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POST COVID ECONOMICAL STABILITY OF INDIA : A CRITICAL STUDY

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Abstract

The Indian economy is recovering from the epidemic and becoming stronger by the day. By means of a GDP of $3.2 trillion, India is the world's sixth biggest economy. As one of the world's fastest-growing economies, India is projected to become a $30 trillion economy in 30 years, according to Commerce & Industry Minister Piyush Goyal. India's economy has continued to expand after the pandemic restrictions were relaxed, thanks to pent-up demand for services and increasing output from industry. There were a number of crucial aspects in this. Boosting economic expansion was a rise in service activities and strong expansion in basic infrastructural sectors. Accelerating economic development may be attributed to the Government of India's growth-promoting policies and initiatives, which have led to more investment in infrastructure, higher productivity, and more employment opportunities. Moreover, development has been assisted by expanded manufacturing, the export of services, and technical improvements. There was an increase in the use of credit in fiscal year (FY) 2021–2022. This rise in credit utilisation is being aided by factors such as the accessibility of personal loans and the expansion of the agricultural and industrial sectors.

Keywords: - India, COVID-19, Economic growth, GDP, Economic policy

Introduction

Following the global epidemic, the Indian economy is slowly recovering and becoming stronger. India's economy, with $3.2 trillion in GDP, makes it the world's sixth biggest. Since India is one of the world's fastest-growing economies, Commerce & Industry Minister Piyush Goyal has predicted that by 2050, the country's GDP would reach $30 trillion. Pent-up demand for services and increasing output from industry kept India's economy growing when the pandemic restrictions were relaxed. This was significantly influenced by a number of things. Economic expansion was bolstered greatly by the uptick in service activity and the robust

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expansion of fundamental infrastructural sectors. Increases in infrastructure, productivity, and employment have resulted from the Government of India's growth-promoting policies and initiatives (such as self-reliance and production-linked incentives). The development of new technologies as well as an uptick in manufacturing and the export of services have also contributed to expansion. In FY 2021-22, there was an increase in the number of people who applied for credit. This growth in the use of credit is being fueled in part by rising activity in the agricultural and industrial sectors and the availability of personal loans.

Literature Review

Even before the epidemic, there had been a rise in income disparity. The Institute for Competitiveness issued a study on the condition of inequality in which it found that the top 10% receivedadditional 30% although lowest 50% owned around 22% of the entireearnings (Kapoor and Duggal, 2022). From 2017-18 to 2019-20, the richest 10% had an increase in their income of 8.1%, while the lowest 50% saw an increase of 3.9%. The richest 1% increased their wealth by 15%, while the lowest 10% saw a decline of about 1%. It reveals a significant gap in income growth between the richest and the poorest households.

The epidemic made these disparities even worse. Almost all business was halted as a consequence of the nationwideclosure. Lowest-income people, such as those who work in the informal economy or are migratory labourers, were hit the hardest. According to Azim Premji University's (Centre for Sustainable Employment, 2021) 'State of Working in India 2021' study, poverty and inequality worsened in the wake of the first wave. According to a Pew Research Centre study, the percentage of persons in India's middle class who make more than Rs.150 per day may have decreased by one-third as a result of the epidemic (Kocchar, 2021). Wage payments as a percentage of total income fell. As we'll see in the next sections, the business sector as a whole and especially the largest corporations have the resources to handle the pandemic. However, the informal sector was hit especially hard by the initial and second waves of job and income losses.

Earnings, service, & food security in India in 2020 were evaluated by Dreze and Somanchi (2021) using data from the CMIE and a survey sample of 76 households prepared by the Centre for Sustainable Employment at Azim Premji University (CSE-APU). According to the research, many people will have trouble providing for their family during the months of April and May of 2020. The majority of people saw a reduction in both the number and value of the meals they ate. There is a significant drop in service& income throughout the countrywide lockdown in April and May of 2020, conferring to analysis. While employment, income, and nutrition improved subsequently the lockdown was elevated in June 2020, they remained much lower than their pre-lockdown stages by the end of 2020.

