



## CII Theme Note 2020-21

# Building India for A New World

## Lives, Livelihood, Growth

The economic landscape has been definitively altered this year in the aftermath of the Coronavirus pandemic. With no cure or vaccine in sight, businesses will have to learn to survive in this changed world, at least for the next 12-18 months which is when a vaccine is expected. That said, a befitting policy response is expected to ameliorate the pain and have far-reaching bearing on the economy, both in the short and long-term. The big-bang reforms underlined in the package are expected to bring about transformational changes in the industrial backdrop and help bring growth back to the economy. For 125 years, the Confederation of Indian Industry (CII) has been working on shaping India's development journey and, this year, more than ever before, it will continue to proactively transform Indian industry's engagement in national development.

India's economic growth was already moderating, before the pandemic hit us, and now with the economic activity having come to a standstill due to the prolonged period of lockdowns necessitated to control the spread of the contagion, it is expected to contract this fiscal. The incoming high-frequency data which is trickling in has started to show the stress on the macros.

Under this backdrop, the Rs 20 lakh crore economic stimulus package is not only expected to help overcome the deep distress in the economy inflicted by the pandemic, but also lay a strong foundation for building a competitive economic landscape over the next decade. The reform measures underlined in the package will ensure that we don't lose sight and hope of achieving the target of US\$5 trillion economy by 2025.

In order to bring growth back to the economy, apart from the measures underscored in the stimulus package, an additional multi-pronged strategy in diverse areas will be required, with active participation from all stakeholders, including industry. The plight of the migrant labourers, bulk of whom work in the casual sector, has not been lost on anyone. Hence, one of the important dimensions of rebuilding India will be to mitigate the enormous human cost of COVID-19, by protecting jobs and livelihoods. This will have to be complimented by policy action in the rural economy which is the largest employer.

In this context, the Confederation of Indian Industry (CII) takes up the theme for 2020-21 as Building India for a New World : Lives, Livelihood, Growth“

### **Economic Growth:**

The outbreak and rapid transmission of COVID-19 has severely crippled economic growth across the global economy. The adverse impact of the pandemic started with disruptions in the global supply-chains, which later precipitated into an ominous compression in demand. As a result, multilateral organizations across the board have cut their global growth forecasts, with the International Monetary Fund (IMF) now expecting the global economy to contract sharply by 3.0 per cent in the current year. In order to alleviate

the stress which ensued the strict lockdowns implemented to arrest the spread of the contagion, governments across the globe including India have undertaken measures to tackle the impact of the pandemic.

Further, in order to help India recoup its growth potential, the focus should be on spurring the three critical pillars of consumption, investment and exports. Private consumption has been the main driver of India's growth, contributing about 60% to GDP. Since consumption expenditure is directly linked to income, especially for the lower- and middle-income groups that form the bulk of the population of India, the imperative is to improve their livelihood and job opportunities, creating a more inclusive approach to higher growth. In addition, lower interest rates and higher penetration of consumer finance would spur demand and enable higher purchasing power.

Investment remains the bedrock of the economy. A large public works programme is required to spur economic activity. Investment in infrastructure, which has a strong multiplier effect on the economy, would be critical for accelerating the growth momentum. The suggested areas of investment include, roads, railways, ports and industrial parks, through a focused approach that would include public-private partnerships. This could lead to a quantum jump in demand and an opportunity for the industry to partner in nation-building. In the same vein, it is also critical to remove the impediments plaguing infrastructure creation currently by ensuring speedy decision-making process, environment clearance and timely land acquisition.

A concerted push to exports is also required to bolster growth. A weak global scenario even before the pandemic hit the economy, had dented exports growth. Now with the double-whammy of the pandemic induced deep contractions expected in India's key export partners, the overall picture on the exports front is not too rosy. However, amidst this gloom and doom, lies the opportunity for India to increase its share of global exports as companies look to diversify their import partners. Specifically, the space vacated by China in sectors such as Pharmaceutical APIs, Auto Components, Electronics, Textiles & Apparels, can be an opportunity for India if we are able to produce at higher scale and lower cost.

With this backdrop, the focus of the Indian industry in the current year, when the domestic growth is expected to contract for the first time in 40 years, will be on bringing growth back to the economy. The Confederation of Indian Industry (CII) remains committed to partner with the government in re-building India from the abyss it currently finds itself in and leverage the opportunity arising out of the pandemic outbreak.

