

Webinar - “India Revival Strategy”

Date: Thu., 30th April 2020

**Speaker: Subhash Chandra Garg, Finance & Economy Policy Strategist
Garg’s STICH Principle - A Workable Strategy**

S.C. Garg, a prominent Finance & Economy Policy Strategist with immense experience and expertise in handling key finance and economic portfolios in the Government, has recently been appointed as Advisor to the Chief Minister of Andhra Pradesh. He was India’s Executive Director in the World Bank Group, representing Bangladesh, Bhutan and Sri Lanka and served as the Member of the Board of the RBI and the SEBI.

Garg spoke of how we can put back the Indian economy on the rails to as normal as possible. The GDP is very important for all of us. The nation can’t get richer, better, healthier unless the GDP grows, which comes from producing goods and services and businesses like agriculture, mining, construction, industry. All these deliver much value in nation-building and for our crores of workers and their wages.

There are 100 crores of workers in the age-bracket of 16-60 with 30 crore households run by 40 crores of people, so if they don’t earn, they can’t keep themselves in food, clothes etc. Workers need to earn, and for that the GDP is important and necessary.

India went for saving lives, a humanitarian view, but a poor choice with adverse consequences for the economy as in incomes, livelihoods for the workers etc. This, the most stringent lockdown in the world ever, virtually shut out 70% of businesses resulting in very harsh economic consequences.

We are an economy of a 200 lakh crores. If our economy gets shut off by 70%, and if you produce about 8-9 % of the GDP in a month, 10% of that is about 20 lakh crores, and 7-8 % of that we are having to sacrifice 15-16 lakh crores of our income, lost by businesses, workers etc.

We have a very large segment of micro and MSMEs, 7-8-crores of them, with 15-crore workers while the MSMEs earn by the day and distribute wages virtually as they earn. 30% of the total production comes from MSMEs in our country. Their turnover now has collapsed with a loss of 5-6 crores of income. Large businesses and industries and even farmers on the lower level who are nature-dependent and for whom nature decides things, can survive and are better off, but the in-between MSMEs have lost everything being the worst affected.

Now it's the duty of the Govt. to dole out a package of 4-5 lakh crores for MSMEs as grants and not credit, and speedily help this segment which needs grants, not credit.

The Govt. gets 20 lakh crores in taxes, of which there would be a shortfall of 5 lakh crores. The need would be for 10 lakh crores, 5 for giving as packages, and 5 for covering the shortfall, so how would this be met?

Garg suggested a few ways of doing this. One, by reducing expenditure i.e. by not giving stimuli, packages etc. which would be a very bad and heartless choice. Two, by the Govt. asking banks to help out as they are flush with money, and not short of funds, but this money is not meant for putting into the Govt. account but for putting into businesses. Govt. can ask banks to subscribe to their additional bonds but then these 7 lakh crores won't go to businesses, so that too is a bad choice. For keeping the economy going as well as keeping the people safe, Garg has devised what he calls his STICH strategy:

S = Safe distancing, which should be very aggressively adopted but only for the old, affected, and vulnerable.

T= Test very heavily all those people who come in contact with the affected.

I = Isolate such people as well as the old and affected, but let the rest work and not close down the economy.

C – Care for the isolated people.

H = Work from Home or close to home and open up the entire economy.

The world is looking at India, so we have to take care of two things - 1) Our lack of competitiveness where our power cost is very high, highest for industry, and we price it highest for production. Land cost also is 5 times the market price, both very bad policies which create non-competitiveness. 2) We should have some more calibrated policies. Today, approvals are needed from the Govt.; this would very badly affect start-ups.

As for manufacturing, let us first import and adapt technologies and then have low-cost Make in India, for which we require sharp changes in our policy. We need lower power tariff. Consumption should be priced more than production and not vice versa. We have excellent man-power and innovative ability to do digital programming, so, with these advantages, combined with innovative ways, India can go into the manufacturing phase.