According to the RBI (2021), the aftereffect of the second wave looks like a U. "In the U's well are the most vulnerable blue collar groups who have to risk exposure for a living and for the rest of society to survive: doctors and healthcare workers, law and order, and municipal personnel, individuals eking out a daily livelihood, small business, organised and unorganised - and they will warrant priority in policy intervention."

Objectives of the study

1. To evaluate India's economy before, during, and after the Pandemic.
2. Find out what the government has done to get back on its feet after the economic downturn.
3. To have a look at how each industry is doing.

Research Methodology

The time frame for this paper's analysis is March 2020 - August 2022. Covid 19 caseload, movement limitations imposed by relevant authorities to manage with the epidemic, and accompanying economic ramifications are the primary factors that led us to split this 30-month era into three distinct phases:

From March 2020 to July 2021, we have the pandemic period, which includes the first and second waves of the disease to hit India; from August 2021 to January 2022, we have the recovery period, during which the number of Covid-19 cases drops quickly and Indian economy begins to recover from the shock; and finally, after February 2022 until the end of illustration in August 2022, we have post-pandemic period, during which pandemic subsides but the Indian economy continues to suffer from its

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There were tough trade-offs to be made during the global Covid-19 pandemic; greater mobility-related limitationscompulsory by governments of pretentiousnations helped contain disease spread, at least temporarily, and thereby minimised health costs, but this also compulsoryunembellished economic impairment. However, allowing for more mobility mitigated economic damage and sped up economic recovery, at the expense of an increase in overall danger to human life. The health costs and economic losses incurred by nations as a result of the epidemic.

Discussion

During the height of the epidemic, the Indian economy shrank drastically. The government predicts a 6.6% drop in real GDP growth for FY21. One of the world's biggest recessions occurred between April and June of 2020, when GDP plummeted by more than 20%, before slowly climbing back up in the following quarters.3 The economy, which has been contracting since 2018, had its greatest decline since the 1970s. The Indian economy was already in a slump prior to the pandemic (Sengupta, 2020; Dev and Sengupta, 2020). Investment from businesses were slow, & exports were on the decline. Although consumer spending has grown more important to economic development in recent years, its percentage of GDP has been steadily dropping. Government spending helped sustain growth to a certain degree. The government's budgetary condition was not robust enough to give a large stimulus necessary for restoring economy after the epidemic and lockdowns hit consumer demand hard.

The unexpected, statewide lockdown announced on March 24, 2020, might have been a major cause in the slowness. Studies suggest that nations with a higher closure stringency index saw a steeper GDP decline. These countries include India, Argentina, Italy, and the United Kingdom (RBI, 2022d). After the lockdown announcements in March of 2020, millions of migrant workers fled to the countryside in search of food and stable employment opportunities, since the towns had effectively shut down. After the lockdown was eased, it proved very difficult to reintegrate these migratory workers into urban areas, leading to acute labour shortages. Approximately 70–75% of India’s GDP comes from the urban sector. Economic activity in

