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TIMES NETWORK INDIA REVIVAL MISSION WHITE PAPER

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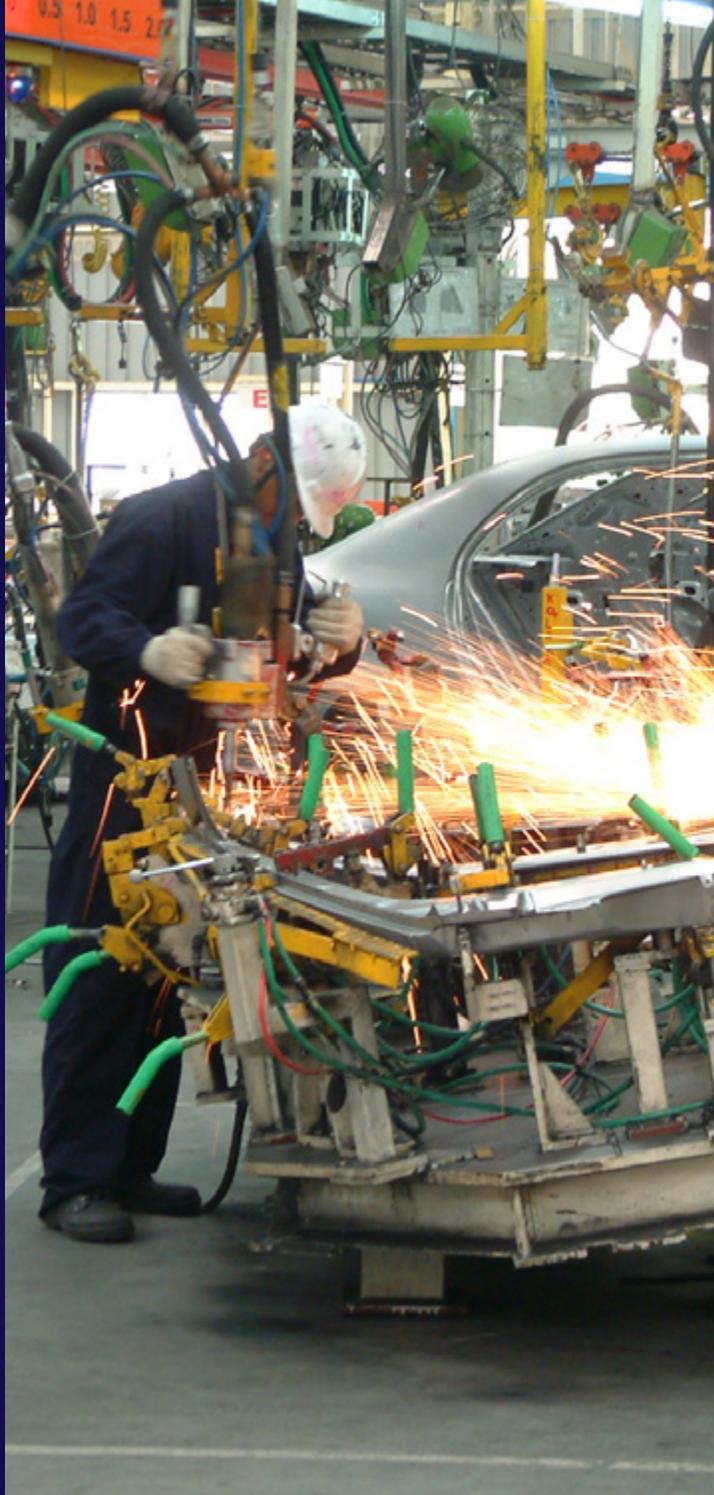


As India marches to its destiny, we see the emergence of a whole new breed who are leading from the front. These are the people who believe in themselves and know it is in them to shape the future. For them, the past is memory and the future is Now. This is the NOW generation. They are influencers who are shedding their passiveness and inhibitions, embracing aggression and speed to catch up and get ahead of their global counterparts. Seizing this opportunity, Times Network with its credo Now or Nothing takes the centre stage of influencing the influencer, by delivering the most compelling and irreplaceable content to these viewers. The network has stamped its leadership to be an expert curator of segmented and differentiated content across news and entertainment genre.

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# About Times Network India Revival Mission

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Post the Black Swan event of COVID-19 in 2020, there is little doubt that 2021 becomes a critical year to regain a lot of the lost ground due to the economic contraction caused by the pandemic. The government on its part is making significant moves to bolster the economy by hiking capex and directing its focus to infrastructure spending, healthcare and support for sectors in distress, especially MSMEs. The administration is focusing on a growth formula built around jobs through education, upskilling and innovation, as was outlined in the Union Budget of 2021.

As the vaccine roll-out will reach critical mass in 2021, this will play a key role in ensuring society can return to normal safely. However, it is clear there is need for building a solid foundation for long-lasting resurgence through a holistic approach to address the gaps in the economy. The nation must move its priority to implementation of decisive policies and strategies to ensure a strong revival in the years ahead.

As India's significant influencer and opinion maker, Times Network is committed to playing an active role in championing pertinent issues of the nation. To ensure India emerges as a resilient economy from this adversity, we launched a mega initiative, **INDIA REVIVAL MISSION** to reboot, reload and relaunch the Indian economy. The goal of the mission was to unearth actionable strategies to enable sustained economic recovery.

As a critical peg of this mission, Times Network along with Institute For Competitiveness developed an in-depth **Business Perception Survey - During & Post Lockdown**, which sourced insights from India's business community to distil domain-specific action points that need to be addressed to ensure long-term health of businesses and the economy. Insights from the survey have been aligned with the long-term vision map laid out by the Government post the Budget and have been crystalized under 4 key recommendations for attention & action. This has been captured in a cogent and insightful **India Revival Mission White Paper** – an effort to arm policymakers with relevant information they would require for building an implementation pathway to achieve long-term goals of capacity-building & growth of the Indian economy.

We believe the findings enclosed in this white paper will provide pertinent actionable insights to accelerate India's economic resurgence.

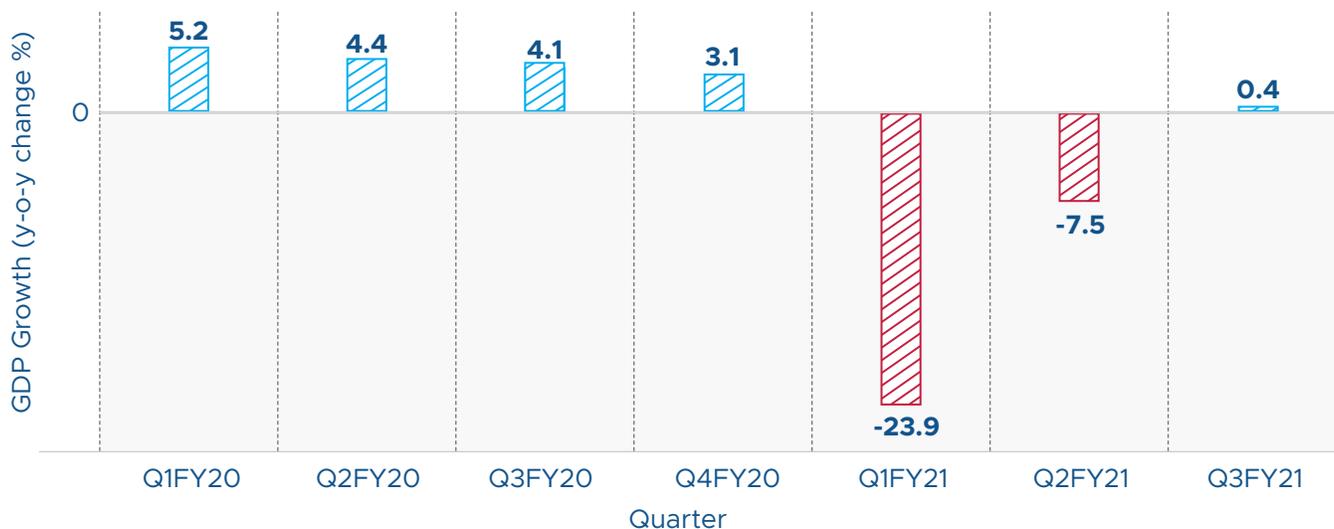


# Introduction: Indian Economy's Performance During COVID-19

The halting of economic activity due to the lockdowns and travel bans around the world beginning March 2020 came as an unprecedented shock to the global economies. Unlike typical economic crises, the pandemic had both supply and demand-side effects as movement and production of goods was restricted while consumers were left without access to markets or purchasing power capacity. Undoubtedly, the impact on output and employment was unprecedented.

