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Indian Economic Growth in Pandemic situation

Binoy Goswami*

Department of Economics, South Asian University, New Delhi, India

Introduction

In India, the COVID-19 epidemic has had a mostly disruptive economic impact. According to the Ministry of Statistics, India's growth slowed to 3.1% in the fourth quarter of fiscal year 2020. According to India's Chief Economic Adviser, the drop is primarily due to the impact of the coronavirus pandemic on the Indian economy. Notably, India had been experiencing a pre-pandemic downturn and the current pandemic has "magnified pre-existing threats to India's economic outlook," according to the World Bank [1].

The Indian economy declined by 7.3% in the April-June quarter of current fiscal year, according to official figures issued by the ministry of statistics and programme implementation. This is the steepest drop since the government began recording GDP statistics quarterly in 1996. After the lockdown was imposed in 2020, an estimated 10 million migrant labourers returned to their home countries. What was unexpected, however, was that neither the state nor the federal governments had any information on the migrant workers who lost their jobs and lives as a result of the lockdown [2].

In addition, the administration has implemented major policy and regulatory measures aimed at strengthening the investment climate and stimulating economic development [3-5].

Description

What impact has COVID-19 had in various industries?

Hospitality sector: The hospitality industry is facing a rerun of 2020, as numerous states have enacted localised lockdowns. Restaurants, bed & breakfasts, taverns, bars, nightclubs and other enterprises are all part of the hospitality industry. States have put restrictions and curfews on the sector, which contributes a significant amount of India's yearly GDP.

Tourism sector: The tourist industry is intertwined with the hospitality industry. After the first wave, the sector that employs millions of Indians began to recover, but the second wave of COVID was ready to wreak havoc! The tourist industry accounts for almost 7% of India's yearly GDP.

It includes hotels, homestays, motels and other lodging options. The second wave's limitations have decimated the tourist industry, which was already battling to recover from the enterprises' first losses in 2020.

Aviation and travel sector: During the second wave of the pandemic, aviation and other sectors were hit particularly hard. People are afraid to leave their homes, which is hurting the bigger tourism industry. The revival of airlines and the larger travel industry will be determined by whether customers will choose such services in the future. The future of aviation and the tourism industry as a whole does not appear promising at the moment.

Automobile sector: Due to the COVID-19 scenario in India, the vehicle sector is projected to continue under pressure in the foreseeable future.

Real estate and construction sector: During the second wave, real estate and construction industries began to be disrupted as a huge number of migrant workers departed metropolitan regions. As of 2020, the situation for this industry has not been dire.

Fiscal deficit: The COVID-19 epidemic has had little impact on our deficit and disinvestment targets. Finance Minister Nirmala Sitharaman established a fiscal deficit target of 6.8% for 2021-2022 in this year's government budget. India's budget deficit for 2020-21 has risen to 9.5 percent of GDP, up from 3.5 percent previously forecast.

Because it feared a growth in the fiscal imbalance, the government was cautious to increase budgetary spending. Under India's neoliberal government, fiscal conservatism is nothing new. India, on the other hand, has stuck to fiscal prudence even while leading capitalist nations have abandoned the austerity orthodoxy in the face of the epidemic. This, we feel, exemplifies a specific intellectual rigidity that characterises India's current right-wing administration. Given this situation, the odds of an early economic recovery in India are slim.

Conclusion

In light of recent international tribunal judgements against India in a tax dispute, Parliament has approved the Taxation Laws (Amendment) Act, 2021, which aims to eliminate the retrospective application of indirect transfer tax regulations for transactions completed before to May 28, 2012. This will assist to solidify India's status as a desirable investment destination, as the country became the world's fifth largest beneficiary of FDI inflows in 2020, with USD64 billion inflows. Furthermore, to overcome supply-side restrictions and offer demand-side impetus for economic growth, it increased capital spending by 34.5 percent y-o-y to INR 5.54 lakh crore in FY22.

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***Address for Correspondence:** