

Indian Economic Growth Outlook- Post Pandemic COVID-19



Dr.D.K.Aggarwal
President
PHD Chamber of Commerce &
Industry

The pandemic COVID-19 has been spreading rapidly around the world. The whole mankind is in huge problem and uncertainty still persists about the severity and spread of COVID-19. Around 1.5 crore COVID-19 cases have been confirmed globally since the outbreak started and the death toll has reached more than 6.3 lakhs, taking the mortality rate to the

level of around 4%. The health and human toll is already high and continues to increase. The pandemic has created the largest economic shock the global economy has spectated in decades, resulting in a slump in the global activity. Therefore, Governments around the world are undertaking decisive steps to limit the human and economic impact of pandemic COVID-19.

At domestic front, the total number of COVID-19 affected cases in India has crossed the level of 12 lakhs and death toll has risen above 30,000, with the death rate of 2.4%. However, India has been able to do well in combating the spread of virus, as the country's recovery rate has reached to the level of 63.4%, higher than the world recovery rate of around 61%. The COVID-19 crisis and resultant lockdown has created a difficult time for trade, industry and economy. However, the Government of India has been undertaking proactive and fast track measures to combat the daunting impact of COVID-19. The announcement of a bold economic relief package of Rs 20 lakh crores is highly laudable. This move will go a long way in our fight against economic distress, reviving and boosting the morale of agriculture, industry and most importantly each citizen of the nation, bringing the economic development curve back on its growth path.

Government has made a major breakthrough in the reforms for MSMEs, NBFCs, agriculture and allied sector, health sector, promotion of ease of doing business, employment generation, private investments, farmers, daily wage workers, among others. The recent amendment in the definition of MSMEs will bolster the manufacturing sector, increase its contribution in GDP and create millions of new employment opportunities for the growing young workforce in India. The much needed and eagerly awaited comprehensive relief package,

along with other path breaking reforms announced by the government has been helping MSMEs to resume, restart and revive to participate in growth trajectory of the country.

In addition, RBI has also taken extensive monetary and regulatory measures such as 115 basis point (bps) cut in repo rate, 100 bps reduction in CRR and 155 bps cut in reverse repo rate, six months moratorium on term loans till August 2020, auctions of long term repo operation (LTRO), increase in Marginal Standing Facility (MSF) limit, provision of Rs 25,000 crore to NABARD, Rs 15,000 to SIDBI for refinancing commercial banks, NBFCs and Rs 10,000 to NHB, increase in Ways and Means Advances (WMA) limits, among others. These measures will provide adequate liquidity in the system, bring down the cost of capital and would go a long way to address the issues and challenges of trade & industry and strengthen the position to fight against covid-19.

The Government has always been proactive in combating the impact of crisis on the economy and providing extensive hand holding to the trade and industry. In a comparison of 2008 Lehman crisis and 2020 COVID crisis, it has been found that the stimulus package of 2008 Lehman Crisis comprised of the measures to provide immediate relief to rebound economy over a shorter period. Whereas, the stimulus package of 2020 COVID-19 crisis majorly focus on the monetary measures, relief measures for the loan seekers and structural and economic reforms for long term sustainability of economy.

On the back of various developments undertaken by the Government including easing of both monetary and fiscal policy, Indian economy is expected to revive and move towards higher growth trajectory sooner than later. India is expected to bounce back with a significant recovery rate in 2021-22 backed by continuous government support in encouraging domestic demand and prodction by promoting make in India.

In a nutshell, Hon'ble Prime Minister economic booster package giving equal importance to Land, Labour, Liquidity and Laws, MSMEs and taking equal care of all strata of society is highly appreciated and was the need of the hour to uplift the sentiments of farmers, workers, labourers, industrialists, among others. Also, the Government's decision to exit the Nation-wide lockdown in a graded manner by giving equal importance to lives and livelihood of Indian citizens is highly inspiring. As a result of unlocking the economic activities, green shoots have started to emerge in the economy indicators in the recent times.