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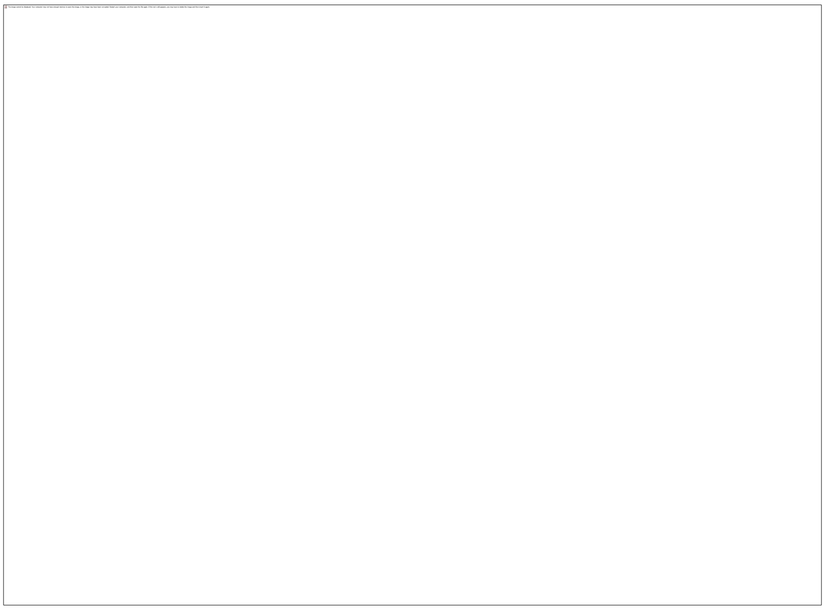
metropolitan areas were nevertheless negatively affected even after limitations were eased due to a lack of available manpower.



Source: Centre for Monitoring Indian Economy

As a result of the industrial sector's falling GNPA ratio (-7.6% in 3 years), lending to these industries climbed dramatically. Even while the GNPA ratio has decreased from its pre-pandemic highs, credit expansion in the services sector has been slow. Banks and NBFCs both have stronger balance sheets and less provisions compared to 2018. The current rate of loan growth is far lower than what is required for long-term expansion.

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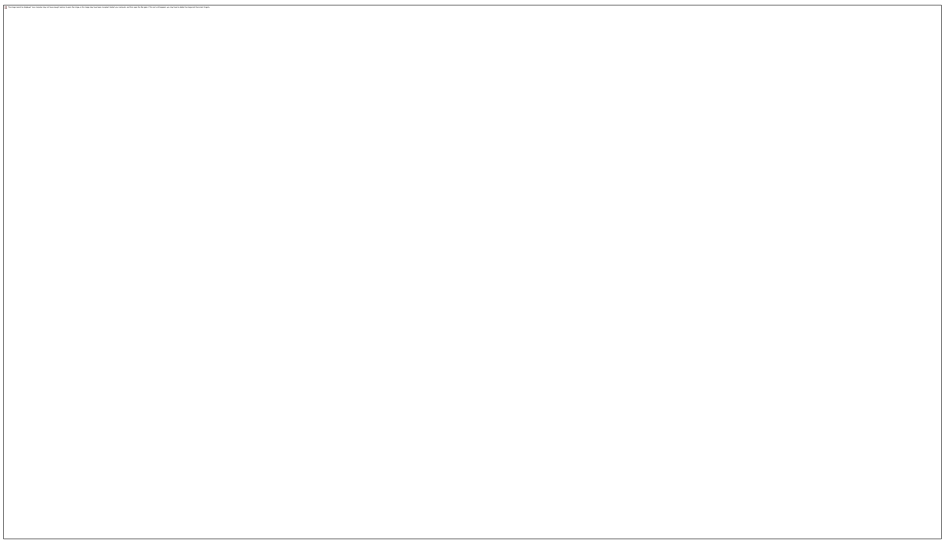

Source: Centre for Monitoring Indian Economy

However, other problems are threatening economic development across the world, not just in India. Crude oil, gas, food grains, and other commodities have all risen in price as a result of the current Russia-Ukraine conflict. The increase of Covid-19 instances and the resulting uncertainty of the weather also function as a barrier to expansion. As a result, governments have to prioritise keeping prices stable above fostering economic expansion.

The services sector, manufacturing, and industries have all shown signs of improvement despite the overall downturn. Former Governor of the Reserve Bank of India (RBI) Bimal Jalan recently said, "India's current macroeconomic situation is quite positive in the sense that the rate of growth is high." The foreign currency reserves of India are also extremely large. He also said that despite COVID's effects, the Indian economy is doing well.

