



e-ISSN: 2278-8875

p-ISSN: 2320-3765

International Journal of Advanced Research

in Electrical, Electronics and Instrumentation Engineering

Volume 12, Issue 3, March 2023

ISSN INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA

Impact Factor: 8.317

☎ 9940 572 462

☑ 6381 907 438

✉ ijareeie@gmail.com

@ www.ijareeie.com



Performance of External Sector of India after Covid 19: An Analysis

Prof. Anjila Gupta

Professor, Department of Economics, Indira Gandhi National Open University, Maidan Garhi, New Delhi, India

ABSTRACT: External trade recovered strongly in 2021-22 after the pandemic-induced slump of the previous year, with strong capital flows into India, leading to a rapid accumulation of foreign exchange reserves. The Economic Survey 2021-22, tabled in Parliament today by the Union Minister for Finance and Corporate affairs Smt. Nirmala Sitharaman says that the resilience of India's external sector during the current year augurs well for growth revival in the economy. It however cautions that the downside risks of global liquidity tightening and continued volatility of global commodity prices, high freight costs, coupled with the fresh resurgence of COVID-19 with the new variants may pose a challenge for India during 2022-23.

The survey states that owing to the recovery of global demand coupled with revival in domestic activity, India's merchandise exports and imports rebounded strongly and surpassed pre-COVID levels during the current financial year. The revival in exports was also helped by timely initiatives taken by the Government. The USA followed by the UAE and China remained the top export destinations in April-November, 2021, while China, the UAE and the USA were the largest import sources for India. Despite weak tourism revenues, there was significant pickup in net services receipts during April-December, 2021 on account of robust software and business earnings, with both receipts and payments crossing the pre-pandemic levels.

KEYWORDS: external, sector, analysis, performance, India, COVID 19

I. INTRODUCTION

The Economic Survey notes that the first half of the calendar 2021 witnessed an acceleration in the global economic activity that lifted the merchandise trade above its pre-pandemic peaks. It says that India's merchandise exports has followed the global trend and during April - December 2021 the merchandise exports grew by 49.7%, compared to corresponding period of last year and 26.5% over 2019-20 (April-December). The Survey mentions that India has already attained more than 75% of its ambitious export target of US\$ 400 billion set for 2021-22, and is well on the track to achieve the target. It says that sharp recovery in key markets, increased consumer spending, pent up savings and disposable income due to announcement of fiscal stimulus by major economies, and an aggressive export push by the Government have bolstered exports in 2021-22. The rise in exports has been broad-based. India's agriculture exports continue to do well, with export of agriculture and allied products growing by 23.2% during April- November 2021 over the corresponding period of last year. The Survey recommends that a push in the direction of Free Trade Agreements would help provide the institutional arrangements for India's exports diversification.

On the issue of merchandise imports, the Economic Survey states that India witnessed revival in domestic demand resulting in strong import growth. Merchandise imports grew at the rate of 68.9% in April-December, 2021 over the corresponding period of last year and 21.9% over April-December 2019, crossing the pre-pandemic level. The Survey indicates that there has been increased diversification of India's import sources as reflected in the reduction of China's share to 15.5% from 17.7% in the April–November period.[1,2,3] The Survey indicates that merchandise trade deficit has increased to US\$ 142.4 billion in April-December 2021.

Trade in Services:

India has maintained its impressive performance in world services trade in the post-COVID-19 period, with services exports growing by 18.4% to US\$ 177.7 billion during April-December 2021 for corresponding period of last year. The Survey says that the strong growth witnessed in services exports may also be attributed to key reforms undertaken by the Government. Services imports rose by 21.5% to US\$ 103.3 billion in April-December 2021.



Current Account Balance:

The Economic Survey says that India's current account balance turned into deficit of 0.2 percent of GDP in the first half of 2021-22, largely led by deficit in trade account. Net capital flows were higher at US\$ 65.6 billion in H1: 2021-22, on account of continued inflow of foreign investment, revival in net external commercial borrowings (ECBs), higher banking capital and additional special drawing rights (SDR) allocation. India's external debt rose to US\$ 593.1 billion as at end September 2021, from US\$ 556.8 billion a year earlier, reflecting additional SDR allocation by IMF, coupled with higher commercial borrowings.

Capital Account:

The Survey states that the net foreign investment inflows moderated to US\$ 25.4 billion in the first half of the current financial year, compared to corresponding year of FY 2021. As per data available till November 2021, the net FDI and gross FDI inflows have moderated largely due to lower equity investment. The Survey states that Foreign Portfolio investment remains volatile due to global uncertainties.

BoP Balance and Foreign Exchange Reserves:

The Economic Survey mentions that the robust capital flows were sufficient to finance the modest current account deficit, resulting in an overall balance of payments (BoP) surplus of US\$ 63.1 billion in H1 of 2021-22, that led to an augmented foreign exchange reserves crossing the milestone of US\$ 600 billion and touched US\$ 633.6 billion as of December 31, 2021. As of end November 2021, India was the fourth largest forex reserves holder in the world after China, Japan, and Switzerland.

On the issue of movement in exchange rate, the Economic Survey states that the rupee exhibited movements in both directions against the US\$ during April-December 2021, yet it depreciated by 3.4% in December 2021 over March 2021. However the depreciation of rupee was modest as compared to its emerging market peers and it also appreciated against Euro, Japanese Yen and Pounds Sterling.

