



How to revive Indian economy?

Description

Theme:

- The Indian economy was struggling even before the COVID-19 pandemic, but the pandemic made the situation worse.
- International Monetary Fund (IMF) projected a contraction of 4.5% for India's economy in FY21. So, after many decades, this financial year's GDP growth will be negative. IMF also said that the Indian economy is expected to bounce back in FY22 with 6% GDP growth rate (earlier prediction was 7.4%).
- So, the government of India is trying hard to revive the economy. And the notable economists are suggesting the ways for economic revival.

Challenges for the Indian Economy:

- Attempts to reopen the economy is threatened by the rising the number of coronavirus infected people. Balancing the economic revival and protection the people from the virus is the biggest challenge right now.
- Indian economy is primarily a consumption-driven economy. But due to COVID-19 pandemic, the income of many people is severely hit and hence there is a sharp reduction in the consumption of many goods.
- On one hand, there is a revenue shortage for the government and on the other hand, it has new liabilities such as additional expenditure on healthcare and also to revive the economy.
- COVID-19 pandemic made many people unemployed/underemployed. So, there is a sharp increase in the unemployment rate. Thereby many people do not have enough cash at hand to meet basic needs.

Steps taken by the Government of India:

- In May 2020, the government of India announced 'Atmanirbhar Bharata Abhiyan' (Self-reliant India mission) with the tagline 'Vocal for Local'. 20 lakh crore rupees was allotted for

this economic package and it is said that this package will benefit labourers, farmers, honest taxpayers, Micro, Small and Medium Enterprises (MSMEs) and cottage industry.

- In general, banks do not prefer to give loans to MSMEs as they are apprehensive about repayment. But the announcement of collateral-free loans for MSME sector can help the companies in procuring raw materials and to pay wages etc. This can help the economic revival and can also prevent further loss of jobs.
- The Indian government is reopening the sectors one by one that were shut down due to lockdown.

What more need to be done:

- Many economists are suggesting to give cash handouts directly to people till the pandemic is over so that they can buy food and basic necessities with that money. Lots of people are now unemployed and are struggling to feed themselves. So, with cash handouts, the government can save many people from falling into extreme poverty and can avoid hunger deaths. This can also help in receiving economy because cash handouts will lead to buying goods and hence increasing consumption. This can also give a sense of security to people, and thereby protects their mental health.
- There is a need to bring structural reforms in the healthcare sector. In India, many people slip into poverty due to medical expenses. A strong healthcare system can not only give peace to people but also helps in the economic revival of the nation.
- There is a need to encourage & incentivize exports, which can benefit domestic industries. It also has the potential to create more jobs.
- Indian agricultural sector could withstand the coronavirus pandemic. There is so much potential in this sector that is yet to be tapped. The agricultural sector needs structural reforms rather than temporary fixes.
- There is a need to take steps to improve investor confidence.
- Massive spending on infrastructure can lead to the creation of lots of jobs, and demand for raw materials and can also make India a more attractive destination for investors. With the best infrastructure, India can utilize the opportunity to attract companies that are trying to shift their base from China.
- During the COVID-19 lockdown, people are forced to go back to their villages from cities. But at present, most of the economic opportunities are in cities. This made many people jobless. So, we need to learn from this lesson and have to concentrate on rural-centric development to create more rural jobs. That will lead to sustainable development and can prevent severe damage in the times of pandemic.

Conclusion:

Not just India, but the entire world is facing an economic crisis due to COVID-19. It may take many months to bring the economy back on track. A combination of structural reforms and welfare policies can revive the economy along with protecting the people, who are severely hit by the pandemic.

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