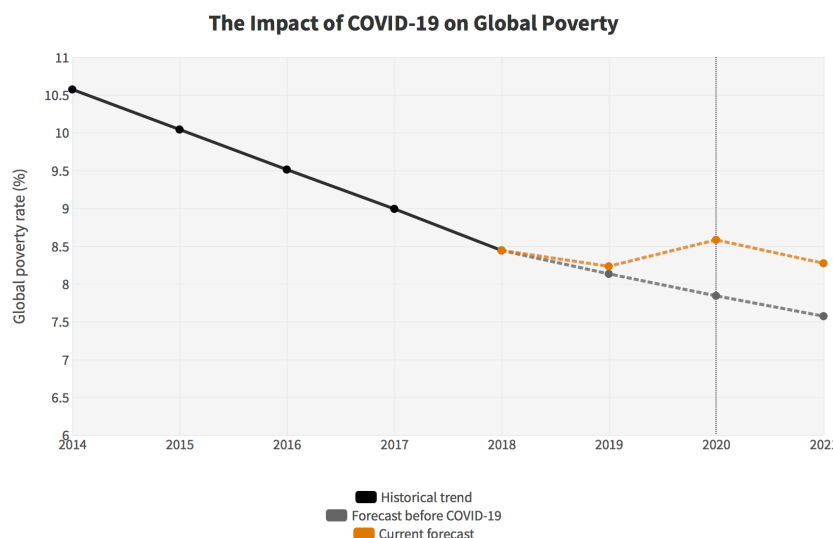
But this actually went on for a much longer time than he thought.

Initially his savings saved him. He could pay the rent, get the daily food supply from the grocer. But as the lockdown went on and on, there was no word on opening up of his unit. Soon his savings got exhausted, he could not pay his rent, his grocer would not give him his supply till he paid in cash. As things got worse, Nirala decided to return to his home town in Mohanpur Village in Bihar. (India Today, 2020)

This is just one story of a migrant labourer from Bihar. There are lakhs and lakhs others like him.

Although Nirala Kumar was fortunate enough to get a special train to his home town, there were thousand others who had to walk or cycle thousands of kilometre just to reach home. While walking, many lost their lives by either exhaustion or by being crushed under vehicles. Even in trains provided by the government, many died due to hunger. In Bihar, a baby was caught on camera trying to wake up his dead mother on the rail station.

All of these incidents throw light on the plight of the migrant labourers in India. Many have lost their jobs due to the most stringent lockdown in the world, that was ordered at a four hours notice. And this has thrown an already economically weak India into further crisis, that would take years to recover.



According to International Labour Organisation in India, the informal economy accounts for more than 80% of the non agricultural economy. The rickshawalas (rickshaw pullers), migrant labourers, household or domestic helpers, the street food vendors, shoe cobblers, street cycle repairers, landless agricultural labourers etc who are quite

an important part of the micro-economy have all lost their incomes due to more than two months of lockdown. Since they work in the informal sector they don't have a fixed income. The average wage of a casual worker in India is about INR 143 (1.88 USD) (India Wage Report, ILO, 2018). And savings for a casual labourer is near impossible due to their already meagre income.

But is all of this happening just because of the Covid-19 situation or is this a result of all round mismanagement, let's us examine.

## Pre Covid Economic Downfall.



Credit : Alok Nirantar | Sakal Media

The Chicago Booth's Rustandy Centre for social sector innovation analysed data from the Centre for monitoring Indian economy, collected through surveys covering 5800 homes across 27 Indian states in April, 2020.

The researchers found that rural areas were hit the hardest and the spread of COVID-19 had little to do with the economic misery. "Rather, income per capita before the lock down, the effectiveness of the delivery of aid or schemes, ill-performance of the government are likely contributors", they wrote.

Predicting the full extent of the financial crisis is tough and diagnosing it at the right time is even tougher. But by the end of January 2020, many economists were admitting that India was going through the worst economic crisis in recent years.

Auto sales have slumped to a new decade low. Data from Indian automobile manufacturers show that car sales have dropped almost 30% over the previous year, whereas consumption in the auto sector is one of the deciding factors of a healthy economy.

In real estate, according to consultant Knight Frank India, unsold homes in eight key cities that is Mumbai, Kolkata, Delhi Chennai, Hyderabad, Bangalore and Ahmedabad stood at 4,50,263 units in first half of 2019.

