Demand Revival: A Solution

Why in news?

An Indian business newspaper surveyed the Chief Executive Officers (CEOs) of leading companies of India Inc.

What did the survey find?

- In the survey, the CEOs have admitted that the demand destruction caused by Covid is the biggest challenge for members of India Inc.
- CEOs have played down concerns about disrupted supply chains, labour shortages and a working capital crunch.
- They underlined that a shrinking top line is their biggest pain point, making cost management difficult.
- Given the damage to income and job prospects, these findings offer three takeaways for policymakers.

What are the three takeaways?

- To provide demand visibility to floundering businesses, **opening up** retail outlets is critical.
- Opening e-commerce deliveries for 'non-essential' goods is also critical.
- The firms that are struggling to stay on their feet are **unlikely to avail themselves of cheap borrowings** or collateral-free credit.
- Stimulus that takes the form of monetary packages devised by the RBI will be of limited efficacy in reviving the economy right now.
- The Centre's fiscal relief has so far focussed on enabling subsistence for the poor with cash/food grain doles.
- However, the bulk of the demand for consumer products and services in India originates from the middle and the upper middle classes.
- Without measures to **alleviate pain for these classes**, a consumption revival may remain a pipe-dream.

What could be done further?

- Passing on savings from recent oil price declines through **fuel price cuts** may put money directly in consumers' hands.
- Rolling out an **urban version of MGNREGA** may help.
- The Centre could **rationalise income tax slabs** by cutting back on cesses

and surcharges that have a cascading impact on higher incomes.
- Taking a less rigid approach to ‘demerit’ goods under the GST can help get the larger cogs of the economic engine going.
- All these measures will entail short-term sacrifices on tax collections.
- **Demand revival** is the only way to prop up tax collections for good.

Source: Business Line

