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## **AFTER MASSIVE DISRUPTION IN 2020 TIME TO THINK FOR FUTURE**

**ABSTRACT:** When the former president of India Late. Dr. APJ Abdul Kalam dreamt of India becoming a well-developed nation by 2020, not in his wildest dreams could he have imagined the State of India during 2020 (a significant portion of 2020 was spent on tracking data of Covid-19 pandemic cases of infection, recovery rate, the number of patients admitted in the hospital, public to follow the strict lockdown rules, building up a vast infrastructure in the health sector, research in the field of medical science and other related sectors and last but not the least the number of deaths along with an analysis of comparable data from ROW). Aggregate demand in the economy contracted, unemployment was widespread and visible, migrant workers were extremely distressed and millions of people were pushed below the poverty line. In the subject of Economics, we try to address the fundamental problem of optimizing scarce

resources. Resources are limited and every sector of the economy has its logic to make out a case for higher allocation. If more is allocated X means less is available to y, thus an implicit trade-off arrives while allocating resources, particularly at the disposal of the Government. Indian economy is going to witness its first contraction of a high order during 2020-21 and this is the first in 41 years. According to the World Bank's latest projections, Indian will overtake China to become the most populous country in 2023 with its population of 1.42 billion. (1) The big question is are we prepared to meet the demands of the future and present generation (eg. Food, clothing, housing, health, education, jobs, pollution-free environment, law and order, justice, social and economic security, social welfare, internal and external security, etc. along with conservation of natural resources for the future generation).

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Growth is just a number, no doubt is necessary but not a sufficient one. This paper is an attempt to

highlight several challenges and we have to face them boldly.

**Keywords:** Demographic dividend, climate crisis, Basic needs without any environmental degradation

**JEL Codes:** C10, C33

## INTRODUCTION

**Growth and development** are often used synonymously in economic discussion and this remained acceptable. However, there is always a marked difference between quantity and quality. Development is a multi-dimensional concept and is reflected by people's better standard of living (better food that is a balanced diet, better clothing, better housing, improved education along with social empowerment and awareness, better sanitization, better medical facility, better means of transport and information technology, reduction in level of hunger, malnutrition, unemployment, inequalities etc.) increase in productivity of inputs with advancement of science and technology, carrying out innovations, promotion of human capital and skills, improvement in production function and process with advancement of technology, participation of disadvantaged or less advantageous section of the society in decision making process; social welfare and social security, sustainable and inclusive growth, conservation of natural resources, well-built system of disaster management, internal peace and law and order, preparedness against any external aggression (to deal with terrorist, separatist, extremists and anti-social elements), corruption etc. India became the fastest growing economy in the world by achieving a growth rate of 08% in 2015-16 and 08.17% in 2016-17 at constant prices (2011-12) and this figure gave us the confidence to make Indian economy of 05 trillion US dollar by 2024-25. The difference between quantity and quality can be understood with the 2020 HDI report published by UNDP on Dec 16, 2020 India (Asia's third-largest economy) has dropped two spots on the HDI ladder as it ranked 131 among 189. HDI value in India was just .429 in 1990 and it went up to .645 in 2019 (50% up) and India, Bhutan and Namibia were ranked equally on 129 notches. India has slipped down two places on the ladder. HDI does not measure only national progress but the development indicators on educational development, health outcome and standard of living are also taken into consideration.

**Labour Force Participation Rate:** India's population grew at the rate of 1.2% a year between 2010 and 2019 (marginally higher than the global average of 1.1% a year during the same period) accordingly to the UN population Fund State of World's population, released on 10-04-2019. India's rate of population growth (1-2) = growth rate of China (.5) + growth rate of USA (.7) people There were 1.21 billion people in India as per the census of 2011. (2)

$$\text{Estimated working-age population} = \frac{55.8 \times 1420}{100} = 80 \text{ crore}$$

India's overall joblessness rate has climbed significantly to close to 10% in the week ended (13<sup>th</sup> Dec 2020) at least a 23 weak high). Accordingly, data released by CMIE labour force participation rate was 40.03% in Non 2020 and it was 42.9% in Jan 2020.

Let a conservative figure be 45%

$$= \frac{45}{100} \times 80 \text{ crore} = 36 \text{ Cr.}$$

Gap → between supply and demand.

