



# Redevelopment of India's Economy Post COVID-19: A Review

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## Abstract:

On January 30, 2020, India reported the first instance of the illness. Since then, the number of confirmed cases has progressively climbed to over 33610, with around 1075 fatalities (as on 30 April 2020). India has had fewer instances than other countries, particularly those in the industrialized world, which have been severely hit. The worldwide Covid-19 epidemic, which is causing nations to experience two types of shocks: health and economic. Pessimism is prevalent everywhere. COVID-19 has been compared to the Great Depression of the 1930s. Every day, new bottoms of a fall-down in economic activity are being dug out by analyst and agency reports. In this hour of crisis, the Indian economy, on the other hand, has a slightly different story to tell. The Indian economy has benefited from a sharp drop in crude oil prices, which have dropped from roughly \$70 per barrel to a historic low of \$22 per barrel after 18 years. To some extent, this windfall income can compensate for the direct losses caused by COVID-19. Simultaneously, fantasies such as a \$5 trillion GDP no longer appear to be a distant reality. This paper explores the decline and recovery of the Indian economy following the COVID-19 epidemic.

**Key words:** Indian Economy COVID-19 crisis, India's rank in world, Challenges and opportunities, growth in Indian economy post COVID-19.

## 1. Introduction:

In the April-June quarter of 2020, economies all over the world experienced severe recession. India's real GDP (Gross Domestic Product) fell by 23.9 percent in the third quarter, a record low, with the Reserve Bank of India (RBI) describing it as a "historic technical recession." [1]. The -7.5 percent decline persisted in the second quarter. If the "technical" recession continues into the third quarter of this fiscal year, it might become a full-fledged recession — the country's fourth since independence, the first since liberalisation, and probably the worst in history[2]. The economy was already declining before the epidemic, with deficits in both

consumer and investment demand. Unlike some other countries, India's recent development has been driven mostly by consumption and investment. Though export played a role in earlier versions of India's economic story, its ability to stimulate growth in the immediate aftermath of the epidemic must be constantly monitored.

Nearly two years after the Globe Health Organization declared COVID-19 a pandemic, the world is still adjusting to the virus's effects. The pandemic's toll on healthcare systems has had the most deep and significant impact. Then there's the economic toll, which has been more chronic and resonant. Lockdowns and other containment measures caused extensive economic interruption, and government intervention to combat infections and prevent the spread of the virus resulted in worldwide supply shocks, notably in manufacturing. It is now obvious that the epidemic has triggered the world's second major economic and financial crisis of the twenty-first century, with long-term structural consequences. Furthermore, it has exposed the global economic and geopolitical order's frailties[3]. The churn in the international order, on the other hand, had begun long before the epidemic, with power balances shifting due to geopolitical upheavals. There was an undeniable trend toward a more multipolar world, with Asia being the global economy's power centre. The present world order has been significantly disrupted, resulting in the emergence of a new post-COVID epoch. In this state of change, an opportunity has arisen for aspiring and emerging powers to take centre stage and help construct a new world with a brighter future for all. Our economy are, in fact, beginning to show signs of recovery. The International Monetary Fund (IMF) predicts that the world economy would expand by 6% in 2021, with India's economy growing by 9.5 percent. At the same time, digital services and infrastructure are rapidly expanding over the world, from large-scale work-from-home agreements to cloud services and videoconferencing. Many tech executives have pointed out that the digital transformation breakthroughs made in a few of months would ordinarily take two to three years. Although there are encouraging indicators, there is still more work to be done[4-8].

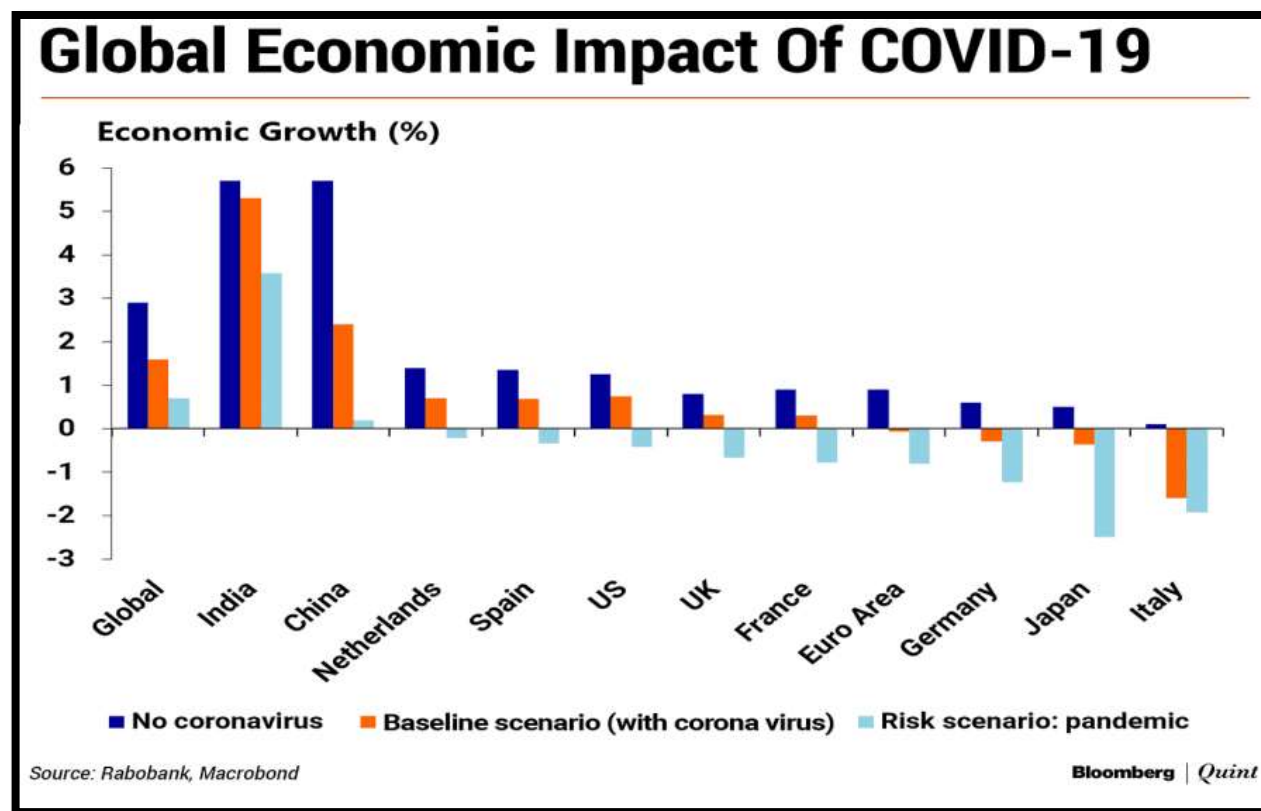
## **2. India's Rank in the World**

Despite the virus's economic destruction, India's quick reaction has been impressive, particularly as the country gathered to deal with a fatal second wave of the virus in early 2021. India was the first country to be affected by the deadly Delta variety, but it acted fast to ensure that as many people as possible were protected. The vaccination has already been given out in one billion doses. India has worked in the best interests of the world by supplying medical supplies and equipment to more than 150 nations across the world, as well as placing a vital supply of the COVID-19 vaccine on the global market. Indeed, the epidemic offers an opportunity for India to reflect on its potential as a global leader, particularly since it coincides with the country's 75th anniversary of independence. For years, India has provided critical treatments and medications to the global market, most recently investing in the delivery of the COVID-19 vaccine to assure worldwide access. India's South Asian Association of Regional Cooperation (SAARC) initiative hosted the first international meeting at the commencement of the COVID crisis, pushing the G20 and others to follow suit[9]. With the nation taking up the G20 presidency in December 2022, it will undoubtedly play a key role in the global recovery process following the COVID. Aside from the epidemic, India is fulfilling other global

obligations, including as its climate mitigation pledges. It is also on track to meet other ambitious targets, including as making renewables 40% of its energy mix by 2030 and managing 2.5 billion tonnes of carbon sequestration. Prime Minister Narendra Modi pledged India to an ambitious Panchamrit vow, which would see the country target five critical sectors of its economy to cut greenhouse gas emissions, during the present United Nations Climate Change Conference of the Parties (COP26) in Glasgow, Scotland. Energy, mobility, industry, infrastructure and cities, and agriculture are all essential sectors for meeting the global 1.5-degree Celsius warming target. Mission 2070: A Green New Deal for a Net-Zero India, a new research from the World Economic Forum, shows how India's route to net zero would have an estimated economic effect of over \$1 trillion by 2030 and about \$15 trillion by 2070. In addition, as part of its attempts to promote the United Nations' Sustainable Development Goals, India has stressed collaboration, technology, and digitization (SDGs).

### **3. Challenges and opportunities**

India is celebrating 30 years since its economy was deregulated, marking yet another key turning point in its history and demonstrating the country's ability to reinvent itself. Successive administrations have focused on creating equitable prosperity and self-sufficiency for future generations, not simply for the current generation. But it's worth noting the present administration's attempts to encourage digital empowerment and last-mile financial inclusion. Millions of impoverished, unbanked households have entered the formal economy and now have access to basic financial services thanks to a government-backed digital payment system[10]. India's diplomatic endeavours on the international stage are guided by the principle of vasudhaiva kutumbakam, which means "the world is one family." This is the type of story the world requires at this point in history. India's plea for a revived and reformed multilateralism is being heard by world leaders and policymakers. The Indian government has implemented important structural changes in recent years to improve the economy's long-term prospects. The announcement of various projects, like the Gati Shakti National Master Plan and the Atmanirbhar Bharat mission, demonstrates the government's desire to stimulate India's change. To help with infrastructure development, the government has launched the National Infrastructure Pipeline and the National Monetization Plan.

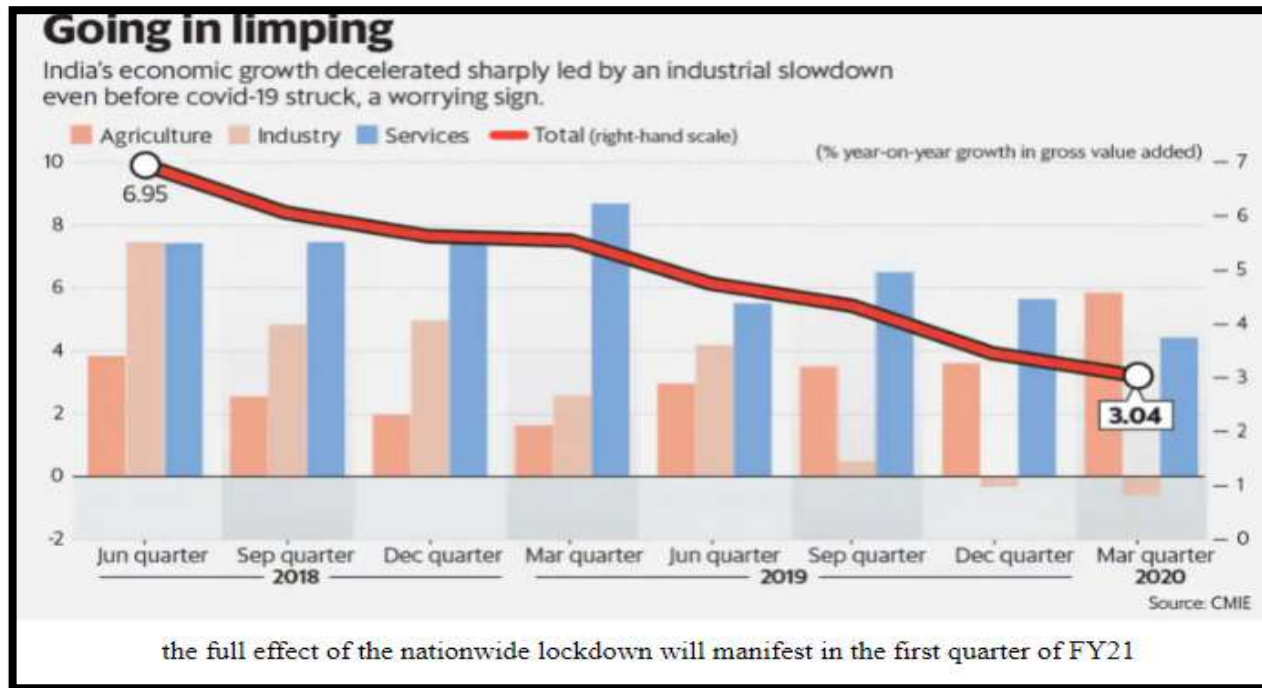


**Fig.1**

This broad development agenda supports activities in a variety of areas, including labour law changes, the preparation of the Insolvency and Bankruptcy Code, and banking reforms. India must keep the momentum of these commendable actions going and continue to strengthen and vitalize its economy. Simultaneously, these and other structural reforms should strive to promote equitable and inclusive growth. This is crucial since the epidemic has highlighted and worsened existing disparities, as well as their impact on vulnerable populations that are mostly engaged in the informal economy. Even before the pandemic, the Indian government was tackling inequities through inclusive and equitable development, which included providing financial assistance to farmers, safe and inexpensive homes, safe drinking water, and power to all. To preserve its development and influence, India will have to prioritise economic expansion and sustainability in the future[11-13]. To build an economic strategy that supports rapid growth, the government must continue to embrace transformational rather than gradual change. This will need a continuous commitment to wide-ranging and systemic sectoral changes, as well as substantial fiscal and banking system reforms. India would also have to keep working to improve its competitiveness and convenience of doing business. The government will also need to increase its infrastructure initiatives, not just in terms of roads and bridges, but also in terms of health and education. Equally important is ensuring that India's demographic advantage pays off, with millions of young people joining the workforce each year finding meaningful jobs.