External Debt:

India's external debt stood at US\$ 593.1 billion, as on end-September 2021 which was 3.9% more than end-June 2021 levels. The Survey states that India's external debt which crossed the pre-crisis level as at end-March 2021, consolidated further as at end-September 2021, aided by revival in NRI deposits and one-off additional SDR allocation by the IMF. The share of short term debt in total external debt fell marginally to 17% at end-September 2021 from 17.7% at end-March 2021. The Survey says that from a medium-term perspective, India's external debt continues to be below what is estimated to be optimal for an emerging market economy.

India's Resilience:

The Economic Survey mentions that a sizeable accretion in reserves led to an improvement in external vulnerability indicators such as foreign reserves to total external debt, short-term debt to foreign exchange reserves, etc. India's external sector is resilient to face any unwinding of the global liquidity arising out of the likelihood of faster normalization of monetary policy by systematically important central banks, including the Fed, in response to elevated inflationary pressures.[4,5,6]

II. DISCUSSION

State of the Economy 2022-23: Recovery Complete

- Recovering from pandemic-induced contraction, Russian-Ukraine conflict and inflation, Indian economy is staging a broad based recovery across sectors, positioning to ascend to the pre-pandemic growth path in FY23.
- India's GDP growth is expected to remain robust in FY24. GDP forecast for FY24 to be in the range of 6-6.8 %.
- Private consumption in H1 is highest since FY15 and this has led to a boost to production activity resulting in enhanced capacity utilisation across sectors.
- The Capital Expenditure of Central Government and crowding in the private Capex led by strengthening of the balance sheets of the Corporates is one of the growth driver of the Indian economy in the current year.
- The credit growth to the MSME sector was over 30.6 per cent on average during Jan-Nov 2022.
- Retail inflation is back within RBI's target range in November 2022.
- Indian Rupee performed well compared to other Emerging Market Economies in Apr-Dec2022.
- Direct Tax collections for the period April-November 2022 remain buoyant.



- Enhanced Employment generation seen in the declining urban unemployment rate and in the faster net registration in Employee Provident Fund.
- Economic growth to be boosted from the expansion of public digital platforms and measures to boost manufacturing output.

India's Medium Term Growth Outlook: with Optimism and Hope

- Indian economy underwent wide-ranging structural and governance reforms that strengthened the economy's fundamentals by enhancing its overall efficiency during 2014-2022.
- With an underlying emphasis on improving the ease of living and doing business, the reforms after 2014 were based on the broad principles of creating public goods, adopting trust-based governance, co-partnering with the private sector for development, and improving agricultural productivity.
- The period of 2014-2022 also witnessed balance sheet stress caused by the credit boom in the previous years and one-off global shocks, that adversely impacted the key macroeconomic variables such as credit growth, capital formation, and hence economic growth during this period.
- This situation is analogous to the period 1998-2002 when transformative reforms undertaken by the government had lagged growth returns due to temporary shocks in the economy. Once these shocks faded, the structural reforms paid growth dividends from 2003.
- Similarly, the Indian economy is well placed to grow faster in the coming decade once the global shocks of the pandemic and the spike in commodity prices in 2022 fade away.
- With improved and healthier balance sheets of the banking, non-banking and corporate sectors, a fresh credit cycle has already begun, evident from the double-digit growth in bank credit over the past months.
- Indian economy has also started benefiting from the efficiency gains resulting from greater formalisation, higher financial inclusion, and economic opportunities created by digital technology-based economic reforms.[7,8,9]
- Thus Chapter 2 of the Survey shows that India's growth outlook seems better than in the pre-pandemic years, and the Indian economy is prepared to grow at its potential in the medium term.

Fiscal Developments: Revenue Relish

- The Union Government finances have shown a resilient performance during the year FY23, facilitated by the recovery in economic activity, buoyancy in revenues from direct taxes and GST, and realistic assumptions in the Budget.
- The Gross Tax Revenue registered a YoY growth of 15.5 per cent from April to November 2022, driven by robust growth in the direct taxes and Goods and Services Tax (GST).
- Growth in direct taxes during the first eight months of the year was much higher than their corresponding longer-term averages.
- GST has stabilised as a vital revenue source for central and state governments, with the gross GST collections increasing at 24.8 per cent on YoY basis from April to December 2022.
- Union Government's emphasis on capital expenditure (Capex) has continued despite higher revenue expenditure requirements during the year. The Centre's Capex has steadily increased from a long-term average of 1.7 per cent of GDP (FY09 to FY20) to 2.5 per cent of GDP in FY22 PA.
- The Centre has also incentivised the State Governments through interest-free loans and enhanced borrowing ceilings to prioritise their spending on Capex.
- With an emphasis on infrastructure-intensive sectors like roads and highways, railways, and housing and urban affairs, the increase in Capex has large-scale positive implications for medium-term growth.
- The Government's Capex-led growth strategy will enable India to keep the growth-interest rate differential positive, leading to a sustainable debt to GDP in the medium run.

Monetary Management and Financial Intermediation: A Good Year

- The RBI initiated its monetary tightening cycle in April 2022 and has since raised the repo rate by 225 bps, leading to moderation of surplus liquidity conditions.
- Cleaner balance sheets led to enhanced lending by financial institutions.
- The growth in credit offtake is expected to sustain, and combined with a pick-up in private capex, will usher in a virtuous investment cycle.



- Non-food credit offtake by scheduled Commercial Banks (SCBs) has been growing in double digits since April 2022.
- Credit disbursed by Non-Banking Financial Companies (NBFCs) has also been on the rise.
- The Gross Non-Performing Assets (GNPA) ratio of SCBs has fallen to a seven-year low of 5.0.
- The Capital-to-Risk Weighted Assets Ratio (CRAR) remains healthy at 16.0.
- The recovery rate for the SCBs through Insolvency and Bankruptcy (IBC) was highest in FY22 compared to other channels.

