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The Roads to Revival of Indian Economy: Policies and Options

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Abstract

This is a conceptual paper on economic conditions in India and options before the government. In India, the COVID-19 pandemic has primarily had a disruptive effect on the economy. According to the Ministry of Statistics, India's growth decreased to 3.1% during the final quarter of the fiscal year 2020. According to the Chief Economic Advisor to the Government of India, the impact of the coronavirus epidemic on the Indian economy is the main cause of this decline. A pre-pandemic slowdown had been occurring in India as well, and the World Bank claims that the current pandemic has "magnified pre-existing threats to India's economic outlook." That is, the economic recovery after COVID-19. However, there have been many other incidents, which have led to recessionary conditions. The authors have presented a review of economic recovery in India. The authors have interviewed a few industrialists and economic experts and presented the summary of ideas in this article. According to the study, rising interest rates might result in less liquidity, which can make it difficult for the economy to recover.

Keywords: Economy, recovery, recession, policies, Bharat

INTRODUCTION

The primary objective of this article is to understand the current phase and direction of revival of Indian economy and try to understand the path ahead. Economic revival and recovery should enable overall happiness and should lead to prosperity and focus on creating sustainability. Everyone is keen on balanced development, which should take into consideration the issues relating to environment, sustainable development, and should also address the issues of the poorest people.

The world is amid another economic crisis. Interest rates are rising, unemployment rates are rising, costs are rising, and war and turbulence are now creating a threat for another recession. The imperatives of environment management have been completely ignored by the warring countries. Entire Europe is facing energy crisis. Pollution is also rising due to war. Forests are burning and there will be another crisis. There is a need to ponder on economic issues and give top priority to reviving economies. Indian economy will also face the challenges of global economic slowdown. The authors conducted an interview of some industrialists and economists and the ideas generated are discussed in this article.

The global economy is in jitters—uncertainties are looming. Two years of COVID-19, Ukraine and Russian wars and hike in global inflation are likely to lead us to a recessionary situation. While

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it is encouraging to see India as the fastest-growing economy in a chaotic, uncertain world, it is more important to compare India's own growth rates. How has it fared since the pandemic?

Even before the pandemic, the India's growth rate had declined to 3.7%. Despite little support from the global economy and an increase in private investment, government spending can help the country achieve high growth rates again. Shahid and Rauf mention that Indian economy is a shining economy and it is expected to grow consistently [1, 2].

PRIMARY TRENDS AND THE KEY DRIVERS FOR GROWTH OF AN ECONOMY

Rising Imports and Reducing Exports

The imports have increased due to rising consumption. Due to this rising import, trade deficit has increased and current account deficit has risen to 1.3% of GDP. A global slowdown could seriously impact the exports of goods, especially luxury goods, so the government will rely heavily on boosting services exports. Despite the global slowdown, the government aims to grow services exports this year to $300 billion [3].

Reducing Savings and Reducing Investments

US$1.2 trillion was invested globally in 2021, up 96% from 2020. Investment is crucial for the development of any economy. Investments in capital projects, expansion projects, new projects, and infrastructure will lead to development. There is a need to give a big boost to the investment so that there is rise in overall business and other activities. In Q1 of 2022-2023, the manufacturing grows slowly and is expected to pick up as suggested by Purchasing Manger's Index (PMI) manufacturing. But successive interest rate hiked by RBI will make borrowing costly and private sector will stop or hold major expansion plans for now. The indications from the Europe are not very positive and exporters are shying away from making investments in capital intensive projects.

Rising Consumptions

The consumption has been rising in India. There has been steep increase in consumption of consumer goods, capital goods, white goods and durables. In July 2022, 19% more automobiles were sold to richer households in urban areas than they were in July 2019. This suggests weak rural demand. Despite, no increase in investment in the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) was announced, increasing rural unemployment. Private consumption should, however, be made in an efficient and sustainable manner, so that resources can be conserved for future generations [4, 5].

Government Spending to Support the Poor

Even in the early days of pandemic, the government spent on relief packages (food and fertilizers subsidies and credit guarantee to MSMES) to keep economy afloat. The government has increased allocation for capital expenditure to provide employment to many people. Increase in government spending is very crucial in the time of recession, so the demand can be maintained in the economy.

Fiscal Gap

Government focuses on various schemes for the recovery of economy [6].

INNNOVATIONS BY THE GOVERNMENT

The government has started promoting defense sector and private sector is being given full support here. Economic recovery is being supported by government's support initiatives including the following:

1. *Establishment of ONDC*: this will give a boost toward digital transactions and will help entrepreneurs in becoming an online seller.
2. *Establishment of incubation centers*: the government has established a large number of incubations centers, resulting in emergence of startup ecosystem and support system.
3. *Yukti scheme*: the government has introduced Yukti scheme to promote innovations and new ideas.