**Key numbers**

(a) GDP Growth Economic Survey 2020-21 has projected a GDP growth rate of 11% and 6.8% in 2021-22 and 2022-23. The survey has also projected nominal GDP growth of 15.4% in 2021-22. Hence India will go back to being the world's fastest-growing economy in 2021-22 and 2022-23 (according to IMF's latest growth projections)(3)

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
GDP	8.3	7.0	6.1	4.2	-7.71	11.0	6.8

(b) Index eight-core Industries It is a common practice to extrapolate high frequency indicators to project-growth rates. Index of eight-core sector industries contracted for the third consecutive month in Dec 2020. (4)

Jan 20	+2.36	July 20	-7.62
Feb 20	+6.43	Aug 20	-6.85
March 20	-8.43	Sept 20	0.58
Apr 20	-37.87	Oct 20	-0.94
May 20	-21.39	Nov 20	-1.39
June 20	-12.42	Dec 20	-1.25

(c) Growing policy discontent Monetary policy was the pro-active policy instrument in India's initial response to the pandemic's disruption. Retail inflation rising sharply after the lockdown- it

remained above the upper limit of RBI's tolerance of four plus minus two percent from April to Nov 2020. (5)

- (d) Measuring Access to Bare necessities The economic survey 2020-21 has constructed the Basic Necessities Index, a composite measure of access to bare necessities for households in rural and urban India for the years 2012 and 2018. The index is based on 26 comparable indicators on five dimensions. Water, Sanitation, housing, microenvironment and other facilities). Corollary of the theorem is that overall contraction driving the year 2020-21 means less tax collection and that is why fiscal deficit during the year will be in the (7.5% - 9.25%) GDP range way above the 3.5% government target. (6)

## LITERATURE REVIEW

According to Malthus – A strict enquiry into the principle of population obliges us to conclude that we shall never be able to throw down the ladder by which we have risen to this eminence but it by no means proves that we may not rise higher by the same means. Malthus believed that progress of wealth is a function of capital accumulation and a steady rate of progress can be maintained (other things being equal) Capital accumulation continues unabated.

**Mathematical Output** = R+W (Profits + wages)

= Now it is known as operating surplus + compensation of employees + mixed income of the self-employed.

Workers are too poor to save and spend major portion of their income on consumption (C<sub>w</sub>). Capitalists do save these savings and create income for further investment

$$I = \frac{dk}{dt} = \text{Rate of change of capital accumulation}$$

$$= k_t - k_{t-1}$$

$$R = O - W$$

O<sub>t</sub> = Production at a particular to met

$$\alpha = \frac{\text{Output}}{\text{Capital}} \text{ or } \frac{1}{\alpha} = \frac{\text{Capital}}{\text{Output}}$$

$\frac{1}{\alpha}$  = For a unit of output, how many units of capital are needed  
(Capital Coefficient)

$$O_t = \text{Industrial Production} = \alpha k_t$$

(Differentiating this equation w.r.t time)

$$\frac{dot}{dt} = \alpha \frac{dkt}{dt} + k_t \frac{d\alpha}{dt}$$

If technical progress is constant  $\frac{d\alpha}{dt} = 0$

$$\frac{dot}{dt} = \alpha \frac{dkt}{dt}$$

$$O_A = \text{Agriculture output} = f(L_A, k_A)$$

$$\frac{doa}{dt} = \frac{\delta f}{2L_A} \frac{dL_A}{dt} + \frac{\delta f}{\delta k_A} \cdot \frac{dk}{dt}$$

If technical progress is constant  $\frac{dt}{dt} = 0$

$$\frac{dO_A}{dt} = \frac{\delta f}{\delta L_A} \cdot \frac{dL_A}{dt}$$

= MP of labour X Rate of Increase of Labour overtime

Therefore, agriculture production depends on  $MP_L$  which is dependent capital investment on land. But now technology is changing for the better.

## RESEARCH GAP

Rapid Growth of population leads to **(4.1)** tends to lower agricultural productivity and promote subdivision and fragmentation of landholdings – leads to overutilization of land and retreads the economic welfare of present and future generation. About 15% cake is shared by half of the population engaged in the agriculture sector.

**(4.2)** Creates overpressure on the country's natural resources.

**(4.3) Urbanization:** Migration of population farmer rural areas to urban areas (problems of housing, transport, power, health services, development of basic infrastructure, education, etc.)

**(4.4) Causes:** Environment damages through the setting up of new colonies (air population, water population, climate changes and damages to forest, mineral and water resources) India has 18% of the world

population but just 4% of its freshwater resources. The elasticity of substitution of water is zero. All dependence can be reduced by tapping other sources of energy.