Prices and Inflation: Successful Tight-Rope Walking

- While the year 2022 witnessed a return of high inflation in the advanced world after three to four decades, India caps the rise in prices.[10,11,12]
- While India's retail inflation rate peaked at 7.8 per cent in April 2022, above the RBI's upper tolerance limit of 6 per cent, the overshoot of inflation above the upper end of the target range in India was however one of the lowest in the world.
- The government adopted a multi-pronged approach to tame the increase in price levels
- Phase wise reduction in export duty of petrol and diesel
- Import duty on major inputs were brought to zero while tax on export of iron ores and concentrates increased from 30 to 50 per cent
- Waived customs duty on cotton imports w.e.f 14 April 2022, until 30 September 2022
- Prohibition on the export of wheat products under HS Code 1101 and imposition of export duty on rice
- Reduction in basic duty on crude and refined palm oil, crude soyabean oil and crude sunflower oil
- The RBI's anchoring of inflationary expectations through forward guidance and responsive monetary policy has helped guide the trajectory of inflation in the country.
- The one-year-ahead inflationary expectations by both businesses and households have moderated in the current financial year.
- Timely policy intervention by the government in housing sector, coupled with low home loan interest rates propped up demand and attracted buyers more readily in the affordable segment in FY23.
- An overall increase in composite Housing Price Indices (HPI) assessment and Housing Price Indices market prices indicates a revival in the housing finance sector. A stable to moderate increase in HPI also offers confidence to homeowners and home loan financiers in terms of the retained value of the asset.
- India's inflation management has been particularly noteworthy and can be contrasted with advanced economies that are still grappling with sticky inflation rates.

Social Infrastructure and Employment: Big Tent

- Social Sector witnessed significant increase in government spending.
- Central and State Government's budgeted expenditure on health sector touched 2.1% of GDP in FY23 (BE) and 2.2% in FY22 (RE) against 1.6% in FY21.
- Social sector expenditure increases to Rs. 21.3 lakh crore in FY23 (BE) from Rs. 9.1 lakh crore in FY16.
- Survey highlights the findings of the 2022 report of the UNDP on Multidimensional Poverty Index which says that 41.5 crore people exit poverty in India between 2005-06 and 2019-20.
- The Aspirational Districts Programme has emerged as a template for good governance, especially in remote and difficult areas.
- eShram portal developed for creating a National database of unorganised workers, which is verified with Aadhaar. As on 31 December 2022, a total of over 28.5 crore unorganised workers have been registered on eShram portal[13,14,15].
- JAM (Jan-Dhan, Aadhaar, and Mobile) trinity, combined with the power of DBT, has brought the marginalised sections of society into the formal financial system, revolutionising the path of transparent and accountable governance by empowering the people.
- Aadhaar played a vital role in developing the Co-WIN platform and in the transparent administration of over 2 billion vaccine doses.
- Labour markets have recovered beyond pre-Covid levels, in both urban and rural areas, with unemployment rates falling from 5.8 per cent in 2018-19 to 4.2 per cent in 2020-21.



- The year FY22 saw improvement in Gross Enrolment Ratios (GER) in schools and improvement in gender parity. GER in the primary-enrolment in class I to V as a percentage of the population in age 6 to 10 years - for girls as well as boys have improved in FY22.
- Due to several steps taken by the government on health, out-of-pocket expenditure as a percentage of total health expenditure declined from 64.2% in FY14 to 48.2% in FY19.
- Infant Mortality Rate (IMR), Under Five mortality rate (U5MR) and neonatal Mortality Rate (NMR) have shown a steady decline.
- More than 220 crore COVID vaccine doses administered as on 06 January, 2022.
- Nearly 22 crore beneficiaries have been verified under the Ayushman Bharat Scheme as on 04 January, 2022. Over 1.54 lakh Health and Wellness Centres have been operationalized across the country under Ayushman Bharat.

Climate Change and Environment: Preparing to Face the Future

- India declared the Net Zero Pledge to achieve net zero emissions goal by 2070.
- India achieved its target of 40 per cent installed electric capacity from non-fossil fuels ahead of 2030.
- The likely installed capacity from non-fossil fuels to be more than 500 GW by 2030 resulting in decline of average emission rate by around 29% by 2029-30, compared to 2014-15.
- India to reduce emissions intensity of its GDP by 45% by 2030 from 2005 levels.
- About 50% cumulative electric power installed capacity to come from non-fossil fuel-based energy resources by 2030.
- A mass movement LIFE– Life style for Environment launched.
- Sovereign Green Bond Framework (SGrBs) issued in November 2022.[16,17,18]
- RBI auctions two tranches of ₹4,000 crore Sovereign Green Bonds (SGrB).
- National Green Hydrogen Mission to enable India to be energy independent by 2047.
- Green hydrogen production capacity of at least 5 MMT (Million Metric Tonne) per annum to be developed by 2030. Cumulative reduction in fossil fuel imports over ₹1 lakh crore and creation of over 6 lakh jobs by 2030 under the National green Hydrogen Mission. Renewable energy capacity addition of about 125 GW and abatement of nearly 50 MMT of annual GHG emissions by 2030.
- The Survey highlights the progress on eight missions under the NAP on CC to address climate concerns and promote sustainable development.
- Solar power capacity installed, a key metric under the National Solar Mission stood at 61.6 GW as on October 2022.
- India becoming a favored destination for renewables; investments in 7 years stand at USD 78.1 billion.
- 62.8 lakh individual household toilets and 6.2 lakh community and public toilets constructed (August 2022) under the National Mission on Sustainable Habitat.

