

Economic aspirations and challenges before Indian economy in special reference to post COVID scenario

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Abstract

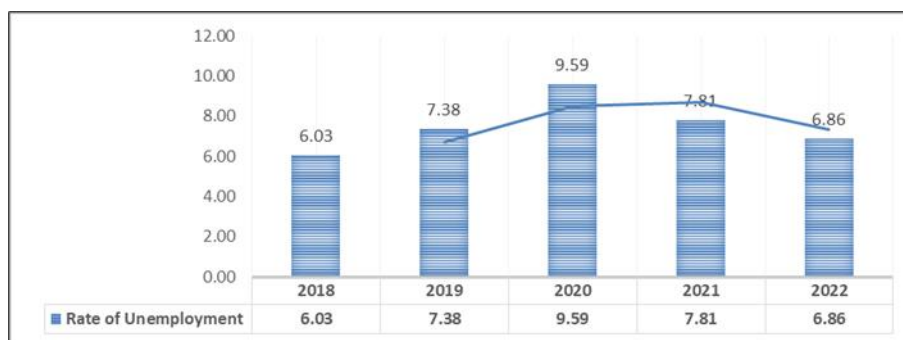
The paper aims at studying the various economic aspects like unemployment rate, health care, purchasing power, cost of living and safety index of Indian economy. The data taken is secondary in nature and five years of data is studied to analyse the results. The t-test is applied to test the hypothesis and correlation analysis is done to see the comparative results. For ease of study, the factors like cost of living, purchasing power, health facilities, pollution index and safety index are averaged and categorised as Standard of Living Index.

Keywords: Unemployment; Standard of Living; Cost of Living; Health care; Safety index; Pollution; Climate Index

1. Introduction

COVID has deeply affected the economy of not only India but of the whole world. Economic aspirations of any economy can be studied on aspects like rate of unemployment, Cost of living, Health facilities, law and order and transport facilities to name a few. In this paper, we will take the secondary data to study the various economic aspects to answer the challenges that Indian Economy is facing post COVID scenario. The factors taken into consideration for the sake of study are as follows

1.1. Rate of unemployment



y - axis

Source: CMIE (Centre for Monitoring Indian Economy)

Figure 1 Unemployment rate in India (% of total labour force)

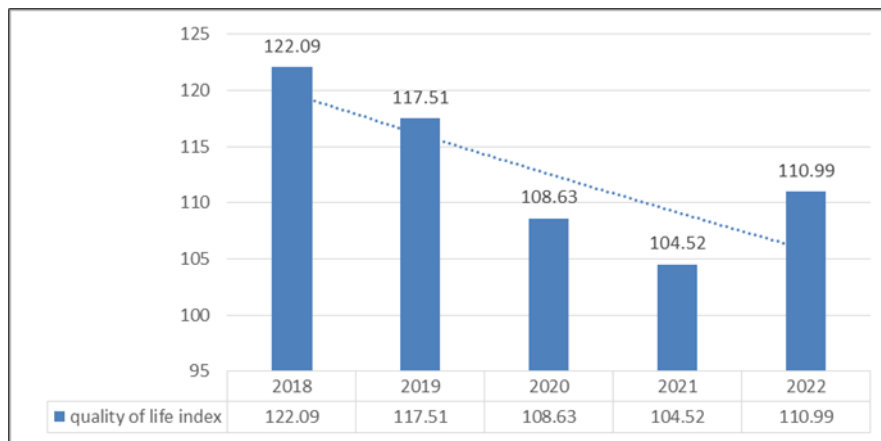
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The unemployment is the situation when people in the economy are not able to get the enough jobs to support the cost of living. If unemployment rate is high, it will negatively impact the standard of living of the people in the economy. The following data shows the rate of unemployment in India from the year 2018 to 2022.

The above data shows that the overall unemployment rate is was highest in 2020 which was a COVID year and a large chunk of population had lost their jobs but in coming years 2021 and 2022, the scenario was started getting improved and unemployment rate has started going down. But still a lot of efforts from government side are needed in this direction.

