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Economic Slowdown in India

Dr. Dipak Kapase,
Research Scholar,
Shivaji University, Kolhapur

For the first quarter of financial year 2019-20, Indian Economy has recorded a GDP Growth of 5%, lowest in the last six years. The data, however, has fuelled the doubts about the existence of recession throughout the nation. The economy is lacking consumer demand for quite some time now, which has raised concerns from all the corners. So let us try to understand - What is GDP? What is Recession? What will be its implications?

We often come across a term called GDP. GDP stands for Gross Domestic Product. It is a monetary measure of the market value of all the final goods and services produced in a specific time period, often annually. This is an abstract definition. What we can make out is that not a single good is manufactured nor any service is delivered unless there is some specific demand for the same. Hence, it can be considered as the total number of items / products manufactured and sold inside a particular region, state or country.

The GDP gives us an idea about the underlying demand potential of that section of people. As the population of any region, state or country is growing on a regular basis, it is expected that the demand for goods and services should also increase accordingly.

The GDP growth rate of 8-10% is considered as ideal one. Even a GDP growth rate of 6-8% is moderately acceptable. But if it goes below that level, then it is considered as a matter of concern. The Indian economy is passing through this phase currently. Actually, the economy is growing, but not at an expected rate. The consumer demand is not as per the expectations for the last few quarters and it is not showing any signs of revival as of now.

A recession can be defined as a business cycle contraction when there is a general decline in economic activity. If we apply this definition in the current context, one can draw a conclusion that our economy is really in recession. The demand, especially from unorganized sector, is decreasing substantially as compared when compared with the last six years.

This is not happening for the first time in the world. Within a time span of last nineteen years of twenty first century, more than twenty times, the recession has hit one nation or the other. Indian economy is showing all the symptoms of recession like growing unemployment, contacting consumer demand, slowing industrial output, lack of investor confidence, etc.

The main concern of recession lies with the impact it is going to cause on any economy, people or society. There are broadly two types of recessions that may occur – one is cyclic one and the other is structural one. If this happens to be a cyclic one, it will have a very limited kind of impact on the economy. But if it turns out to be a structural one, it will have a tremendous impact on the economy and the tremors will be felt for many more years in near future.

The cyclic contraction and expansion in economy is a very normal activity like usual ups and downs we observe anywhere. It impacts to a very few people for a short span of time. The structural contraction of demand, however, creates a huge void in any economy. The unemployment increases to an alarming level, causing further drop in consumption which creates a greater dent in product demand and industry activity leading again to further job losses and the cycle continues for many quarters. This type of recession has a capability of destroying the overall economy on a large scale. However, it comes once in a century just like the "Economic Depression of 1930s" and needs a gem of an economist like John Maynard Keynes to bring the economy back on track.

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