



An Economic analysis of Gandhian principles as a tool for economic recovery

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Abstract:

The condition of the economy, went from bad to worse, due to outburst of pandemic Covid-19. The economic impact of Covid 19 (Corona Virus) on Indian Economy has been largely devastating and disruptive. Indian Economy was shattered and faced worst scenarios. According to Ministry of Statistics, in the fourth quarter of the fiscal year 2020, India's economy has grown at a meager 3.1%. Krishnamurthy Subramanian, the present chief economic adviser to the Government of India said that "this drop is mainly due to the corona virus pandemic effect on the Indian economy". Unemployment rose from 6.7% on 15th March to 26% on 19th April 2020 and then back down to pre-lockdown levels by mid-June. During the lockdown, an estimated 14 crore (140 million) people lost employment, while salaries were cut for many others. More than 45% of households across the nation have reported an income drop as compared to the previous year. World bank defines this pandemic as "magnified pre-existing risks to India's economic outlook", because the economic slowdown was very much noticeable even during pre-pandemic. The World Bank and other rating agencies had initially revised India's growth for fiscal year 2021, with the lowest figures, India has ever seen in three decades, since India's economic liberalization in the 1990s. On 26th May 2020, CRISIL announced that, this is perhaps, India's worst recession since independence. All these features indicate that the reforms strategy of development is not yielding the desired results. It has miserably failed to accelerate the process of development. It calls for better supplementary economic strategy for the development of the economy in general and rural economy in particular. This points to the necessity for rethinking in the planning and development strategy, not in terms of the size of the plan but in terms of decentralized planning as a supplement to reforms strategy. Therefore, in the present context, to set motion of the economy and to accelerate its growth process Gandhian strategy of development will be more opt and it will surely quicken the pace of development. This paper analyses the relevance and need of Gandhian economic principles to speed up economic development of pandemic affected economy.

Key words: Economic planning, Growth strategy, Five year Plans, Public sector, Supplementary policies, Pandemic, Revival.

Introduction:

After independence, India adopted two different types of development strategies for economic growth based on two different ideologies. The first strategy was adopted at the time of launching Five Year Plans in the year 1951. The objective was to create a socialistic pattern of the society, which aims at economic justice and equal distribution of wealth in the society involving constant expansion of the public sector. Many industrial enterprises, service organisations and banks were nationalized and brought under public sector with the objective of fulfilling the national policy. State owned enterprises were expected to attain the commanding heights of the economy. It was believed that with the expansion of public sector enterprises and increase in gross domestic product (GDP) the economic lot of the masses would improve through 'Trickle Down Effect', as it was advocated by Ronald Regan, popularly known as 'Regonomics'. This theory states that tax breaks and benefits for corporations and the wealthy will trickle down to everyone else. It argues for income and capital gains tax breaks or other financial benefits to large businesses, investors and entrepreneurs to stimulate economic growth. The argument hinges on two assumptions: All members of society benefit from growth, and growth is most likely to come from those with the resources and skills to increase productive output. However, it was later discovered that this strategy did not fetch the desired results. Despite of all the progress claimed to have been achieved during the period from 1951 to 1990, India found it difficult to face the economic crises encountered by the economy in 1991 with the same strategy of development. A new and different strategy of development was adopted in 1991-92, taking the path of globalization, liberalization and economic reforms in the form of privatization, in the place of promotion of public enterprises. From the results achieved so far, it is becoming increasingly clear that the reforms strategy is also not yielding the expected results. The rate of economic growth is not as it was expected to be. People have become poorer instead of emerging to be economically stronger. Per capita availability of food grains has decreased. Industrial sector has not performed satisfactorily and small scale industries sector is in doldrums. Low capital formation in the farm sector has been responsible for the poor growth of GDP in agricultural sector.