## **OBJECTIVES**

Keeping in view the revenue shortage and the demand for higher expenditure in order to boost aggregate demand in the economy in the year, the government is expected to register a fiscal slippage in 2020-21. Fiscal indicators are expected to re-bounce with the recovery in the economy. Our dream of making India a super economic and knowledge power may not be shattered due to a number of disruptions and shocks. All challenges are to be taken as opportunities the objectives of this paper are:

- 5.1 To resolve the basic issues like poverty, unemployment and inequalities.
- 5.2 To increase employability so as to get the demographic dividend.
- 5.3 To examine the problems related to environmental degradation, climate change and corrupt practices.

## **RESEARCH METHODOLOGY**

This paper is based on secondary data obtained from standard and authentic sources like blueprints produced by the govt. and some authorities, non-govt. agencies, data produced by think tank, journals, magazines, bulletins and some websites, Analysis of facts has been made by using simple statistical tools and conclusions have been drawn accordingly.

## **SIGNIFICANCE OF THE STUDY**

Covid-19 pandemic has forced us to adopt new normal eg. Social distancing (but it should be physical distancing), mask-wearing (hiding our smiling face), washing our hand, with sanitizer frequently work from home, online teaching and learning, virtual mode of holding a meeting, conferences, functions, seminars, condolence-meetings etc. These all normal could prove to be a substitute in extraordinary situations. India is a country of observing traditions. Physical presence is always meaningful, that is why this paper is relevant.

## **ANALYSIS OF OBJECTIVES**

**(a) Poverty** may be defined as the inability to secure the minimum consumption requirements (in the form of a balanced diet) for life, health and efficiency) Definitions of poverty have been given on the basis of

minimum calorie intake, minimum expenditure and minimum income- but there is no accepted definition. Different schools of thought have given different ideas. But we may accept the latest norm of poverty given by the World Bank that is anyone living below US dollar 1.90 per day may be called poor.

It means = Rs.  $140 \times 5 =$  Rs. 700 per day per household.

=  $700 \times 30 =$  Rs. 21000 pm per household

Economists have predicted that the number of persons living below the poverty line has gone up from 22% to 46% approximately due to pandemic Covid-19. Poverty has its multi-dimensional effects social, economic, political as well as psychological.

**(b) Unemployment** is a situation where a person qualified to work, willing to work and able to work does not get the work at the current wage rate and if a person does not get the job for which he/she is qualified and gets a lower job, the situation is known as underemployment. India is young and has the demographic dividend in the form of a significant proportion of the young population (share of the working population has gone up – age group 20-59 from 50.5% in 2011 to 55.8% in 2021 – these are estimated figures) and on the other side labour force participation rate has gone down (from 43.02% in August to 40.03% in Nov 2020). (7) India's overall joblessness rate has climbed significantly to close to 10% in the week ended 13th Dec 2020 a 23 week high as per a report released by CMIE. In a fresh study, the UN's International Labour organization found that a full 8.8% of global working hours were lost in the year (2020). (8) In this way, their talents, their skills, their energy have been lost. This is a big loss to their families, loss to society and loss to the nation. Moreover, unemployment and poverty are the two sides of the same coin.

**(C) Inequalities** The international aid agency Oxfam has published a report with the telling title “The Inequality Virus”. The report says that in India the wealth of millionaires was increasing by 35% during the lockdown India's richest 10% control 74% of national wealth and only 01% common four times the wealth held by the poorest. (9) 122 million citizens were losing their jobs and the report blames neo-liberal economics for inequality. The jobs lost in the informal sector amounted to 75% Hence basic issues are still to be resolved from Nehruvian Socialism to Modian's economic reforms.

**Employability** is a function of a number of variables and attributes e.g. knowledge, understanding, application-oriented and problem solving skills, attitude, soft skill, health conditions, socio-economic environment,

business environment and above all attitude of the person. It means mainly educational outcomes and health conditions are the two determinates of employability.

With the approval of NEP2020 India is all set to witness a much-desired restructuring in it, it focuses on the essentials of learning in the present while preparing students for learning to learn – fostering a new generation of thinkers. With its multidisciplinary, students will now have the opportunities to innovate and adapt, along with them to move seamlessly between different interests and fields, enabling constant up-gradation of skills. The year 2020 has been a year of transformation from classroom teaching-learning process to virtual learning through digital mode. Necessity is the mother of invention. We may say that NEP 2020 is aimed at us to be innovative, self-reliant and eternally hopeful. The policy is an attempt to achieve the target of India becoming super knowledge power. Some more could have been done in the union budget 2021-22 for education and skilling while allocating funds because this area has been recognized as a critical one due to the implementation of NEP-2020. The union budget pegged an outlay of Rs. 93224.31 crore for education at least Rs. 6087 crore less than the last budget estimate. (10) So far as health and well-being (physical and mental health) are concerned, India's overall allocation has soared by 137% in the financial year 2021-22 to Rs. 2.23 lakh crore compared to the budgeted spending in 2020-21, as the country seeks to boost the capacity of its health care system to detect and cure new and emerging diseases in the aftermath of covid-19. A sum of Rs. 35000 crore has been earmarked for vaccines in the budget. Thus there is a sincere effort to rebuild the crumbling healthcare system. There is the Poshan Abhiyan – India's flagship program to improve nutrition. Outcomes in a mission-driven, time-bound manner (by 2022). When there is a decline in GDP, it could lead to additional children wasted or suffering from acute malnutrition.