India experienced a severe shock to its growth due to the COVID-19 pandemic and the lockdowns imposed to contain its spread. It suffered the worst-ever contraction in the first quarter of FY21 and entered a technical recession in the second quarter of FY21 as shown in Exhibit 1. Fortunately, by the third quarter, growth was back in green. So, the green shoots are evident but challenging times lie ahead for the economy as it recovers from the shock.

**Exhibit 1:** India's Growth Rate over the Last Few Quarters



Source: UNIDO

# India's COVID-19 Recovery Efforts

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The Indian government responded to the crisis with a series of three stimulus packages to kickstart economic activity:

**1. 26 March 2020:** The Finance Minister announced a relief package of INR 1.7 trillion

**2. 15 May 2020:** The Prime Minister announces a COVID relief package of INR 20 trillion and a push towards Aatmanirbhar Bharat.

**3. 14 November 2020:** A comprehensive stimulus package of INR 2.65 trillion announced by the Finance Minister.

The stimulus packages aimed at incentivising business activity through several measures such as loan moratoriums, tax reductions, social security payments, and so on. However, most of these were supply-side measures. There was a need to accompany these with demand-side drivers so that there is sufficient demand in the economy for businesses to benefit from the supply-side policy efforts. The Union Budget 2021-22 helped address this need. The government shed the path of fiscal prudence that it has been following for years to provide a demand-led stimulus. Some of the key highlights of the Budget were as follows:

**1. High on Expenditure:** Setting aside the plan to reduce the fiscal deficit, the Budget 2021-22 hiked the capital expenditure by almost 35 percent to INR 5.54 trillion compared to INR 4.12 trillion based on the Revised Estimates of the previous financial year.

**2. Healthy Spending:** The budgetary allocation on health witnessed a jump of 137 percent in 2021-22 compared to the spending allocated in the previous financial year. Even though a substantial portion of this spending is driven in response to COVID-19, it has allowed the country to focus on enhancing its health infrastructure.

**3. Asset Monetisation:** In a bid to raise finances for the added expenditure boost, the Budget outlined an asset monetisation plan. This has already been put into action with the government announcing the sale of assets in railways, telecom, roads and highways, among other sectors. In extension of these efforts by the Indian government, this white paper suggests additional policy measures that can be explored to further drive demand and employment in the Indian economy.





# India Revival Mission Policy Recommendations

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The discussions and deliberations through the India Revival Mission along with the results of the Business Perception Survey have provided a multitude of actionable policy recommendations. The white paper has grouped these recommendations under four broad themes:

- **Empowering Low-skilled Manufacturing:** The Business Perception Survey showed that businesses were willing to reduce their dependence on global supply chains and focus on domestic production. Therefore, this is the perfect opportunity to tap into the immense potential of Indian labour markets and develop its manufacturing capacity. The initial focus of the country should be on low-skilled manufacturing to maximise its employment potential.
- **Boosting Domestic Consumption of Durables:** The survey showed that businesses anticipate the change in consumer spending due to COVID-19 could last up to 2 years. However, the extent of this downturn can be minimised if the purchasing power of the consumers is restored without causing any long-run inflation. A novel solution of using vouchers to stimulate consumption can be explored to boost demand in the economy.
- **Refinancing via COVID Bonds:** In case, there is a need for additional avenues for financing the policy initiatives aimed at reviving the economy, sovereign-backed bonds can prove to be useful assets. The issuance of COVID bonds can provide the government with adequate funds in the short run, which can be repaid in better times.
- **Expand Employment Guarantee Schemes to Urban Areas:** The problem of unemployment has become the biggest challenge for India in the pandemic-stricken economy. Urban unemployment can be addressed to a certain extent with an approach akin to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which has provided an employment cushion in rural areas. States such as Kerala, Odisha, HP and Jharkhand have already implemented such schemes in urban areas. It boosts purchasing power of the vulnerable and has the potential to create urban assets, which can augment the existing central government initiatives like the Smart Cities Mission.