Introduction to Gandhian Economic thoughts:

Gandhian economics is economic thought based on the spiritual and socio-economic principles of Mahatma Gandhi. Gandhi himself was not an economist professional. He was a great political leader. But consistent with his philosophy of truth and non-violence, he gave a unique set of economic ideas which are sharp in contrast against the traditional economics of the west. In his economic thought, Gandhi was greatly influenced by Ruskin's "Unto This Last". From this book he learnt that the good of the individual is contained in the good of all and all the professions either lawyer or barber as much as have the same right of earning their livelihood from their work. Further Gandhi was inspired by the idea of Thoreau, Tolstoy and Kropotkin. Tolstoy's principles of simplicity, asceticism and equalitarianism became a part of Gandhi's philosophy. Besides Indian scriptures, Gita and Upanishads and Indian saints Kabir, Mira, Nanak also left a deep impression on Gandhi's mind. Throughout

his life, Gandhi try to find the ways to fight India's extreme poverty, backwardness, and socio-economic challenges. Gandhi's campaigning of Swadeshi and non-cooperation were based on the principles of economic self-sufficiency. Gandhi sought to incorporate peaceful civil resistance as a means of promoting national self-sufficiency.

Gandhian economics has no theory and it is very different from traditional economics. It is based on simplicity, non-violence, decentralisation and ethical and moral considerations. The basic aim of Gandhian economics is to provide full employment for the poor, and for all potential members of the work force, so that these workers can provide for their own necessities by their own efforts, in dignity, without depending on charity. Gandhian economics is also associated with the ethics. Gandhiji argued that economics which hurts the moral well-being of an individual or a nation is immoral and therefore sinful. The value of an industry should not be gauged by the dividends it pays to shareholders rather by its effect on the bodies, souls, and spirits of the people employed in it. In essence, supreme consideration is to be given to man rather than to money.

PRINCIPLES OF GANDHIAN ECONOMICS: The Gandhian economic thought was based on the three principles:

1. **Simple Living:** The basic principle of Gandhi's economic thought is a special emphasis on 'simple living', which helps in cutting down of wants and being self-reliant of an individual. Accordingly, increasing consumer appetite is likened to animal appetite which goes the end of earth in search of their satisfaction. Thus a distinction is to be made between 'Standard of Living' and 'Standard of Living', where the former merely states the material and physical standard of food, cloth and housing. A higher standard of life, on the other hand could be attained only if, along with material advancement, there was a serious attempt to imbibe cultural and spiritual values and qualities.
2. **Sarvodaya – the welfare of all:** The second principle of Gandhian economic thought is small scale and locally oriented production, using local resources and meeting local needs, so that employment opportunities are made available everywhere, promoting the ideal of Sarvodaya, in contrast with the welfare of a few. This goes with a technology which is labour-using rather than labour-saving. Gandhian economy increases employment opportunities; it should not be labour displacing. Gandhi was not opposed to technology, but advocated a proper mix of technology-intensive and labor-intensive production. The amount of available investible resources must keep pace with the population increase of employable workers. He also emphasised dignity of labour, and criticised the society's contemptuous attitude to manual labour. He insisted on everybody doing some 'bread labour'. He was not against mass production, but advocated production by and for the masses.
3. **Trusteeship:** The third principle of Gandhian economic thought is based on trusteeship, it means that while an individual or group of individuals are free not only to make a decent living through an economic

enterprise but also to accumulate, their surplus wealth above what is necessary to meet basic needs and investment, should be held as a trust for the welfare of all, particularly of the poorest and most deprived.

Covid-19 in India and consequent Lock down:

To curb the widespread of Corona virus, Government of India, has announced 21 days of complete lock down from 24th March 2020 to 14th April 2020. This three weeks lock down was inevitable to break the infectious cycle of Corona virus. The lockdown was placed when the number of confirmed positive corona virus cases in India was approximately 500. Experts state that the lockdown had slowed the growth rate of the pandemic (doubling every six days) by 6th April and to a rate of doubling every eight days, by 18th April. As the end of the first lockdown period approached, state governments and other advisory committees recommended extending the lockdown period. The governments of Odisha and Punjab extended the state lockdowns upto 1st May. Other states such as Maharashtra, Karnataka, West Bengal and Telangana followed suit. On 14th April, Prime Minister Narendra Modi extended the nationwide lockdown until 3rd May.

