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MAD- 2020
ECONOMY
Day – 39

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Question:

Recent corona pandemic has proved to be both boon and bane for the Indian Economy, while on one side it has helped the Pharma sector to grow while on the other side, the biggest punch has been on the already subdued sectors such as Auto and real estate Industry. In the light of the above statement, comment on what Indian economy has been going through and also suggest what need to be done.

Answer:

Inputs

- The directive in the above question is **comment,** so we do have to add our viewpoint on what we think about the given statement. And how it has proved to be both boon and bane for the Indian Economy.
- It is a pretty straight forward question if broken down into fragments and then in the end concluding it with what measures needs to be taken by different measures to tackle this pandemic.

Structure

1. **Introduction about the current situation** and the condition before the pandemic and how it has stressed the already subdued economic development of our country, you **can also touch the international angle** here, this will give a wide horizon to your answer.
2. Then in body, **break it into the sectors** which will grow and others which are on the verge to die.
3. Then in conclusion simply **suggest measures** on what needs to be done by dividing it again into different aspects.
4. Just do it.

(The answer possibly goes beyond 250 words, around 1000 words, just to give you more information, you need to restrain yourself to a max of 240 words)

- The ongoing corona pandemic is the biggest economic depression in India and all around the world since World War II, it has broken the already fractured spine of the Indian economy whose GDP growth projections were slashed to a mere 4 % before the crisis and now these are projected to be 0 %. While the economy overall suffers, but its impact across the Indian sectors are not the same -

Sectors which are facing the adverse heat because of the ongoing pandemic are:

1. **Auto Sector –** This sector was already facing the suppressed demand and downgraded growth projections amid the new regulations such as BS VI fuel regulations, this corona pandemic has made the matters worse and the news of zero sale in the month of April amid lockdown is just the beginning of its bane period.
2. **Financial sector –** This sector was already dealing with the twin balance sheet problem which consisted of banking NPA's and corporates defaulting on their loans and now due to this pandemic the new sectors which have joined them are the NBFC's- with no recovery of their loans and the real estate sector – with no sales to pay off their debts, thus doubling the strain on the financial sector.
3. **Tourism sector –** The major direct implication of this pandemic will be on the tourism industry, with people believed to be afraid of travelling to destination even after the virus is contained and lockdown is lifted. It is the World Bank projection that the tourism industry around the world will be reduced to mere 30% of its projected growth till the end of 2020 – 2021, with the major tourism companies such as Thomas Cook and others on the verge of declaring bankruptcy.
4. **Airline sector –** Indian airline industry was already subdued by the bankruptcy of Jet Airways and Air India, and now this pandemic has resulted into almost zero flights across the nation and abroad,

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the negative financial implication of which come out in the near future.

5. **MSME sector –** One sector which will be most impacted with this pandemic will be the MSME sector, with erosion of the working capital and almost zero production and zero sales in the prevailing months and with blurred future, the economic and financial implication just to kick start back this sector will be the major challenge for the Indian economy when the things settle down.

6. **Household sector –** This corona pandemic has lasted its impact in the household sector with majority of bread earners losing their jobs or facing the cuts in their salary, this has resulted into declining savings of the household, the implications of which would be low demand in coming future, and the already large fiscal deficit of the Indian Government will add to it, and we would trapped into a vicious cycle of low demand – less production – declining growth.

7. **Others –** The 40% crash of the stock market from its top and the recent Franklin mutual fund closure with the public money being trapped in it, are some of the examples where the corona pandemic has laid its mark.

While on the other hand this pandemic has resulted to be a boon for various sectors such as:

1. **Pharma sector –** This sector has seen the major benefiter out of this pandemic, there has been issuance of many US FDA approvals which have been pending over the years, this has been mainly because of the export of the hydro chloroquine to America and other countries, share prices of major pharmaceutical companies such as Auro Pharma, Sun Pharma, Cipla etc. are already trading at all-time high, projecting the bright future of Indian Pharmaceutical industry. Some time back set up of BULK DRUG PARKS can be the major benefiter out of this and a step in making true the dream of **India as Pharmacy of the World.**

2. **Media and Entertainment sector –** Recent lockdown has seen a spike in the online streaming platforms, online gaming sectors and other multimedia platforms across the nation.

3. **FMCG industry** - This sector has seen a boom in the sales of consumer products as public started hoarding eatables and other grocery items amid the rumors of shortages and increased prices because of the increased demand, thus doubling the sales than normal.

Therefore, this ongoing situation to be tackled needs strong measures at all the fronts such as -

1. **Healthcare level –** in order to move out of this worsening economic situation the first thing needed is to move out of this lockdown, for that is rapid testing and preventive healthcare that needs to be provided to the maximum, since this is the only way by which this pandemic can be contained.

2. **International level –** this is the time that international organizations such as World Bank, IMF, WHO stand up to their stature and provide the maximum help to each and every country especially the developing countries facing the burn of this pandemic, with the assurance to provide $ 160 Billion in the coming 15 months by world bank is a welcome and a much required step.

3. **Regional level –** it is the time for international organizations to prove their mettle and help the member countries to improve their economic conditions, with AIIB approving $ 500 million loan to support India's covid-19 operations is a welcome step in the above direction.

4. **Domestic level –** With the Indian Government pushing for relief packages which are primarily in the form of soft loans, more could be done since there needs to be more sector Specific relief packages for the working capital requirements of the MSME's and small traders.

5. **Societal level –** this is the time that society should stand up and help each other, the major financial support provided by philanthropists such as Azim Premji, Ratan Tata and the ongoing Free meal and other services at the Individual and societal level will surely prove to be the major difference that will make India able to cope with this pandemic.

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