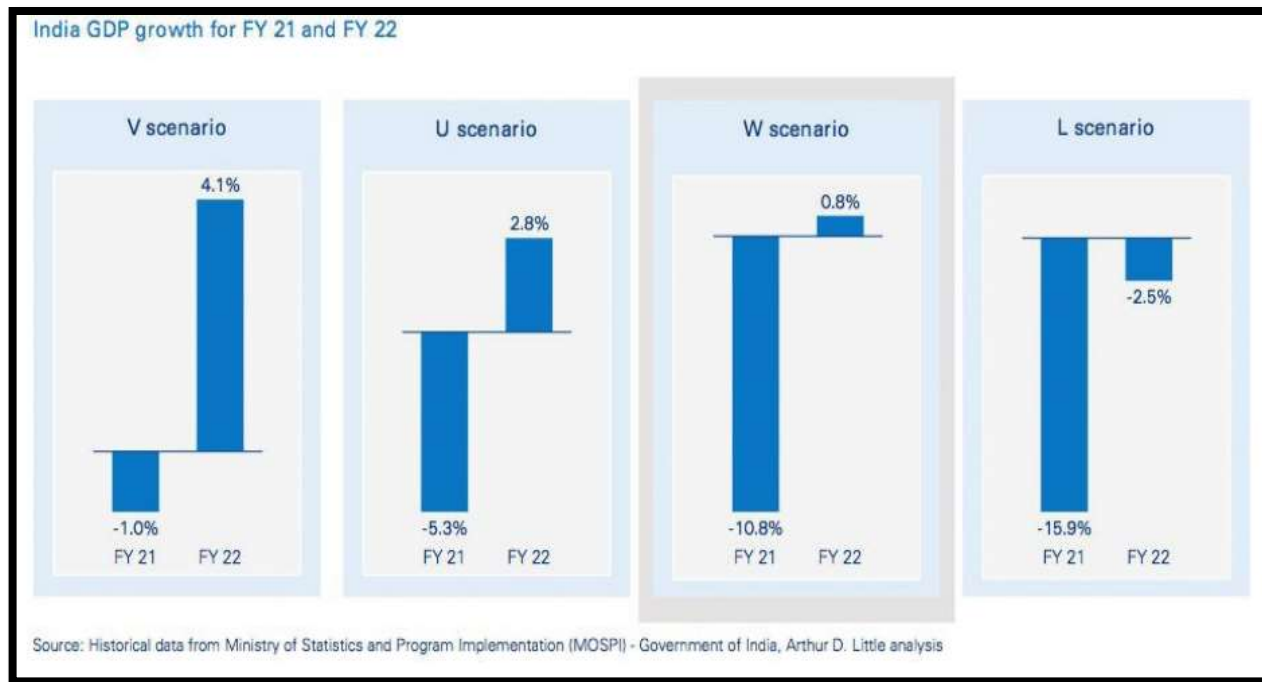
#### 4. GDP data indicates India came wounded to COVID-19 battle

India's economy has several scars from the coronavirus epidemic, and growth will be difficult to achieve without the government's tactical help. The March quarter's gross domestic product (GDP) growth fell to its lowest level in 11 years, despite only one week of lockdown. Manufacturing declined by 1.41 percent last year, and experts predict that it will shrink much more this year.



**Fig.2 (Source:Mint)**

As we get into FY21, the figures are expected to grow a lot worse. The ₹20.9 trillion package relies heavily on bank credit to push business revival and has already met with a lot of scepticism. Small firms are already heavily indebted, and a loss of earnings would make it difficult for them to borrow more money from banks, even with the government guarantee. This jeopardises the government's attempts to resurrect small enterprises. These projections already factor in the government's recent economic package announcements. Small firms are already heavily indebted, and a loss of earnings would make it difficult for them to borrow more money from banks, even with the government guarantee[14]. This jeopardises the government's attempts to resurrect small enterprises. Services performed better, increasing by 4.44 percent in the fiscal fourth quarter and 5.55 percent for the year. However, services will be the worst damaged in FY21 since they rely on intimate social connection the most. Most services, with the exception of healthcare and government administration, may be impacted this year.

