WHAT DRIVES RECOVERY OF GROWTH AFTER COVID 19 CRISIS IN INDIA

Dr. B. M. Munde, Associate Professor, Department of Economics, Radhabai Kale Mahila Mahavidyalaya Ahmadnagar,

Abstract

It was unprecedented and horrible to listen and experience pandemic, lock down, immigration, isolation, unemployment lack of medicine and overall uncertainty and fear. Still, it is existed, but at least intensity is decreased. The agglutination of supply disruptions, the health crisis, an unparalleled mass migration and a hostile global environment took a heavy toll on the Indian Economy. Every aspect of human life has been drastically altered. It taught lessens to the human being. It affected negatively on all sectors of the economy. However, things start to normalise due to efforts taken by Governments and all citizens. We are now better prepared to deal with the invisible enemy. However, it is essential to analyse that what drives recovery of growth after highest pick of this crisis and where we can focus more in order to sustain and make growth inclusive. Here, some major aspects discussed by the researcher.

Keywords: Crisis, recovery, public services, supply side disruptions, demand etc.

Introduction

The impact of coronavirus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. Almost all the sectors have been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed. 2021. Looking ahead, prospects for the agricultural sector and rural demand look promising, supported by the late revival in kharif sowing. Urban demand is also likely to accelerate with the release. With the ebbing of the second wave, a phased relaxation of the pandemic-related localised restrictions, and improving vaccine coverage, economic activity has been normalising gradually. This augurs well for the sustenance of contact-intensive activities and consumption demand. The government's focus on capital expenditure and continued reform push, large foreign direct investment flows, congenial monetary and financial conditions, and boom in the initial public offerings provide a conducive environment for investment activity. There are signs that the investment pipeline could increase in the coming year, given the interest in the production linked incentive (PLI) scheme and the continued focus on road infrastructure.

Objectives Of The Study

- Analyse the efforts taken by policy makers to revival of the economy after Covid 19 crisis.
- Accordingly, find out grey areas on which more focus is needed for future betterment.

Research Methodology

This research paper is based on secondary data from various sources like reference books, Annual Report of RBI for 2020-2021, socio economics surveys of Governments, articles from newspapers, general observations and concerned web sites etc.

A. **Self-sustaining GDP growth trajectory post-COVID-19**: A durable revival in private consumption and investment demand together would be critical as they account for around 85 per cent of GDP. In view of the limited share of government consumption demand in GDP (at around 13 per cent in 2020-21), a rebound in private demand is essential to sustain the recovery. Typically, post-crisis recoveries have been led more by consumption than investment; however, investment-led recoveries can be more sustainable and can also lift consumption in parts by better job creation.

B. **Government Stimulus Package:** GOI declared stimulus package of Rs. 20 Lakh crore on May 2020 which was almost 10 percent of the GDP. The GOI focused on Land, Labour, liquidity and laws and deals with cottage industries, MSMEs, Industry working class and middle class. through this package. Government revised definition of MSMEs and decided to clear all MSMEs receivables in 45 days. Also decided to give collateral free loan of Rs 3 lakh crore which is supposed to enable 45 lakh units to restart. But, according to Abhijit Mukhopadhyay, relief **measures show failure** announced in May with a headline-grabbing figure of INR 20 lakh crore. India's fiscal stimulus package did not have enough fiscal firepower to boost demand. It was evident from different estimates of the actual fiscal cost to the Central Exchequers, calculated by various banks, brokerages, and rating agencies Goldman Sachs-1.30%, UBS-1.20%, CRISIL-1.20%, Bank of America-1.10%, Fitch-1 %, HSBC-SBI-1.01%, CLSA-0.80%, NOMURA-0.80%, Barclays-0.70%. Estimates of actual fiscal cost, as percentage to GDP, ranged from 0.75 percent to 1.30 percent but nowhere close to the claimed 10 percent of GDP figure. Making credit available and re-packaging existing government schemes were the highlights of the package. In any recessionary situation, money needs to be directly pump-primed into the system – mainly to boost immediate consumption and investment. Boosting immediate economic activities by investing public capital enhances the purchasing power of the people in the economy, that purchasing power then is spent on consumption, that consumption boosts demand and instantly productions are augmented to meet that extra demand which creates more purchasing power in the economy. This cycle goes into the upper spiral and takes the economy out of recession. That is how investment multiplier works in any economy. Monetary interventions usually have little immediate effect on the economy.

C. Enabling conditions for a revival of investment: The Central Government's relaxation of additional market borrowings by states equivalent to 0.5 per cent of gross state domestic product (GSDP) subject to certain capex related milestones and the decision to front-load tax devolution are likely to bolster capital outlays of the states. The government's focus on capex should crowd in private investment, which has remained in a prolonged state of muted activity.

D. **TLTRO:** RBI has introduced on-tap targeted long-term repo operations (TLTRO) with tenures of up to three years for a total amount of up to Rs. 1 lakh crore, at a floating rate linked to policy repo rate. Liquidity availed by the banks under this scheme must be deployed in corporate bonds, commercial papers and non-convertible debentures issued by entities in the growth-oriented sectors. The liquidity availed by these TLTROs can also be utilised to extend bank loans to the growth-oriented sectors. The banks which have raised funds under earlier TLTROs will be given option of reversing these transactions before maturity. This is done to ensure smooth and seamless credit operation by the banks

E. **Expanding employment guarantee to urban areas:** After the migrant workers' crisis during the lockdown, the focus has shifted to reverse migration. There are already reports of workers returning from their homes, where they could not find gainful employment. Incidentally, MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) has already been used by more than 86 million people in the first half of 2020-21. This is the highest-ever utilisation of the scheme since its launch in 2006.

F. **Additional Resources to States:** GOI had decided to increase borrowing limits of the States from 3 percent to 5 percent for the year 2020-2021. It was supposed to give Rs. 4.28

lakh Cr. To the States. However, States had utilised only 14 percent of the limit authorised to them.

G. **Direct Cash Transfer:** At early 2020, it is mentioned in parliament that 90 percent of total workforce in engaged in the various informal sector. According to National Accounts Statistics Data this ratio is 52.4 percent. According to World Bank, total 39 crore people are under distress in India.

Conclusion

Eventhogh, Centre Governments and State Governments had taken efforts to fight with the situation and tried to minimize human and economic loss. Specially the package of Rs. 20 Lakh Crore which was roughly 10 percent of the GDP shown credit fusion rather spending to boost the economy. It is also pointed out by Roshan Kishore, the actual fiscal spending is less and around two-third of it focused on credit fusion programmes. The Chief Economist of HSBC securities and capital market, Pranjul Bhandari advocated that “while markets were expecting a more demand side stimulus. But, a large part of the attention has been towards medium-term supply-side measures. An area where things can be changed in the medium to long term is health and education. As even poor spends beyond their means on private education and health care. An improvement in public services in these sectors will save money which can boost to the demand in market which is need of sustainable growth rate of the economy in the long run.

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