Agriculture and Food Management

- The performance of the agriculture and allied sector has been buoyant over the past several years, much of which is on account of the measures taken by the government to augment crop and livestock productivity, ensure certainty of returns to the farmers through price support, promote crop diversification, improve market infrastructure through the impetus provided for the setting up of farmer-producer organisations and promotion of investment in infrastructure facilities through the Agriculture Infrastructure Fund.
- Private investment in agriculture increases to 9.3% in 2020-21.
- MSP for all mandated crops fixed at 1.5 times of all India weighted average cost of production since 2018.
- Institutional Credit to the Agricultural Sector continued to grow to 18.6 lakh crore in 2021-22
- Foodgrains production in India saw sustained increase and stood at 315.7 million tonnes in 2021-22.
- Free foodgrains to about 81.4 crore beneficiaries under the National Food Security Act for one year from January 1, 2022.
- About 11.3 crore farmers were covered under the Scheme in its 2022-23 payment cycle.
- Rs 13,681 crores sanctioned for Post-Harvest Support and Community Farms under the Agriculture Infrastructure Fund.
- Online, Competitive, Transparent Bidding System with 1.74 crore farmers and 2.39 lakh traders put in place under the National Agriculture Market (e-NAM) Scheme.[19]



- Organic Farming being promoted through Farmer Producer Organisations (FPO) under the Paramparagat Krishi Vikas Yojana (PKVY).
- India stands at the forefront to promote millets through the International Year of Millets initiative.

Industry: Steady Recovery

- Overall Gross Value Added (GVA) by the Industrial Sector (for the first half of FY 22-23) rose 3.7 per cent, which is higher than the average growth of 2.8 per cent achieved in the first half of the last decade.
- Robust growth in Private Final Consumption Expenditure, export stimulus during the first half of the year, increase in investment demand triggered by enhanced public capex and strengthened bank and corporate balance sheets have provided a demand stimulus to industrial growth.
- The supply response of the industry to the demand stimulus has been robust.
- PMI manufacturing has remained in the expansion zone for 18 months since July 2021, and Index of Industrial Production (IIP) grows at a healthy pace.
- Credit to Micro, Small and Medium Enterprises (MSMEs) has grown by an average of around 30% since January 2022 and credit to large industry has been showing double-digit growth since October 2022.
- Electronics exports rise nearly threefold, from US \$4.4 billion in FY19 to US \$11.6 Billion in FY22.
- India has become the second-largest mobile phone manufacturer globally, with the production of handsets going up from 6 crore units in FY15 to 29 crore units in FY21.
- Foreign Direct Investment (FDI) flows into the Pharma Industry has risen four times, from US \$180 million in FY19 to US \$699 million in FY22.
- The Production Linked Incentive (PLI) schemes introduced across 14 categories, with an estimated capex of ₹4 lakh crore over the next five years, to plug India into global supply chains. Investment of ₹47,500 crores has been seen under the PLI schemes in the FY22, which is 106% of the designated target for the year. Production/sales worth ₹3.85 lakh crore and employment generation of 3.0 lakh have been recorded due to PLI schemes.
- Over 39,000 compliances have been reduced and more than 3500 provisions decriminalized as of January 2022.

Services: Source of Strength

- The services sector is expected to grow at 9.1% in FY23, as against 8.4% (YoY) in FY22.
- Robust expansion in PMI services, indicative of service sector activity, observed since July 2022.
- India was among the top ten services exporting countries in 2021, with its share in world commercial services exports increasing from 3 per cent in 2015 to 4 per cent in 2021.
- India's services exports remained resilient during the Covid-19 pandemic and amid geopolitical uncertainties driven by higher demand for digital support, cloud services, and infrastructure modernization.
- Credit to services sector has grown by over 16% since July 2022.
- US\$ 7.1 billion FDI equity inflows in services sector in FY22.
- Contact-intensive services are set to reclaim pre-pandemic level growth rates in FY23.
- Sustained growth in the real estate sector is taking housing sales to pre-pandemic levels, with a 50% rise between 2021 and 2022.
- Hotel occupancy rate has improved from 30-32% in April 2021 to 68-70% in November 2022.[20]
- Tourism sector is showing signs of revival, with foreign tourist arrivals in India in FY23 growing month-on-month with resumption of scheduled international flights and easing of Covid-19 regulations.
- Digital platforms are transforming India's financial services.
- India's e-commerce market is projected to grow at 18 per cent annually through 2025.

External Sector

- Merchandise exports were US\$ 332.8 billion for April-December 2022.
- India diversified its markets and increased its exports to Brazil, South Africa and Saudi Arabia.
- To increase its market size and ensure better penetration, in 2022, CEPA with UAE and ECTA with Australia come into force.
- India is the largest recipient of remittances in the world receiving US\$ 100 bn in 2022. Remittances are the second largest major source of external financing after service export



- As of December 2022, Forex Reserves stood at US\$ 563 bn covering 9.3 months of imports.
- As of end-November 2022, India is the sixth largest foreign exchange reserves holder in the world.
- The current stock of external debt is well shielded by the comfortable level of foreign exchange reserves.
- India has relatively low levels of total debt as a percentage of Gross National Income and short-term debt as a percentage of total debt.