**Table 1**  
**Expenditure on health and well-being (Rs. Increase)**

<b>Ministry/Department</b>	<b>BE2020-21</b>	<b>BE2021-22</b>	<b>Actual(2019-20)</b>
Department of health and family welfare	71269	62397	65012
Department of health research	2100	2663	1934
Ministry of Ayush	2970	1784	2122
Covid-19 Vaccine	35000	-	-
Department of Water and sanitation	21518	60030	18264
Nutrition	2700	1880	3700
Finance Commission grant for water sanitation	-	36022	-
Finance Commission grants for health	-	13192	-
<b>Total</b>	<b>223846</b>	<b>86259</b>	<b>94452</b>

Source: Daily HT, Feb 02, 2021, p.03

The concept of sustainable development is of recent origin, this term was used by world conservation of Nature and Natural resources (Land, Forest, Water, Mountain, hills, minerals, crude oils, soil, environment, climate, rivers, water falls etc.) in 1980, it was commonly used and defined for the first time by the Brut land report – our common Future of world commission on environment and development in 1987. Meeting the needs of the present generation without compromising the needs of future generation, sea-level rise of several metres, major disruption of monsoon rains and river flow in India, risk for climate change, are quality index etc. are among the biggest global economic risks. Water available per Indian declines every year, monsoons becoming erratic due to global warming and change in the climate. The government's ambitious renewable energy programme has meant that India will easily surpass its carbon emission commission under the Paris agreement. Equally telling a consortium of green think tanks recently declared India the only 2c compatible major economy in the world the Jal Jiwan Mission (urban) will be launched aiming at a universal water supply in all 4378 urban local bodies with 28.6 million household tap connections as well as liquid waste management. It will be implemented over 5 years with an outlay of Rs. 287000 crore. The budget allocated the drinking water and sanitation department under Jal Shakti Rs. 60030 Crore while Rs. 9022.57 Crore has been earmarked for the department of water resources, river development and Ganga rejuvenation. Rural India sees a 10% allocation hike. These are attempts towards sustainable and inclusive growth.

### **Some highlights**

1. India stands at the 54<sup>th</sup> position out of 200 economies evaluated in the Bloomberg Innovation Index.
2. United Nations Happiness Report, India came at 140<sup>th</sup> position in 2019, dropping 7 places from 133 in 2018.
3. Global Democracy Index – 51 out of 167 droppings by 10 places.
4. Corruption Perception Index – 80<sup>th</sup> position dropping by 2 places.
5. RBI projected a GDP growth rate 10.5% in the fiscal year 2021-22, in sync with the union budget's assessment of the economy. The decision to keep interest rates unchanged while retaining an accommodative policy stance suggests that while having passed the baton of economic revival of fiscal policy from interest rates, RBI will continue to support the process of maintaining liquidity (Daily HT Feb 06, 2021, p1) while estimates Index will grow by 11.5% in 2021-22. (11)
6. India's absolute fiscal deficit – almost doubled growth Rs. 9.3 each crore in 2019-20 to Rs. 19.5 lakh crore 2020-21 (RE) when

compared to the BE figures of Rs. 30.4 lakh crore for 2020-21 with the denominator going down, the fiscal deficit as a percentage of GDP can increase for the same amount of absolute deficit. (12)

## **CONCLUSION**

Negative numbers of GDP growth rate tells the story of a crashing Indian economy which caused a devastating impact on the lives of millions of poor cases are being made out in favour of a social security net for the poor, the senior citizens, the women, the physically and mentally challenged persons, the most disadvantageous and the marginalized section of the society contraction also means lesser revenue collections. Challenges are many and we are also many. India has built up a fine human capital along with physical capital (a fine combination of both the Goddess Laxmi and Saraswati) and this is the time for the youth of the country to take up their responsibilities and leadership to transform the vicious cycles into Virtuous Cycles with their new scientific approach and thought process.