The commitment of the Government towards both structural reforms and supportive social welfare measures will further help in strengthening green shoots registered

in the economic activities. The focus for 'Atmanirbhar Bharat' will be strengthened with the collective effort of all stakeholders and contribute to rebuilding a strong vibrant Indian economy. Government's timely decisions and pro-active measures have played a pivotal role in addressing this extremely difficult situation amid COVID-19 compared to other Nations of the World. Going ahead, there is a need to provide continuous relief and handholding to the trade and industry as this would be crucial to help the industry to face challenges and to mitigate the daunting impact of COVID-19 and to reinvigorate the economy.

It is essential to provide special relief package to the most affected sectors of the economy at this juncture like aviation, travel & tourism, hospitality, textile, automobile and entertainment industry. These sectors have been badly affected due to lockdown amid COVID-19. Further, the Aatmanirbhar Bharat, a timely measure of self-reliant India, can be successfully achieved by focusing on grassroot growth, infrastructure development and administrative overhaul to facilitate ease of doing business. By improving the quality of everything that the country produces from education to local goods produced by Indigenous industries, we will be competitive enough to secure a significant global market share.

There is a need for large-scale investments in infrastructure, increased investments in innovation and research and development (R&D), massive skill development, among others to ensure long-term competitiveness of industry and enhance the image of Brand India globally. In addition, bolstering manufacturing at competitive costs should be a key focus area for the Government in the post-COVID-19 period, if India wants to take advantage of the global supply chain disruptions and become a global manufacturing and exporting hub.

Further, the banking sector should transmit the full effect of 115 basis points cut in repo rate and lower the lending rates immediately to reduce the cost of capital for the businesses. One-time restructuring of loans on the lines of the way it was allowed in 2008-09 global financial crisis is required at this juncture. Effective ground level disbursement of Rs 3 lakh crore collateral free automatic loans for business should be done so that their need for additional funding requirements are met to meet operational liabilities, buy raw material and fully restart their businesses.

It is crucial that the Government strategizes financial support to large industry directly and through banking system. In this regard, it is suggested that the working capital requirement of the businesses should be

increased to 25% from 10%, further extension of moratorium should be provided by another 6 months on all term loans payment, recapitalization of the Public Sector Banks should be focused upon to ensure safety and integrity of the market, costs of ease of doing business including costs of capital, costs of compliances, costs of logistics, costs of land and costs of labour, should be further reduced, among others.

At this juncture, though, the Government has announced various measures related to supply side reforms, going ahead, more demand side reforms by the Government is expected. It will help lift sentiments, give reasons for business to invest more and complement all the supply-side measures. It becomes crucial that the consumption expenditure by the Government is increased significantly to revive the demand scenario in the country particularly in rural areas where there is a significant impact of the pandemic COVID-19 because of the movement of migrant labourers to their native places.

Government expenditure through various welfare schemes such as development of social infrastructure and upliftment of the down trodden, through direct benefit transfers, would rejuvenate demand for goods and services. This again would lead to employment creation in the economy, increase in incomes, especially in rural areas and that of migrants, and thereby further increase the demand for goods and services. This virtuous circle would help the economy to rejuvenate and comeback on track and move forward.

To sum up, the above discussed reform measures and continuous handholding to trade and industry with promotion of ease of doing business will play a crucial role in building growth driven path for the country. Indian economic growth outlook is expedited to be progressive on account of focusing on Vocal for Local and Local to Global, bolstering manufacturing at competitive costs, single window service, ease of doing business reforms including contract enforceability and other legal reforms, flexible labour Laws, land reforms like digitizing land records and giving land for long term lease, enhancing India's exports and reducing substitutable imports, developing skilled manpower, promoting self-reliance, among others. Further, the focus should be on ensuring provision of hassle free disbursements of loans vis-à-vis enhanced liquidity for MSMEs, especially in rural sector, reducing the lending rate by all the banks, increasing working capital requirements of the businesses, promoting rural entrepreneurship, among others.