Physical and Digital Infrastructure

Government's Vision for Infrastructure Development

- Public Private Partnerships
 - In-Principal Approval granted to 56 projects with Total Project Cost of ₹57,870.1 crore under the VGF Scheme, from 2014-15 to 2022-23.
 - IIPDF Scheme with ₹150 crore outlay from FY 23-25 was notified by the government on 03 November, 2022.
- National Infrastructure Pipeline
 - 89,151 projects costing ₹141.4 lakh crore under different stages of implementation
 - 1009 projects worth ₹5.5 lakh crore completed
 - NIP and Project Monitoring Group (PMG) portal linkage to fast-track approvals/ clearances for projects
- National Monetisation Pipeline
 - ₹ 9.0 lakh crore is the estimated cumulative investment potential.
 - ₹ 0.9 lakh crore monetisation target achieved against expected ₹0.8 lakh crore in FY22.
 - FY23 target is envisaged to be ₹1.6 lakh crore (27 per cent of overall NMP Target)
- GatiShakti
 - PM GatiShakti National Master Plan creates comprehensive database for integrated planning and synchronised implementation across Ministries/ Departments.
 - Aims to improve multimodal connectivity and logistics efficiency while addressing the critical gaps for the seamless movement of people and goods.
- Electricity Sector and Renewables
- As on 30 September 2022, the government has sanctioned the entire target capacity of 40 GW for the development of 59 Solar Parks in 16 states.
- 17.2 lakh GWh electricity generated during the year FY22 compared to 15.9 lakh GWh during FY21.
- The total installed power capacity (industries having demand of 1 Mega Watt (MW) and above) increased from 460.7 GW on 31 March 2021 to 482.2 GW on 31 March 2022.

Making Indian Logistics Globally Competitive

- National Logistics Policy envisions to develop a technologically enabled, integrated, cost-efficient, resilient, sustainable and trusted logistics ecosystem in the country for accelerated and inclusive growth.
- Rapid increase in National Highways (NHs) /Roads Construction with 10457 km NHs/roads constructed in FY22 compared to 6061 km in FY16.
- Budget expenditure increased from ₹1.4 lakh crore in FY20 to ₹2.4 lakh crore in FY23 giving renewed push to Capital expenditure.
- 2359 Kisan rails transported approximately 7.91 lakh tonnes of perishables, as of October 2022.
- More than one crore air passengers availed the benefit of the UDAN scheme since its inception in 2016.
- Near doubling of capacity of major ports in 8 years.
- Inland Vessels Act 2021 replaced 100-year-old Act to ensure hassle free movement of Vessels promoting Inland Water Transport.

India's Digital Public Infrastructure

- Unified Payment Interface (UPI)
- UPI-based transactions grew in value (121 per cent) and volume (115 per cent) terms, between 2019-22, paving the way for its international adoption.



- Telephone and Radio - For Digital Empowerment
- Total telephone subscriber base in India stands at 117.8 crore (as of Sept,22), with 44.3 per cent of subscribers in rural India.
- More than 98 per cent of the total telephone subscribers are connected wirelessly.
- The overall tele-density in India stood at 84.8 per cent in March 22.
- 200 per cent increase in rural internet subscriptions between 2015 and 2021.
- Prasar Bharati (India's autonomous public service broadcaster) - broadcasts in 23 languages, 179 dialects from 479 stations. Reaches 92 per cent of the area and 99.1 per cent of the total population.[18,19,20]
- Digital Public Goods
- Achieved low-cost accessibility since the launch of Aadhaar in 2009
- Under the government schemes, MyScheme, TrEDS, GEM, e-NAM, UMANG has transformed market place and has enabled citizens to access services across sectors
- Under Account Aggregator, the consent-based data sharing framework is currently live across over 110 crore bank accounts.
- Open Credit Enablement Network aims towards democratising lending operations while allowing end-to-end digital loan applications
- National AI portal has published 1520 articles, 262 videos, and 120 government initiatives and is being viewed as viewed as a tool for overcoming the language barrier e.g. 'Bhashini'.
- Legislations are being introduced for enhanced user privacy and creating an ecosystem for standard, open, and interoperable protocols underlining robust data governance.

III. RESULTS

Many of the supply-side improvements essential to support the above process and sustain growth are taking place.

Factors of production: Land and labour

The reforms that foreign analysts repeatedly flag as essential but incomplete are land and labour reforms. There must be deep political economy reasons that stall them despite numerous attempts. If standard reforms were feasible they would have been done by now. In India's noisy democracy any group adversely affected is able to shout, and the larger the group, all else equal, the louder the shouting.

In this area reform by stealth that works by intensifying trends at the margin is feasible and is happening. Some of these ways include simplification of laws and legal codes, encouraging competition and convergence to best practices among states, improving governance and supervisory conflict, using technology in many ways, including creating better land records. This not only allows land markets to develop but also eases the use of land as collateral in financial markets. They are not critical constraints to growth, although they do affect the speed and length of the journey to the frontier from an inefficient point like d in Fig. 3, because enough change is happening. Covid-19 has triggered temporary competitive easing of labour laws in states, as a way to attract industry and create jobs for returning migrants. This could lead to a more permanent simplification and recast of laws combining protection with flexibility.

Although the focus in debates is on inadequate growth of employment, there is evidence of the type of structural change in labour markets that occurs with development. The lockdown made us aware of extensive migration from rural to urban areas as predicted by the Harris-Todaro model. We have already seen evidence of rising non-agricultural rural employment. While labour participation rates have dropped for women, part of this is due to opting for better education and job-profiles. Women are migrating to jobs in education and services from menial jobs. Since 2011 although about 30 m jobs were lost for pre-secondary education, a similar number were gained for post-secondary education (Kannan 2019).