Economic Impact of Lock down:

- Indian economy passing through demand depression and high unemployment, with multiple lockdowns announced by Government of India, it would profoundly affect the supply-side, accelerating the slowdown further and jeopardizing the economic wellbeing of millions. According to an estimate, the Indian economy is expected to have lost over Rs.32,000 crore (US\$4.5 billion) every day during the first 21-days of complete lock down, which was declared following the corona virus outbreak.
- Unemployment rose from 6.7% on 15th March to 26% on 19th April 2020. During the lockdown, an estimated 14 crore (140 million) people lost employment, while salaries were cut for many others.
- The World Bank and other rating agencies had initially revised India's growth for fiscal year 2021, with the lowest figures, India has ever seen in three decades, since India's economic liberalization in the 1990s.
- State Bank of India research, estimates a contraction of over 40% in the GDP in quarter one of fiscal year 2021. According to Ministry of Statistics, in the fourth quarter of the fiscal year 2020, India's economy has grown at a meager 3.1%.
- With an increasing number of coronavirus cases, the government has locked down transport services, closed all public and private offices, factories and restricted mobilization. This move has taken away the job of many millions of people, mostly in the un organized sector. In this scenario, India would go into recession affecting the unorganized sector and semi-skilled jobholders losing their employment.
- The labour sector under the MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act), 2005 are worst affected as they are not provided jobs due to lockdown, most of the labour sectors are associated with the construction companies and daily wage earners.
- Travel restrictions and quarantines affecting hundreds of millions of people have left Indian factories short of labour and parts, just-in-time supply chains and triggering sales warnings across technology, automotive, consumer goods, pharmaceutical and other industries.
- The unorganised sector is likely to suffer a great downfall in the coming days as the job generation is going down in an alarming rate with the prolonged lockdown and weak GDP. The lockdown has adversely affected

service sectors like banks, restaurants, food vendors and food delivery providers at par with providing health safety and medical sustenance. With no income, savings capacity of the people would be profoundly affected. Due to this, accumulation of savings by banks or financial institutions would be greatly affected. This in turn will have its adverse impact on Capital formation.

- With larger job cuts and fewer job creation, the spending capacity of the people is taken for toss. With this aggregate demand in the economy is in deep trouble.
- The National Restaurant Association of India (NRAI), which represents 500,000 plus restaurants across the country, has advised its members to shut down dine-in operations. This will impact operations of thousands of dine-in restaurants, pubs, bars and cafes. Orders on Swiggy and Zomato have dropped 60 per cent amid the pandemic.
- As per the Ministry of Agriculture, the supply of the food and Agriculture products will be affected in the coming seasons due to low sowing, which will affect the mandi operations. The companies, which deal with Agro-chemical depend on export for finished goods and import of raw materials. Fruits and vegetables, Bricks and Mortar, Grocery, Retail chains are operating, but with the shortage of staff will definitely affect its operation.
- Maharashtra, Uttar Pradesh, Bihar, Tamil Nadu and Madhya Pradesh have the highest number of registered MSMEs. According to an estimate, about a quarter of over 75 million is facing closure and if situation worsens, it would affect the employment of 114 million people, which in turn would affect the GDP. Consumer goods, garments, logistics are facing a sharp drop in the business and the MSMEs engaged in the service sector are still operating, however, is likely to isolate due to plunging liquidity constrains and purchasing capacity.
- Few sectors like cinema malls, schools, colleges, gym, metros, international air transport, swimming pools, entertainment parks, assemblies, community halls etc., still not permitted to begin their operation will have negative cascading effect on the economy.
- Up to 53% of businesses in the country were projected to be significantly affected. Supply chains have been put under stress with the lockdown restrictions in place; initially, there was lack of clarity in streamlining, what an 'essential' is and what is not? Those working in the informal sectors and daily wage groups have been at the most risk. A large number of farmers around the country who grow perishables also faced uncertainty.
- Major companies in India such as Larsen & Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata Motors have temporarily suspended or significantly reduced operations. Young startups have been impacted as funding has fallen. Fast-moving consumer goods companies in the country have significantly reduced operations and are focusing on essentials. Stock markets in India posted their worst loses in history on 23rd March 2020.