4. *Support to street vendors*: the government has started support for the street vendors and over 70 lakh street vendors have been provided financial loans through Nidhi Scheme. These types of initiatives are appreciated by everyone because the common people are now able to get support [7, 8].

OPTIONS BEFORE THE GOVERNMENT

Srivastava et al. in 2022 suggest that green technology should be promoted, and the government should introduce incentives to support the movement toward green technology. These initiatives will support transition toward a green economy, which will ultimately help in transformation of the economy and the sustainable development goals will also be achieved. Kumar has observed that India is a growing and vibrant economy after completing 75 years. This is the right time for this economy to take a leap. The government must take bold measures fora transition toward inclusive growth and development. There is a need of strong measures for inclusive growth and development. Pandey et al. mentions that inclusive growth and sustainable development are the most important goals for the government to be achieved in the next few years.

UNEXPLORED OPTIONS

The government should explore the possibilities of strengthening trade within the country by removing barriers between different states. There is a need to remove barriers. There is a need to reduce GST and all taxes to bare minimum so that the inflation may reduce as a result. There is a need to simplify trade rules and procedures. Small entrepreneurs need developmental support [9, 10].

REVIEWING ECONOMIC POLICIES

1. The RBI has been raising bank rates and repo rates to curb inflation. These steps have also resulted in increased cost of debt. The rising cost of debt is a major threat for us. This will result in reduced consumption and reduced demand. Thus, it will create a spiraling impact on the economy. There is a need to reduce interest rate so that the economic recovery is at a full speed. Support to entrepreneurs will result in flow of money toward capital expenditure and this will result in revival of economic activities.
2. The government must give a push to international trade and commerce. There is a need to step up clearances of special economic zones and provide support for establishment of new special economic zones. International trade and commerce will give a boost to the economy.
3. There is a need to revive services sector. Travel and tourism sector is now booming. Banking and insurance are also booming. There are many other sectors which can easily revive, and this will boost economic recovery.
4. The government must invest in improving education, health care, basic infrastructure, rural development, roads, electricity, power generation, and industry infrastructure.
5. The sustainable development goals have become very important for every country and giving top priority to environment, green energy, and green technology is an imperative for every economy.
6. When we asked economists and experts on this subject, they opined that there is a need of renewed focus on inclusive growth, sustainable development, women empowerment, rural development technology penetration in agriculture, transformation of village ecosystem, and support to small and medium enterprises and overall ease of business. There is a need to infuse greater confidence on entrepreneurs and local industry association so that they can play an important role in overall development. Increasing role of CSR in socio-economic development must be appreciated [11, 12].

ANALYSIS AND INTERPRETATION

The interest rates are rising world-wide, and liquidity is squeezing. However, Indian economy is resilient and creating a positive hope about a brighter future. A few positive steps can create a big boost to Indian economy. There is a need to support entrepreneurship, innovations, and business transformation. The PLI scheme is now giving its results. Manufacturers from across the globe are now planning to invest into India. Manufacturing hubs are emerging. Economic transformation is already under process. India is not just a market, but it is now an important manufacturer also. India is already a big knowledge economy. R&D and IPR are now the main backbones of Indian manufacturing sector. Highly competent manpower is now contributing to this revolution. The point to observe is whether this transformation will result into transformation of the people at the bottom of pyramid or not.

Banik, in 2022, writes about inclusive growth as the goal of Indian economy. There is a need to focus on creating inclusive developmental framework. There is a need to improve the participation of lower strata of society in the economic activities. There is a need to invest into basic infrastructure and resources so that overall economic conditions improve, and the common people can take advantages from these. The government has introduced easier credit facilities and financial support for the poor persons and street vendors. The initiatives like easier micro-finance will help in the long term. There is a need to spread banking among the lower strata of the society. These initiatives will help in attaining sustainable development [13].

SUMMARY AND CONCLUSION

However, there are many factors that are visible. The present study is to focus on the visible factors and find a trend out of these factors so that economic planning can focus on these important aspects. The transition to a green economy and an economy that focuses on inclusive growth and development is a praiseworthy initiative. There is a need to focus on sustainable development goals. There is a need to invest into skill development, infrastructure development, rural development, and agriculture development. The real benefit of the growth will be visible if there will be greater happiness among people. The governments should start giving priorities to skills, education, health care, women empowerment, and ease of business. These factors will drive the growth of the economy.

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