There are many opportunities in Web based employment and a potential explosion of jobs as education and health services expand in 3 tier towns. In general, unemployment now is aspirational. Unemployment rates are higher for youth since they search for better jobs. After 40 they tend to settle for what is available. These trends imply rising labour productivity. There is sufficient improvement to suggest land and labour are not constraints to short-term growth expansion.



Indirect proof of better resource utilization allowing movement upwards fromd comes from productivity growth continuing to rise in India over 2011–2016, a period when in most countries there was a productivity slowdown after the global financial crisis. Unorganized sector compound annual productivity growth (7.2%) exceeded that in the organized sector (3.2%) in this period (CSO 2017). India is still well inside the frontier, however. IMF (2017) assessed India's level at about 45 compared to the US frontier at 100.

The literature distinguishes between narrow versus broad or active inclusion. While the first just reduces inequality, the second gives broad rights, voice, and capabilities to make the excluded active participants. Active inclusion enhances human capacity and makes labour supply more elastic in transition, while redistributive strategies are required for persistent poverty. Since active inclusion increases rewards to work, it suits India's youthful demographics and growth potential. Many government policies aim for such systematic empowerment.

An economy in transition should be one which is innovating. Pure income transfers need not shift the poor to dynamic technologies that show continuous improvement, while active inclusion would do so. It would also induce more cost decreasing innovation in accessible technologies as their market size increased. The deep penetration of the smartphone in India is an example.

Much is happening in the Indian digital space and Covid-19 will give a further stimulus to it. Indian growth in information technology (IT) outsourcing was decried as low-paid mechanical work, but the industry developed from Y2K to body-shopping to value addition and entrepreneurship in a variety of internet-linked businesses. Koramangala in Bangalore is an example of such a venture-capital fed business hub that targets the large domestic market as well as exports.

One of India's great advantages is its human and geographical diversity since this encourages innovation and also diversifies risk. The 1990s reforms increased economic diversity, since exports became another source of demand. Markets raise welfare and encourage innovation by making available more margins of adjustment. Horizontal democracy is deepening, with NGOs proliferating, and corporates given a push by social responsibility legislation, contributing more to society.

Standard structural reforms are also taking place, with improvements in infrastructure, law and governance, ease of doing business, more facilities, improved data collection, formalization and standardization for Micro, Small, and Medium Enterprises (MSMEs).

Despite its federal structure India never had one domestic market. This raised transaction costs of business. The goods and services tax (GST), while still a work in progress, is a major step towards this integration.

Fiscal space

How can demand be deficient (at d) if the aggregate fiscal deficit is almost in double digits, or if investment propensities exceed savings? The sector-level macroeconomic constraints discussed imply supply shortage for specific goods can create generalized inflation. In 2008, for example, there was excess demand for goods (food) in short-supply, together with large underemployed resources. But we have seen such commodity price constraints have eased.

Delays in government payments are notorious. Some of the deficits maybe accounting illusions—payments are provided for but not made. Almost one-fourth of government expenditure was interest payments to banks in a period bank lending had slowed. States also hold large cash balances. Expenditure on idle excess stocks of food also does not create demand. The use of better targeted direct benefit transfers (DBT) has reduced leakages that used to create demand. This suggests a thorough restructuring of government expenditure can increase the share of effective high-multiplier expenditure (Goyal and Sharma 2018).

Cutting unproductive subsidies and better expenditure targeting will be essential to restrain the fiscal deficit while giving a post Covid-19 stimulus. There is room to do so. For example, bloated food and fertilizer subsidies can be trimmed, reducing excess food stocks. Departments and ministries can be streamlined, avoiding duplication. Better monetary-fiscal coordination can also reduce the share of interest payments in the short-run, even as higher growth reduces debt ratios in the long-run. One reason governments were not able to reduce deficits materially despite intense efforts after 2011 was the sharp rise in nominal interest rates in this period. Finally, large public sector assets, acquired over the years but utilized poorly, can be monetized.



Policy implications

Standard macroeconomic stabilization, such as followed in India since 2011, can be counter-productive, since it throttles domestic demand, without releasing critical sector-level supply-side constraints. Such macroeconomic policies, followed since 2011, resulted in rising consumption and import dependence, while investment fell and exports stagnated. Dependence on oil imports constrains depreciation of the Indian rupee as an export stimulating policy. But over-appreciation is also problematic given the large trade deficit. Over-appreciation occurred in the 2010s and was not compensated with a rise in domestic demand.

The commodity price shocks that contributed to growth volatility have moderated, however. Moreover, as the economy grows and diversifies it will be less vulnerable to such shocks.

Sustained higher growth is feasible, if context-relevant supply-side policies transform a high cost economy and allow better utilization [17,18] of resources, with support from macroeconomic policies that maintain domestic demand, as well as from counter-cyclical financial regulation. Critical reforms required include improving the productivity of government expenditure, cutting flab, coordination with states, strengthening corporate governance, legal simplification and capacity as well as making financial sector regulation more appropriate.

Covid-19 is a large negative supply and demand shock, and combined with the lockout severely reduced short-term growth. As supply recovers, however, while commodity prices remain constrained, there is an opportunity to switch from the low credit and money growth that characterized India's post 2011 growth slowdown, to a credit-led recovery, that also reduces persistent financial sector stress. It underlines the importance of domestic demand in insulating India from global shocks and likely prolonged shrinking of trade.

In addition, there are longer-run supply-side opportunities that the crisis has revealed. Examples include a larger share of distance work economizing on fuel the import of which has been India's weakness, and encouraging the digital economy, which is India's strength. Supply chains can be incentivized to shift from China. States that are the source of migration should think of packages to attract FDI thus reducing out-migration. While some firms will suffer irreversible balance sheet shocks and may not recover, others such as pharmaceuticals, digital businesses and home services will do well.