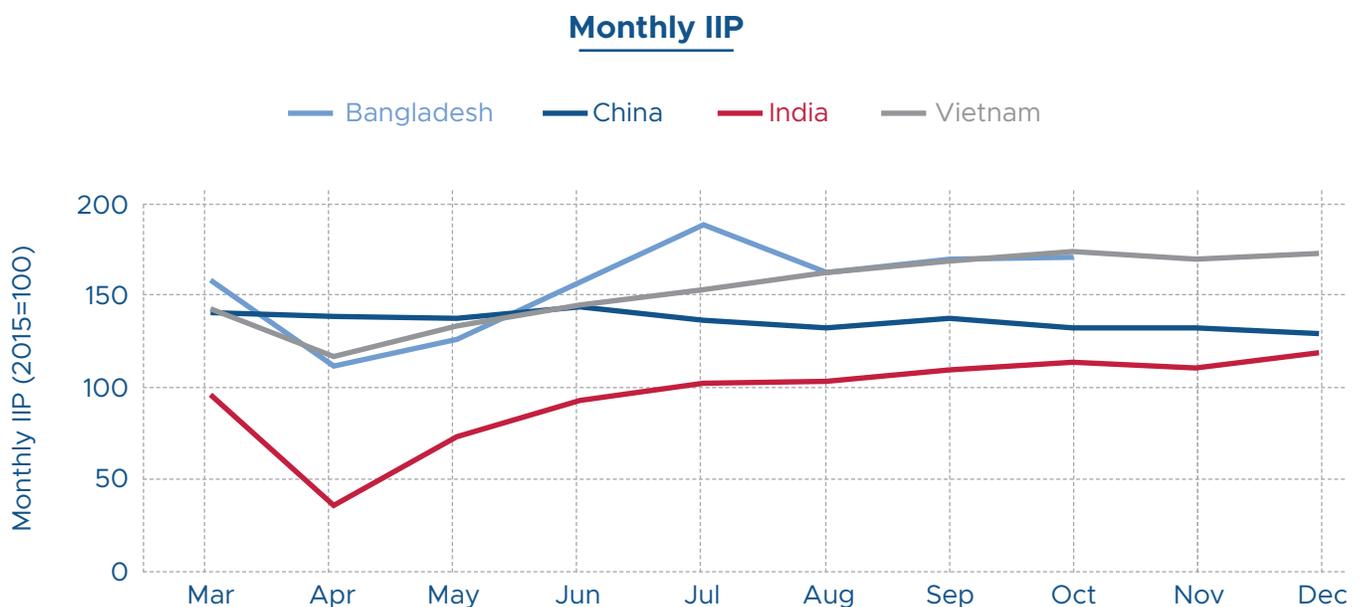


# Empowering Low-skilled Manufacturing

For decades now, China has been the manufacturing hub of the world. As of 2018, it accounted for over 28 percent of the global manufacturing output. The coronavirus pandemic has made the world come to terms with its over-reliance on China as supply chains were severely

disrupted. Labour costs had already begun to rise in China. As countries look to diversify production to other countries, India has the opportunity to benefit from it and become the next factory of the world.

Exhibit 2: Monthly IIP of Select Asian Countries in 2020



Source: UNIDO data

Just as the initial focus of global firms on China began due to its cheap low-skill labour, India needs to use the same to its advantage. Exhibit 2 shows the Index of Industrial Production (IIP) for select Asian nations of the manufacturing sector, which is a composition of the extent of manufacturing activity in the economy. It can be seen how the IIP fell in April as the world went into a lockdown. Since then, while China's IIP has been on a slight consistent downward trend throughout the year, Vietnam and Bangladesh have made notable gains. They have been the biggest gainers of the exit of manufacturing firms from China.

However, while India has recovered from its low in April as well, its IIP was lower than these economies even in March. Its recovery has been better than that of China but not at par with Bangladesh or Vietnam. The country needs to attract firms exiting China even more aggressively than it has been doing in the past year.

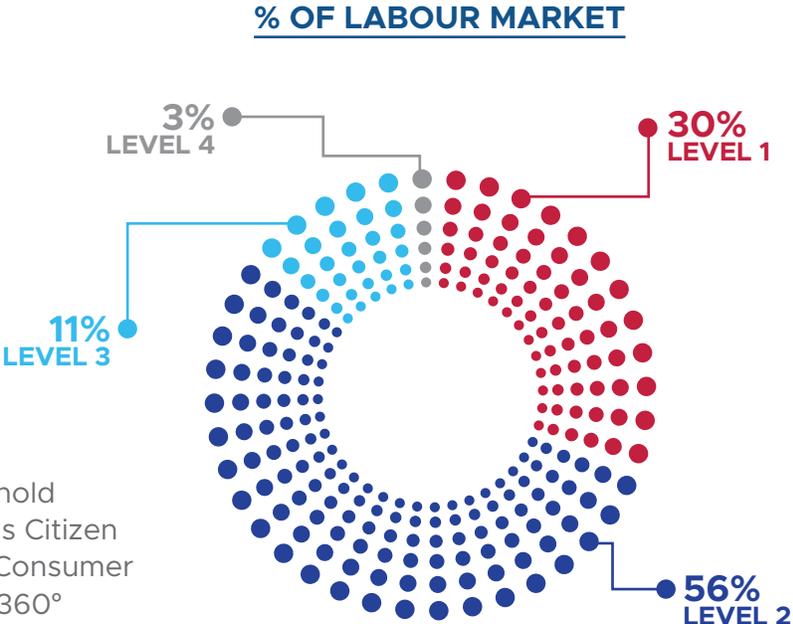
The production-linked incentive (PLI) scheme introduced by the government has been brought forth to propel manufacturing along similar lines. Several regulatory challenges have also been addressed in the past year to enable ease of doing business. While these have been necessary and crucial policy initiatives, the figure shows that India