## **Building a Competitive Industrial Ecosystem**

One of the many important things which COVID-19 has brought to the fore is the importance of building a competitive industrial ecosystem, one which is strong enough to withstand a shock of this magnitude in

the future. Even in the near-term, a robust industrial sector is crucial for bringing growth back to the economy as it provides the necessary firepower to boost exports and provide employment opportunities to the millions.

In order to revamp the industrial sector, a wide-range of reforms are crucial, primarily aimed at implementing changes in factor-markets apart from improving both the ease & cost of doing business and ramping up infrastructure, which includes ensuring steady power supplies to efficient port operations and customs clearance. In particular, the manufacturing MSMEs, which form the backbone of the Indian economy, need urgent interventions in the form of ensuring steady flow of credit at a reasonable cost, apart from a host of regulatory forbearances. The present crisis has battered the MSME sector and it looks for succor to reinstate its disrupted supply chains.

Taking cognizance of the importance of industrial sector in stimulating growth, the economic stimulus package announced a host of steps, such as launching incentive schemes for promotion of new champion sectors, making available land for new investments, fast tracking investment clearances, liberalizing FDI limits in defence production among others. These are indeed transformational measures which will boost industrial competitiveness and reset the industrial landscape. Complimenting these measures are the states, many of which have also announced major changes in their labour laws, for attracting foreign investments.

CII will work proactively with the government to build a strong and competitive industrial sector, one which will play a significant role in reinvigorating growth and safeguarding jobs & livelihood.

## **Jobs and livelihoods**

In India, a strong agenda of economic reform has been set in motion and needs to continue, to bring growth back to the economy. While higher growth will itself create jobs, this may not be enough. Greater focus on labour absorbing growth is required so that more employment can be created in the formal sector. Over the coming years, we envisage a much stronger, more competitive and inclusive economy that will better withstand any economic challenge. As the economy reboots towards greater efficiency, we should also ensure better quality of life for its people. A new dawn for industrialization should go hand in hand with a rise in peoples' income, reduction in poverty and improved living conditions.

The biggest challenge posed by the COVID-19 pandemic has been the impact on livelihood of vast section of the population. While the lockdown imposed by the authorities was aimed at ensuring life and safety of people, it brought the nation's economic activity to a screeching halt, taking an unprecedented toll on the livelihood of those languishing at the bottom of the pyramid. Majority of those working in the vast informal economy

without proper social security started leaving for their native places in the absence of income and livelihood.

Ensuring adequate accommodation and hygienic living conditions should be included in future industrial and infrastructure development initiatives. For industrial parks located outside municipal limits, integrated social infrastructure like access to housing, public health, schools etc should be included. This would not only lead to holistic development but will also prevent reverse migration of workers in times of crisis.

Large scale employment generation is key to overall prosperity of the country. CII will drive the industry agenda towards achieving higher and better quality employment both directly and indirectly as industrial activity expands.

## **Rural rejuvenation**

The agriculture sector is not only the largest employer in the country but is also one of the most resilient ones, as is evident from the current experience. The entire spectrum of agriculture and allied activities is not only critical in ensuring food security for the country but is also drives exports.

There is a need to revamp the entire agriculture sector focussing at crop diversification with thrust on non-grain production, enhanced value addition in a decentralised manner, improving market linkages, and reducing wastage in order to bring efficiency to the sector, which in turn will lead to improvement in farm incomes.

The recent announcements on building of post-harvest infrastructure, marine, animal husbandry and food processing infrastructure among others are a step in the right direction. Additionally, the cluster-based approach for formalisation of Micro Food Enterprises (MFEs) will help in increased formalisation in the food processing industry along with diversification of crops at regional level. These measures are likely to provide an impetus to the vast rural and coastal economies.

The amendment in the “Essential Commodities Act” deregulating major agricultural commodities together with agriculture marketing reforms allowing for barrier free interstate trade are positive developments providing a new window of opportunity that will enhance farmer incomes through better price realisation. It will also end arbitrary regulatory changes being brought about at short notice.

Given that agriculture is a state subject implementation may vary across the country. CII will actively engage with farmers, industry, government and all other stakeholders to facilitate monitoring and rapid implementation of these changes on the ground.