1.2. Quality of life index

Quality of life takes into consideration the factors like basic education, affordable housing, clean drinking water and availability of food to the people in an economy. The following is the data on Indian Economy for five years



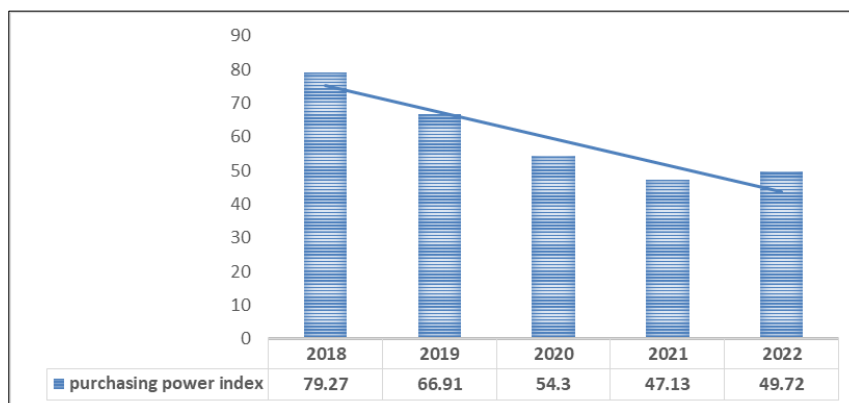
Source: databank.worldbank.org

Figure 2 Quality of Life Index in India from 2018-2022

The quality of life index is considered as higher the better but in the current scenario in India, the index is showing the downward trend. The various factors leading to downward trend is higher inflation rate prevalent in India and all time high unemployment.

1.3. Purchasing power index

Purchasing Power Index shows the purchasing power of the people in the economy to afford the basic requirements of the life like food, clothing and travel etc.



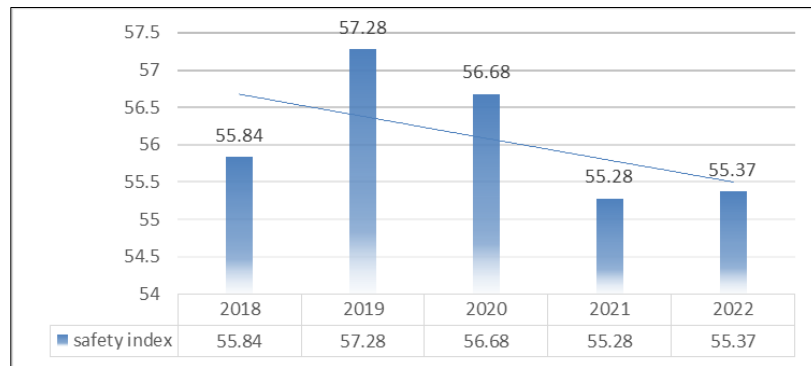
Source: CMIE (Centre for Monitoring Indian Economy)

Figure 3 Purchasing Price Index in India from 2018 - 2022

The data in the above figure shows that the purchasing power of the people is getting declined due to high inflation, lesser jobs and higher fuel prices etc. the increasing trend is considered as favorable for the economy but here the trend is decreasing so necessary steps need to be taken to improve the situation.

1.4. Safety index

Safety concerns are one of the prime concerns that can be counted as one of the factor contributed to standard of living indices. If crime rates are higher in any area, the safety of the residents is compromised. So, better law and order facilities are required in a country to assist the people in safe living.



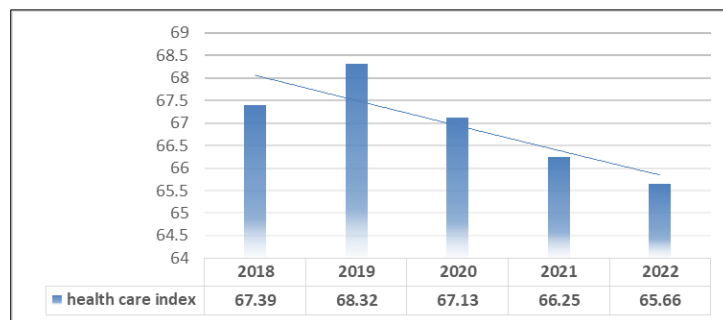
Source: databank.worldbank.org

Figure 4 Safety Index in India from 2018 - 2022

The above data shows that the safety in the recent times in India is in decreasing trend which is not good for the economy. If safety index is higher, it will attract more business and jobs which contributes to growth in economy. But since the data shows a downward trend, so a stringent law and order system needs to be emphasized in India.

1.5. Health care index

Health care sums up the hospital facilities, medical facilities, vaccination and medical insurance etc. It should be in growing trends always as these are the basic facilities that people need in a country. In COVID times, many lives were lost only because they didn't had the medicines and oxygen etc. on time.