Objectives of the Study:

1. To understand the nature of Gandian economic thought and its features.
2. To analyse the Covid-19 impact on the Indian Economy
3. To reconcile practical application of Gandhian principles to speeding up economic development.

4. To explore the possibilities of practical application of Gandhian principles in the present context.

Type of Research: It is a descriptive study in nature.

Nature of Data: This report is purely based on secondary data and hence a desk report. The secondary information needed for the analysis is procured from various sources such as Books, Articles published in various national and international journals, reports etc.,

Adopting Gandhian economic policies as a recovery tool:

One should not understand the Gandhian thoughts on economics as a rigid doctrinaire framework and view with skepticism. Gandhiji was realistic and expressed views in the context of Indian condition at the time of British Raj. If properly understood, one can find that Gandhian philosophies are very much relevant today, when the world is facing severe crisis due to mass poverty and unemployment, side by side with conspicuous consumption and exploitation of natural resources. Lets us explore the recovery principles as advocated by Gandhiji.

According to Gandhiji, Industrialization is the curse to mankind. He desired to have a peaceful and independent India to come into existence by developing her thousands of villages and cottage industries. He was aware that people in rural India had only partial employment and hence cottage industries were essential for supplementing their earnings from agriculture. He was not against large scale production, but what he was against large scale production of things which villagers could produce with ease. He maintained that distribution could be equalized only when production was localized. He desired production for and by the masses, instead of mass production. He pleaded for decentralized system of production, which logically meant revival of village industries. Gandhian development strategy was a total man power based decentralized production plan. He pleaded that real planning consisted in the best utilization of man power resources in India.

Gandhian strategy may be adopted as supplementary reform strategy with suitable modification to suit the present conditions. If entire non-farm sector is included in the place of village and cottage industries and take steps to develop them along side agriculture. In the present context, Indian agriculture contributes less than 17% to GDP but has given employment opportunities for more than 45% of the workforce. Therefore, there is a strong case for the development of small scale and cottage industries and various types of non-farm activities in the rural sector along side agriculture.

Through this strategy, it is possible to increase the share of rural sector in the GDP of the country. By far the greatest asset of any individual in his body, his physical and mental labour. Increase in GDP and overall economic progress may not fetch the benefit of growth to all through the 'Trickle Down Effect'. Employment alone can fetch earnings directly. Therefore, it is necessary to create and expand employment opportunities to enable people to earn more. Development of non-farm activities will help in substantially augmenting employment opportunities. Such non-farm activities as carpentry, pottery, basket making, tailoring, running

garages, repair works, handicrafts, rice mills, gold and silver ornaments, manufacturing pickles etc., furniture works, rural construction activities, rural hotels, processing of farm products, rural telephone booths, rural trade, operating rickshaws and other transportation services can be developed under the modified Gandhian strategy of development.

India focused on the import substitution policy. Due to this ongoing process India has given stress on expansion of industrialisation on large scale. As a result, new and foreign industries are coming to Indian market which enhances India's growth. But this type of progress is one sided because the profits goes to only entrepreneurs and people who are benefitted from these reforms and globalization are entrepreneurs and belonging to business class. Therefore, the gap between the rich and poor has increased. Most of the private enterprise is established in urban and big cities so that villages are totally ignored by the industrialist who would lead them demoralize. On the other hand, India is a country of villages where most of the people lives. However, the production on large scale would create conflicts between labour and capital. Here capital takes upper hand over labour.

Gandhi's term True Swadeshi consists in enhancing and stimulating cottage and small industries. It also provides opportunities to the original talent and imagination of the people. It can generate employment for Indian youth in the country that is in search of job. So India should adopt the economic mode and idea of Gandhiji, which is totally favourable for today's Indian economy.

Conclusion:

In the present context, the economy needs to devise a new mode of economic development based on Gandhian ideology in which progress is measured in terms of development of human capacity, dignified employment for everyone, equitable distribution of income and wealth, ecological sustainability and social wellbeing of the community. As it is rightly said, the success of an industry is measured not on the basis of dividend it pays to the shareholders, but instead the value addition it is able to create in the society. Provision of employment opportunities to the general masses will fix many problem and will play a crucial role in uplifting the standard of living and enhancing the quality of life.

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