Former Prime Minister and renowned economist Dr Manmohan Singh blames the slump on "all-round mismanagement by the government." In recent years, the government's response to questions about the slowdown have been either denial or a snub. That could explain the lack of policy coherence in addressing the slowdown and the inordinate delay in reacting to it.

Sectors like aviation sector, auto industry, real estate, banking sector etc were hit the hardest due to the mismanagement. For example India's aviation sector is the world's third largest domestic aviation market.

This sector is in fact ripe for transformative measures to make it a formidable global hub. But despite having an open sky policy that permits 100 percent FDI in an Indian carrier, the ownership stake has been capped at 49%. It also restricts investment from countries within a radius of 5000 km that is from Gulf countries or Far East hence eliminating players, all this to protect a handful of Indian airlines, including the failed Air India.

## Post Covid status of the economy



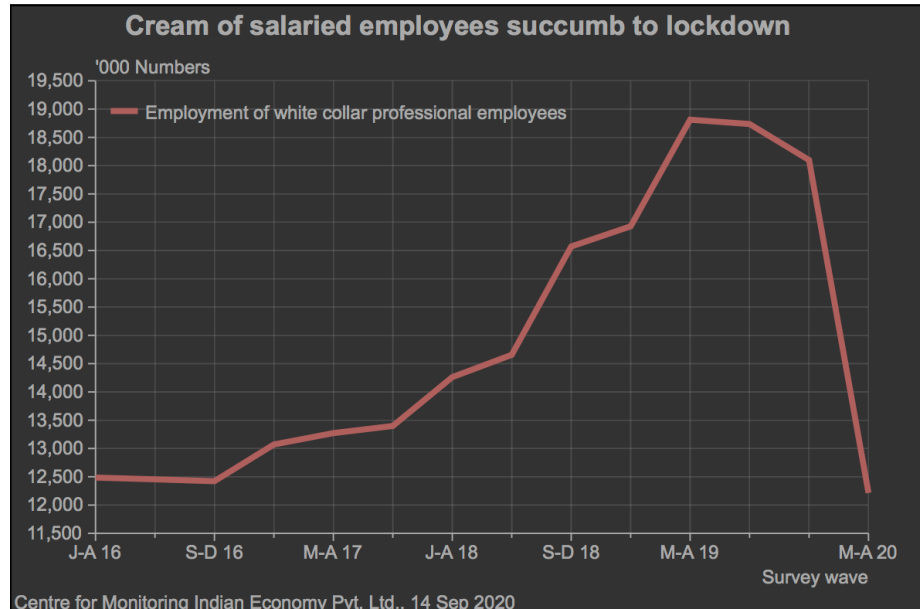
According to Centre for Monitoring Indian Economy, salaried employees continue to take a hit in India's job market now. Due to the five months lockdown, they remain the biggest casualty.

Salaried jobs do not seem to be growing in tandem with economic growth, or even with an increase in entrepreneurship. And as such they are suffering the most during the current economic meltdown.

Also the sustained increase in entrepreneurship in India

has not led to a rise in salaried jobs. The count of entrepreneurs has risen from 54 million in 2016-17 to 78 million in 2019-20. During the same period, the count of salaried employees has remained stable at 86 million. It is counter-intuitive to see a rise in entrepreneurship but not a corresponding increase in salaried jobs. Part of the reason for this is that most of these entrepreneurs are self-employed who do not employ others. Implicitly, they are mostly very small entrepreneurs.

The biggest loss of jobs among salaried employees was of 'White-collar professional employees and other employees'. These include engineers including software engineers, physicians, teachers, accountants, analysts and the type, who are professionally qualified and are employed in some private or government organisation. This means the educated youth of the country have lost their jobs.



## Conclusion

India's Covid numbers are rising, and hence rating agencies fear that India's economy will contract further than expected.

In quarter one of FY21 India's GDP stood at -23.9% and another negative growth in the next quarter would mean that India's economy has formally entered into a recession. Prof. Kaushik Basu, former chief economist of the World Bank says, "Investment has to go up (for economic revival). If that doesn't happen from 4.2% growth will go down this year to -7 or -8". Former

finance minister P Chidambaram describes the 20 lakh crore stimulus package given by the government in the wake of covid-19 situation, as a joke, and many economists would agree with him too. The thing is that if the government does not do anything now, ache din will only come after a decade or two.