Consumer and Commercial Action

Multiple polls, notably the Purchasing Managers' Index, have shown evidence of a pick-up in activity in India's mostly service-based economy. However, manufacturing has maintained a steady rate of expansion. Despite some early difficulties, the car industry is showing indications of improved sales. The expansion of bank credit is another sign of thriving consumer activity. At the end of May 2022, it was 12.1%, up from 11.1% in April of that year. When it comes to market liquidity, things are looking up, and there is still enough of it.

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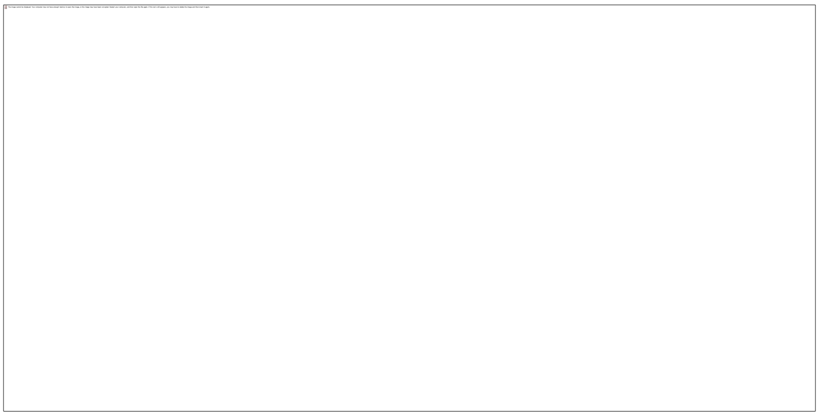
Manufacturing Processes

Manufacturing and mining production increases are the two most reliable indices of industrial activity. In April of 2022, both of these regions saw notable expansion. Manufacturing output is up 7.1% from the previous year, which has resulted in a doubling of power generation. The mining and manufacturing sectors both showed signs of stable and strong expansion. Eight crucial infrastructure businesses had their production growth accelerate to 8.4 percent from 4.9 percent in March 2022.

Exports

There has been a slight discrepancy between India's imports and exports recently. Official data shows that for the third month running, commodity price increases maintained goods imports at or above $60 billion. Refined petroleum, medicines, and grains are India's primary exports. In May of 2022, it is predicted that India's total exports of goods and services would total $ 62.21 billion. That's an increase of around 24.03 percent from the year before.



Source: Press Information Bureau, Government of India

India's economy has shown to be very competitive. It has weathered the economic uncertainty brought on by the epidemic and the closure of markets during the lockdown. Because of this, the economy has emerged stronger and is expanding in all sectors.

Conclusion

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After two years of an unprecedented shock in the form of a pandemic, the greatest challenge facing the Indian economy is to achieve a high, sustainable GDP growth rate, create enough jobs to absorb the millions of unemployed, and attain a low, stable rate of inflation in a highly volatile and uncertain global economic environment dealing with the repercussions of multiple adverse shocks. The return to normalcy after the pandemic is encouraging, but concerns about future growth persist. Because of the relatively stable global economic position at the time, emerging nations like India were able to react to the Covid-19 pandemic on their own terms. The government of India's central bank, the Reserve Bank of India (RBI), lowered interest rates and pumped massive amounts of money into the economy to stimulate demand and keep growth going.

Recent months, however, have seen a rise in uncertainty and volatility around the globe, making it more challenging than ever to choose an optimum policy combination that will produce the desired results. As a result, India must now address both external and domestic imbalances. A widening current account deficit and the difficulty of financing it due to large inflows of foreign investment have put downward pressure on the rupee. However, the high levels of fiscal deficit and debt remain a source of worry. The RBI's proactive monetary policy tightening is harmful to the developing economic recovery, but it may help reign in inflation in the medium run. Fiscal austerity efforts that are too severe might stifle economic growth.

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