**Fig.3**

The government has yet to offer a specific plan for the industries that have been worst hit by the shutdown. As a result, India's prospects for rebirth, even through its services, are bleak. The one bright spot that may show increase this fiscal year is agriculture. According to economists, the agriculture sector is expected to rise by 3.5-4 percent in FY21, while government spending is expected to remain stable. However, the agriculture sector's contribution to GDP has decreased in recent decades. Farm expansion may just make the recession appear to be less unpleasant overall. As a result, FY21 is predicted to be a year of economic contraction. Economists think the government will play a key role in the economy's recovery in the coming years. "There is no choice for the government to spend directly," said D.K. Joshi, chief economist at Crisil Ltd. There are new difficulties here. The financial situation is already precarious. According to India's Comptroller and Auditor General (CAG), the budget deficit in FY20 was 4.6 percent of GDP. This is more than the 3.8 percent projected in the budget[15]. The budget deficit has risen partially as a result of lower-than-expected nominal GDP growth. This raises the prospect that even if the government does not spend, the budget deficit statistics will be alarming. A recession reduces the government's income possibilities, and as the need for stimulus grows, the Centre will have to let go of its deficit inhibitions. One concern is the impact on government ratings, although rating agencies have pointed out that failing to provide a stimulus will have a considerably more crippling effect on government finances in the long term as economic recovery becomes more difficult[16]. As a result, short-term financial suffering should be accepted. Rating agencies demand transparency in government spending and prudent borrowing. The economy needs direct fiscal stimulation rather than the detours that have been taken thus far. Before India becomes self-sufficient, it must increase public expenditure to repair its wounds.

### 5. Rebuilding a viable economy after Covid needs a long-term approach, not simply a quick fix:

The current 'brown economy' and shovel-ready projects are also a priority in India. Climate and environmental problems have been pushed to the background as the focus has shifted to the immediate catastrophe. Increased plastic pollution and investments in the fossil fuel sector are evidence of this. For 'ease of doing business,' regulatory adjustments in the environment and labour sectors have also been advocated[17]. While short-term stimulus programmes are necessary to keep the existing economy afloat, they must not be ecologically harmful. On the other hand, we must guarantee that long-term economic recovery takes into consideration the world's current social and environmental crises. To put it another way, we need to distinguish between a short-term stimulus to jump-start an economy and a long-term strategy to transition to a sustainable society. While the former requires only fiscal and monetary assistance, the latter necessitates long-term investments as well as significant price and regulatory adjustments. The current economic crisis presents us with a once-in-a-lifetime chance to implement a long-term plan as well as stimulus packages in key industries:

- Make agriculture more sustainable: Agriculture consumes 50% of land, 85% of water, uses a tremendous quantity of chemicals, and employs 50% of the people on a low-income basis. Agriculture is critical to the development of a long-term society.
- Transform the energy industry: The energy sector is on the verge of transformation. We can create a new energy architecture based on renewable power, battery storage, smart grids, and hydrogen fuel for businesses with stimulus and R&D.
- As part of the stimulus package, the government will spend a significant amount of money to develop roads, airports, and other infrastructure. We need to make them "green." We should prioritise trains over highways, and we should develop sustainable cities rather than concrete jungles.
- Invest in nature: Reversing deforestation and desertification and enhancing soil, wetlands and forests will build resilience against climate change and also provide massive livelihood opportunities.
- Support local and small businesses: For jobs, sustainability and resilience of the supply chain, local small businesses are going to be the key. Government policies must support the development of efficient and green small businesses.
- Invest in social capital and governance: None of the above would be possible without an educated and healthy society and good governance.

Time and money will be required to rebuild India. We must use this time to reconsider the sort of economic and social structure we require and desire in the future.

### Conclusion:

As the world's fifth largest economy, India must concentrate on a more sustainable growth recovery, rather than relying just on growth figures to satisfy its needs. India's economy is slowly but steadily improving,

and investment is the only way to keep the trend going. To cope with the economic crisis, it is advised that the government use a two-pronged strategy. To ensure a speedy and vigorous comeback, it will need to upgrade its machinery. First, they will include significant contributions from the central bank, commercial banks, financial institutions, and other authorities in adjusting policies in response to changing circumstances. Second, and perhaps most crucially, it will need to encourage and involve the broader public and private sector in dealing with the crisis. The enormity of the situation necessitates widespread assistance from all parties. The government should make it clear that it should not be left to the government to handle everything. The general public, private firms, industrialists, employees, and all other non-government stakeholders will need to be instilled with a strong sense of responsibility. There is a limit to how far the government can go alone in the struggle. As a result, it is critical that the government first only prepares other stakeholders to take on a significant degree of responsibility in the recovery process.

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