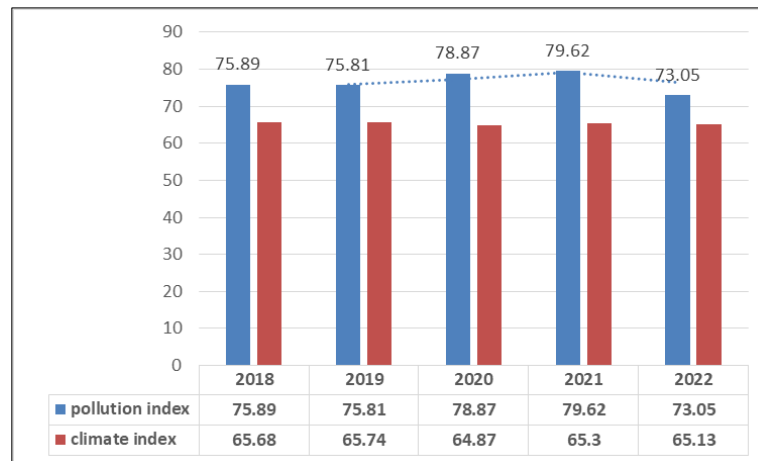
Source: CMIE (Centre for Monitoring Indian Economy)

Figure 5 Health care facilities in India from 2018-2022

The data above shows that the health care facilities are on a steep decline in India which is not a favorable indicator and emergent steps need to be taken soon so that the health sector can be improved.

1.6. Pollution and climate index

Higher pollution levels are very harmful for the health of the people living in a particular area. Climate also defines the easy living in an area. If it's too hot, the living would be affected adversely and so in the case of too cold area. But higher pollution levels like in metro cities in India like Delhi, Mumbai, Chennai and Bangalore etc. the higher pollution levels have adversely affected the otherwise good climate of the city. Extreme temperatures attract accordingly needed facilities also like air conditioning is must in hot areas and woollens, geysers and heaters etc. are needed in cold areas to survive the temperatures.



Source: databank.worldbank.org

Figure 6 Index showing the Pollution and climate in India during 2018-2022

The above data shows that the pollution levels in India are much or less same in the five years and same effect is reflected in the climate index also. Various factors like factories smoke in air, chemicals in rivers, increasing use of vehicles and excessive use of plastic lead to toxic environment which in result lead to health problems. Due to excessive pollution levels, the government has to take some measures which can adversely affect the business and industries.

2. Literature review

(Mukhopadhyay, 2021)[1]. In his article “Post-Pandemic Economic Recovery: Seven Priorities for India” focuses on 7 point blueprint for India’s economic revival which are namely; universalization of Public Distribution System, providing employment, direct cash transfer to affected population, providing tax relief to producers in selected sectors, public investment in physical and social infrastructure, suspending FRBM[2] for two years and Monetization of central fiscal deficit. He has focused on the stimulus of magnitude if the government really wants to revive the economy post COVID scenario.

(Ali, 2020)[3]. In his research paper “A Study of Impact of COVID -19 on Indian Economy”, studied the impact of COVID on various sectors like specialty chemicals, pharmacy, manufacturing, agriculture, public administration and defense & other services. He concluded that Indian economy was not as badly affected by COVID as other nations did and our major industries has performed good in pandemic times.

(Vikas Barbate, 2021)[4]. In this research paper “COVID -19 and its impact on Indian Economy” studied the short term and long term impacts of pandemic by analyzing factors like GDP, Unemployment rate, Inflation rate, Interest rate and Industry Output. By analyzing secondary data from all over the world and various nations, he concluded that the government has to work in support of central bank, commercial banks and various other agencies to support the general public and economy altogether.

(Hagera Dilnashin, 2021)[5] In their study “Economic Shock and Agri-Sector: Post-COVID-19 Scenario in India” focused upon the immediate needs when world got pandemic struck like food, travel, job and other necessities. They highlighted that how the nation got dependent upon the government when everything gets disrupted due to lockdown.

(Patnaik, 2020)[6] In their study “The Impact of COVID – 19 in Indian Economy – An Empirical Study” focused on tourism & aviation, telecom & automobile sector. They highlighted that how India has recovered from the lowest ever GDP due to pandemic and using the secondary data they suggested how to overcome the adverse situations.