Policies adopted in many countries around the world, include transfers, credit guarantee funds, interest rate subventions, liquidity and refinance facilities, loan extension and forbearance, tax relief, deferrals and regulatory easing. Many of these have the feature that they expire over time, and pay for themselves as they revive growth. The compulsion to restrict the expansion of India's fiscal deficit can also be achieved by including such well-targeted and temporary features, as well as working through the financial sector. A seed fund can be leveraged many times. For example, credit guarantees are off budget sheet items, and may not even add to debt if they are not invoked as recovery takes place, especially if banks are incentivised to not invoke them.

Wage/PPF subsidies and interest rate subventions should be targeted to viable MSMEs based on positive turnover in the GST records. Moratoria on debt repayments and provisioning deferrals must be given until growth recovers, but not indefinitely. Temporary and targeted measures reduce moral hazard. Transfers should only be to low income groups, combining tax and Aadhaar data-bases. All government payments due must be made and expenditure on the national infrastructure pipeline frontloaded. Government stimulus must be increased to the point where reduction in debt ratios due to increased growth, equals the increase in debt ratios from further borrowing. Structural fiscal reform changing the composition of government expenditure can increase the growth boost.

The RBI can announce an open market operations (OMO) calendar and if necessary, special Covid-19 government bonds financed by RBI. These would take pressure off the bond markets, allowing interest rates to ease, while it is clear they are for a well-defined purpose and limited time. Firms that are not receiving payments are afraid of running out of cash and are hoarding liquidity. Banks now will only make risk-based lending. Therefore a government credit guarantee is necessary for banks to undertake wider liquidity infusion. It would help if new liquidity channels are established to reach those starved of funds.

Measures have to be carefully sequenced as the situation evolves. While initial measures help survival and revival of supply, as people begin venturing out and shops open, a demand boost from the government can help kick-start



consumption and therefore production. Before that, even income transfers tend to be saved. This happened in many advanced economies where large transfers and other fiscal stimuli could not prevent large growth shortfalls. Transfers to lower income groups could be in the form of coupons with a limited life to ensure they are spent. Tax cuts or waiving stamp duties should be for a limited time period. Help for small firms could be conditional on employment to ensure it is paid out and raises demand and production. The series of Indian monetary-fiscal stimuli were largely in line with the above principles, while tending to be over-cautious.

Easing of financial conditions that had delivered a turnaround in February, could do so again after the Covid-19 shock. In most of the world new liquidity infusion is following quantitative easing that drove up asset prices. There are risks since credit is based on a Ponzi leverage on asset value. A collapse of stretched asset values can create a large financial shock. Deleveraging can reduce demand. But in India there is the opposite problem. Credit growth has been very low, so a loosening of financial conditions can help asset values recover. Tightening following the excesses and scams of the post GFC period created a trust deficit. There were valid moves away from giving individual favours towards improving business conditions. But in a large external shock like Covid-19 aid from the government and regulators can apply balm to current as well as old wounds, revive trust and help society pull together once more.

IV. CONCLUSION

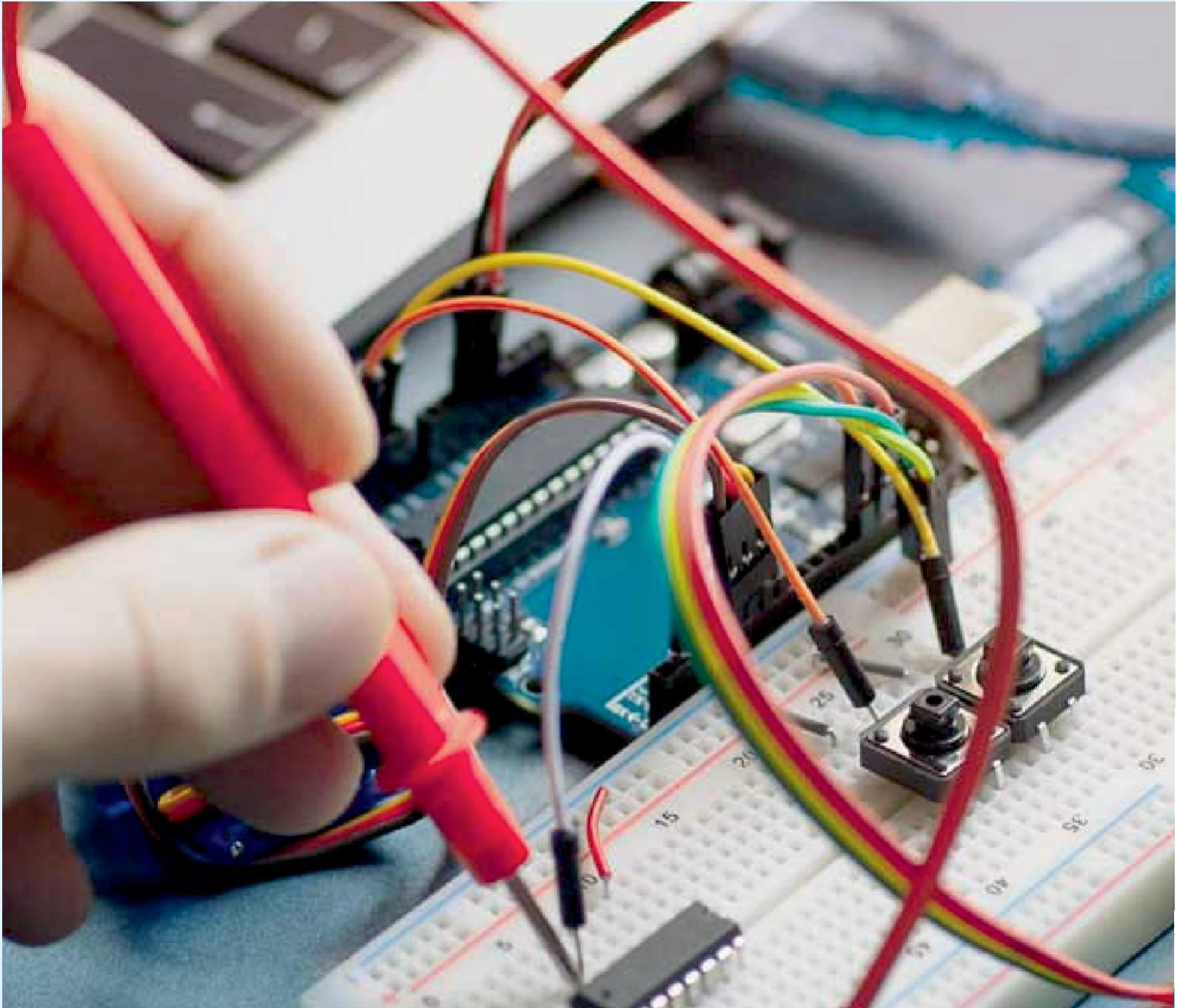
The large post GFC monetary-fiscal stimulus made possible a sharp V-shaped recovery. But over-reaction, and difficulty in reversing the stimulus, created macroeconomic vulnerabilities. A limited, well targeted and transient stimulus would avoid this while preventing illiquidity becoming insolvency, relieving persistent financial stress and with complementary supply-side action create a virtuous growth cycle.[19]