is still not the first choice for global manufacturing firms among the Asian economies.

A success on this front will not only drive India's growth on a sustained basis but also generate jobs in the economy. The latter has been a long-standing problem of India's service-led growth, but the economic repercussions of COVID-19 provide an opportunity to address the challenge by pivoting it towards stronger manufacturing growth.

Moreover, the focus of any policy intervention needs to be on low-skill employment because the Indian labour market is composed of workers with basic skills. As seen in Exhibit 3, the ICE 360° 2016 survey on Indian households shows that the labour market is dominated by people who are classified at Level 2 skills, which involves the operation of machinery and electronic equipment. This is followed by Level 1 skills which include simple and routine physical tasks and thus may not require an extensive set of skills. Level 3 skills (skills involving written records, calculation skills and good communication) & Level 4 skills (decision making and creativity based) do not even form one-fifth of the workforce, which means the majority of workers don't have the capacity to involve in complex administrative tasks.

**Exhibit 3:** Skills Observed in Indian Labour Markets



**Source:** "Household Survey on India's Citizen Environment & Consumer Economy" (ICE 360° Survey, 2016)

Based on these observations on the Indian economy, some of the strategic policy interventions that can be explored are:

**1. Identification of Key Sectors –** The Union Budget 2021-22 has identified 13 focus sectors that the government believes hold the potential to become manufacturing drivers for the country. However, for the longer term, it would be crucial to identify potential sectors for cluster development. Such an approach would entail an assessment of interlinkages between sectors and narrowing down on potential sectors for growth. The focus should remain on selecting industries that are labour-intensive in nature and require basic skilling.

**2. Incentivise –** Productivity Growth in Identified Sectors – The next step should be to make an assessment of the factors that are impeding growth in the identified sectors. Along similar lines to the PLI schemes, incentives must be provided to boost production in domestic units and development of new ones.

**3. Formulating a Compatible Tariff Policy –** Finally, to build export competitiveness in these sectors, India needs to formulate a compatible tariff policy. India has been known for its stringent

protective policies to protect small businesses in employment-intensive sectors. This has prevented these businesses from the exposure of a competitive environment which in turn has in fact repressed them from realising their potential of employment generation. Therefore, India requires a new tariff policy that enhances the competitiveness of its labour-intensive industries while being compatible with the existing industrial policies. This means welcoming import tariff rates on key inputs for such industries.

**4. Strategy for Growth in MSMEs –** Along with developing competitiveness in key sectors, India's Micro, Small, and Medium Enterprises (MSMEs) also need to be revitalised. Since the MSME sector has a significant presence across the country and employs a notable share of working population engaged in the manufacturing sector, India needs to develop a strategy to scale them up and make them competitive on a global stage.

Developing India's competitiveness in low-skill manufacturing sectors can generate millions of job opportunities and expand output on a sustained basis.





## Boosting Domestic Consumption

Alongside generating employment opportunities, which can itself create demand in the economy, India needs to boost domestic consumption in the short-run as well to extricate itself out of the pandemic-induced economic downturn. Exhibit

4 shows how India's private consumption as a percentage of GDP has dipped since the advent of COVID-19. It fell from a high of almost 63 percent at the end of the third quarter of FY 2019-20 to 56.71 percent in the first quarter of FY 2020-21.

**Exhibit 4:** India's Private Consumption (% of GDP) since COVID-19



Source: CEIC Data

The proportion of private consumption in the country's GDP had not recovered to pre-pandemic levels. It must also be noted that the figure simply shows the proportion. Absolute levels of consumption have been hit even more badly. So, the need to revive domestic consumption remains crucial to the revival of the overall economy.