The above review of literature shows that researchers have done phenomenal work in analyzing the COVID situation and various factors affected by the pandemic. But the areas I find missing are like safety concerns, law and order, travel / transportation, climate and pollution factors. So, in my study I would like to take these factors into consideration and analyzing them to draw a comparative analysis and suggest the measures that can really work in the direction of economic growth.

Objectives

- To reduce the unemployment rate.
- To raise the standard of living of the people.
- To study the relationship between the unemployment rate and the standard of living of the people.

2.1. Hypothesis

H0: The unemployment rate and the standard of living of the people is not related.

H1: The unemployment rate and the standard of living of the people is related.

3. Research methodology

The secondary data from various sources like CMIE (Centre for Monitoring Indian Economy) and data bank from World Bank sites have been taken for five years from 2018 to November 2022. The factors taken into consideration are unemployment rate, cost of living index, purchasing price index, safety index and health index etc. To analyse the data and testing the hypothesis, the t-test is used and correlation matrix is studied to establish the relationship between various factors.

For ease in data analysis, the average of all other factors are taken and named as standard of living index to compare it with the unemployment rate. The data taken into consideration is as follows:

Table 1 Index showing unemployment rate and Standard of Living Factors

Year	Rate of Unemployment	Standard of Living Index (average of all factors)*
2018	6.03	54.78
2019	7.38	52.86
2020	9.59	50.56
2021	7.81	49.25
2022	6.86	49.37

*: Standard of Living Index = (Quality of Life Index+ Purchasing Power Index+ Safety Index+ Health Care Index+ Cost of Living Index+ Pollution Index+ Climate Index) /7.
Source: Data Analysis;

The above data shows that the unemployment rate is higher in 2020 i.e. a COVID year but then there is a sharp decline in the rate and the same impact is reflected in the standard of living index also. But the decline is not sharp as in comparison to the unemployment rate. The reason for this may be the government is providing free ration to the poor in these years and education and other factors were not as badly affected.

Table 2 Correlation between unemployment rate and Standard of Living Factors

	Rate of Unemployment	Standard of Living Index
Rate of Unemployment	100%	
Standard of Living Index	46%	100%

Source: Data Analysis

The above correlation matrix shows the positive correlation of 46% between the unemployment rate and standard of living. It's a good indicator which shows that if the employment rates are good then people don't suffer much for their basic needs and somehow their lives continue on the normal scale if the employment is provided adequately.

The result of t-test show that the p-value is higher than the significance level i.e. if p-value $< \alpha$, we reject H0 and if p value $> \alpha$, accept H1. So, in this case, we will accept the alternate hypothesis i.e. the unemployment rate and the standard of living of the people is positively related.

Table 3 t-Test: Paired Two Sample for Means

	Rate of Unemployment	Standard of Living Index
Mean	7.533333333	51.36555556
Variance	1.760763889	5.74914321
Observations	5	5
Pearson Correlation	-0.491185735	
Hypothesized Mean Difference	0	
df	4	
t Stat	-30.05385615	
P(T<=t) one-tail	3.65024E-06	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	7.30049E-06	
t Critical two-tail	2.776445105	

Source: Data Analysis

4. Conclusion

Thus, it can be concluded that government should provide more jobs and employment to the public so that they can afford and avail the necessary facilities for their living.

Recommendations

The above analysis helps in drawing the following conclusions:

- The government should work on the employment generation so that public can afford and avail the basic facilities for their living and in return they can contribute to economic growth.
- The business can flourish only in the safe and crime free society so the law and order should be strengthened to invite financial proposals and investments in India.
- The efforts must be made by the government to regulate the prices so that overall inflation can be brought down.
- The tourism sector is the backbone of the economy and it was halted during COVID. So, it should be revived again by providing better transportation facilities.
- The health care facilities like hospitals, medicines, vaccination and insurance etc. need to be strengthened so that the hard earned money may not get wasted into the diseases.
- The fuel prices can be kept in check so that the travelling and transportation cost can be reduced.
- The tax liability on selected sectors can be reduced like on education, agriculture, defence and health to increase their overall profit margins.

These are some of the recommendations that can help to speed up the revival process of Indian economy.

Compliance with ethical standards

Acknowledgments

The present research work does not contain any studies performed on animals/humans subjects by any of the authors.

Disclosure of conflict of interest

Informed consent was obtained from all individual participants included in the study.

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