REFERENCES

1. "Analyzing the External Sector" (PDF). IMF - Analyzing the External Sector. 1: 9. December 2013 – via IMF.
2. ^ "External sector". www.bundesbank.de. Retrieved 2022-03-24.
3. Karl Polanyi (2002). *The Great Transformation*. Beacon Press. ISBN 978-0-8070-5643-1.
4. ^ a b c d Thirlwall, Anthony Philip (2012). *Balance of Payments Constrained Growth Models: History and Overview*. Springer. p. 11. ISBN 9781137023957.
5. ^ a b c d e f g h i j k l m Eirc Helleiner; Louis W Pauly; et al. (2005). John Ravenhill (ed.). *Global Political Economy*. Oxford University Press. pp. 7–15, 154, 177–204.
6. ^ Harold James (2009). *The End of Globalization*. Harvard University Press. p. 12. ISBN 9780674039087.
7. ^ "Foreign bidders welcome as Britain turns on its own rich". 8 January 2010. Archived from the original on 10 December 2022.
8. ^ Carroll Quigley (1995). *Tragedy and Hope*. GSG & Associates, Inc. pp. 243, 263. ISBN 0-945001-10-X.
9. ^ a b Barry Eichengreen and Michael D Bord (11 November 2001). "Crises Now and Then" (PDF). Berkeley.
10. ^ Different economic historians don't always classify the same events as a BoP or twin crises
11. ^ One of the informal rules during the gold standard era was that countries running a trade surplus ought to allow the net inflow of gold they receive to increase their domestic money supply. This would have an expansionary and possibly inflationary effect on their economies, helping to reverse the earlier trade surplus and thus correct the imbalance. However central banks of surplus countries could choose not to allow the extra gold to circulate in their domestic economies, hoarding it in their vaults, and thus the burden of rebalancing would fall entirely on the deficit countries which may need to deflate their economies in order to reduce prices and regain competitiveness.
12. ^ Dani Rodrik (11 May 2010). "Greek Lessons for the World Economy". Project Syndicate. Retrieved 19 May 2010.
13. ^ e.g., in his influential *Free to Choose* TV series
14. ^ a b c Roberts, Richar (1999). *Inside International Finance*. Orion. pp. 1–27. ISBN 0-7528-2070-2.
15. ^ In the 1970s and 1980s a significant part of the capital flowing into developing countries was re-cycled petrodollars, the oil producing countries were among the few to have large surpluses but at that time the US wasn't issuing many bonds so the capital tended to flow to developing countries via the intermediary of western investment banks.
16. ^ Heakal, Reem. "Understanding Capital And Financial Accounts in the Balance of Payments". Investopedia. Retrieved 11 December 2009.



17. ^ Eswar S. Prasad; Raghuram G. Rajan & Arvind Subramanian (16 April 2007). "Foreign Capital and Economic Growth" (PDF). Peterson Institute. Archived (PDF) from the original on 14 December 2009. Retrieved 15 December 2009.
18. ^ a b Wolf, Martin (2009). "3". *Fixing Global Finance*. Yale University Press. pp. 31–39.
19. ^ "U.S. Trade in Goods and Services – Balance of Payments 1960 thru 2008".
20. ^ Data visualization from OECD Archived 14 May 2011 at the Wayback Machine, select 'Current account imbalances' or 'Reserve Accumulation' on the stories tab, then move the date slider to see how imbalances developed between 1990–2008.



INNO  SPACE
SJIF Scientific Journal Impact Factor

Impact Factor: 8.317



ISSN INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



International Journal of Advanced Research

in Electrical, Electronics and Instrumentation Engineering

 9940 572 462  6381 907 438  ijareeie@gmail.com



www.ijareeie.com

Scan to save the contact details