An approach that has been adopted in past economic crises to encourage spending in several countries is handing out of vouchers that can be used for consumption of basic durables. The most successful instance of the use of consumer vouchers comes out of Taiwan. They were first issued in response to the 2008 financial crisis and have been issued more recently in response to the COVID-19 pandemic as well.

India could follow along similar lines to stimulate demand in the economy. Vouchers can be distributed for purchase of food items and other

essentials. Their use can also be targeted to the most vulnerable sections of the population by limiting their usage in specific platforms like ration shops. The use of consumer vouchers can have multiple benefits:

1. It will allow the sections worst affected by the pandemic to meet their basic needs.
2. They can prove to be better alternatives to cash transfers because they will create real demand and avoid the risk of inflation in the economy.
3. Furthermore, restricting their usage to platforms like ration shops can prevent any potential leakages as only the target population can avail any benefits from the vouchers. Moreover, linking these vouchers with the Aadhar cards and the PoS devices at the stores would allow successful tracking and in ensuring that there are no leakages.

## Financing India Out of COVID-19

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The above two measures are attributed to relief and recovery measures to create demand-driven economic growth. However, given the financial constraints of the government, it is crucial to have new avenues to mobilise funds. It is also critical to do so without adding to the fiscal burden, especially after the announcement of an expenditure-heavy Budget.

Bond markets are an area where the government can obtain additional financing without burdening its fiscal purse in the short run. Specifically, COVID bonds can be introduced similar to the practice of issuing "war bonds" for raising immediate funds during times of war. These bonds are typically seen as a temporary measure with a well-defined sunset clause to ensure the full repayment.

There are several countries that have already gone to the bond markets to raise capital with

significantly long tenors. For instance, Indonesia went to market with a 50-year USD 1 billion bond, which is the first by any Asian country in history. Similarly, Israel has issued its first 100-year USD 1 billion bond as well. India could follow along similar lines.

There are several benefits of utilizing the bond markets to finance India's COVID-19 response. First, such an instrument would also have the benefit of not crowding out private investment, which is usually the case when capital is raised through debt. Second, it would also allow the government to raise funds from the sections of population who can afford to set some money aside for the COVID relief efforts. Finally, another appeal of such instruments is that government-backed securities are gilt-edged, and thus, any concern attached with repayment would not bother the subscribers.

# Enabling Urban Employment

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As millions of Indians have lost their jobs due to the pandemic, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has provided a cushion for employment in rural areas. However, urban areas do not have a similar counterpart and the informal market has been severely affected.

A possible solution can be found through the issuance of “job stamps” that can be given to public institutions like schools, hospitals, urban local bodies, etc. The job stamps can be used by such bodies to hire unskilled labour. The beneficiaries can exchange these job stamps for wage payments from the government. This scheme could be initiated in a phased manner which begins from metropolitan cities and then

expand to tier 2 and tier 3 cities with specific focus given to industrial towns.

The biggest advantage of introducing this policy will boost purchasing power and, thereby, consumption demand. Furthermore, such a scheme has the potential to raise and stabilise urban wages. Its long-lasting impact can regularise inter-state migration by creating a stable national labour market, which can bring equilibrium to various labour markets. Finally, this scheme has tremendous potential to generate urban assets like environment-friendly green public spaces. This is crucial towards reinforcing the physical urban infrastructure to combat impending impact of climate change.







## **Dinesh Kumar Khara**

Chairman,  
State Bank of India



Going forward, we are all getting into a good trajectory and moreover, the recent budget which has brought in that kind of focus on infrastructure is the way forward for bringing in competitiveness in the Indian economy and also ensuring that we stay ahead and we become a developed nation at a faster pace.



## **CH. S.S. Mallikarjuna Rao**

MD & CEO,  
Punjab National Bank



The economy will get a major boost from the measures announced in the Budget complimented through policy measures announced by the Reserve Bank of India. Going forward, there will be asset creation involving investments from the Government and the private sector. The measures taken towards small industries including the Production Linked Incentive scheme will go a long way in encouraging the domestic industry.



Institute for Competitiveness, India is the Indian knot in the global network of the Institute for Strategy and Competitiveness at Harvard Business School. Institute for Competitiveness, India is an international initiative centered in India, dedicated to enlarging and purposeful disseminating of the body of research and knowledge on competition and strategy, as pioneered over the last 25 years by Professor Michael Porter of the Institute for Strategy and Competitiveness at Harvard Business School.

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