

# Chapter 13

## New Normal Manufacturing Industry Post–Pandemic 2020

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### ABSTRACT

*Manufacturing industry plays a paramount role in the world economy, accounting for almost 16% of the global GDP in 2018. Manufacturing has been identified as the key driver of dynamic growth and development of the country. The COVID-19 pandemic has caused immense devastation around the world. Due to the downturn in the manufacturing industry along with the factory blackout, the Coronavirus epidemic reduced the global FDI by 5 per cent -15 per cent. The aim of this chapter is to highlight the need to understate the vital role of manufacturing industry in the Indian context. It will further discuss and elaborate on the impact of the 2020 pandemic on the manufacturing industry and would suggest a framework to manufacturing industry how it can come back in a new normal position post-COVID-19 scenario. Manufacturers who acknowledge this new standard discussed in the present chapter and will operate on it will have enough growth opportunities and can have long-term sustainable success.*

### 1.0 INTRODUCTION

Manufacturing Industry plays a paramount role in the world economy, accounting for almost 16% of the global GDP in 2018. Manufacturing has been identified as the key driver of dynamic growth and development of the country (Rele, 2020). The most important production sectors where India has established its expertise are steel industry, electronics, automotive, health sector, engineering industry, textiles, food processing industry and many more (Deshmukh, 2016). The manufacturing sector generates several job opportunities both directly as well as indirectly. It also has a billowing and productive impact on many other industries, such as agriculture. Therefore, the government has taken a lot of initiatives across the world to develop this industry. The contribution by the retail sector towards India's GDP is

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about 10% due to which the Global Retail Development Index (GRDI), 2019 has ranked India at the number 2 position. One of the major initiatives taken in 2015 to promote the manufacturing industry includes 'Make in India' to expedite the production of goods in India. Its purpose was to lessen India's dependence on exporting countries by manufacturing products in its own country. FDI in the nation has pursued an ideal pattern since the launch of Make in India which led to the development of investment-favourable policies which finally opened the path of FDI allowances in various industries. The FDI inflows to India have amounted to \$286 billion in the last five years, which is almost 46.9% of the total FDI earned in our country.

The COVID-19 pandemic has caused immense devastation around the world. It has contributed to an extensive human loss around the globe. In December 2019, COVID-19 originated in Wuhan. Due to the downturn in the manufacturing industry along with the factory blackout, the Coronavirus epidemic reduced the global FDI by 5 per cent -15 per cent (UNCTAD). Airlines, Automobiles and Oil industries majorly faced the adverse impact of pandemic 2020 on its Foreign Direct Investments.

The imposed lockdown for maintaining social distancing drained the manufacturing sector. Many manufacturing companies across the globe, including India, have shown concerns for their raw material supply (Pratheesh and Arumugasamy, 2020). It was quite common to see the order getting cancelled almost around in every sector except the essential industries. Companies have declined their production operations and have also postponed the launch of new products following the pandemic outbreak. In addition to finished goods, India also imports almost 70% of its television components and other consumer durable items such as air conditioners, refrigerators, and washing machines. Sales of these products was disrupted due to supply disruption. Supply chains were disrupted, stopping the flow of raw materials, intermediate and finished goods. One reason for this could be the lack of money to buy the goods as everyone was sitting at home for three months and another reason could be the shutdown of their businesses. The left-over cash was spent on purchasing essential goods only.

Moreover, the Chinese suppliers have raised the prices of some components by almost 2%, and more than 15% for TV panels. The significant disturbances caused by COVID-19 are incomprehensible. Furthermore, the well-being of a worker has been a considerable problem too, and physical contact was hazardous. Large number of workers, particularly semi-skilled and unskilled workers, migrated to their homelands, after the announcement of lockdown by the Government authorities. They didn't want to re-join their work because of the fear that the government might impose lockdown again, without informing. The shortage of workers led to the suspension of assembly lines or curtailment of their operations. Moreover, the employees carried out their administrative activities from the homes, but that too on a small scale. It led to the deterioration in the stock of raw materials, work in progress and finished products.

Additionally, the slower pace of banking activities, reduced work schedules, crowded and busy lines of communication contributed to delayed cash transactions which raised lot of financial risks for the manufacturing industry. Therefore, Governments and manufacturers should be sensitised with this situation and respond rapidly. For both academicians and practitioners, these disturbances have tremendous consequences.

Although the immediate impact is daunting, if not harsh, manufacturers should take actions to ensure their survival and then relative stability will come as the conditions improve. Though, the leaders in manufacturing industry are already progressing and implementing the reforms. India's role post-COVID-19, especially in the industrial sector, is of great interest. It is a hope and speculation from the rest of the world that India would emerge as one of the preferred centres for the manufactured goods vis-a-vis China. It is a sensible and rational ambition for the country. But this is a result, not a planned strategy. Though

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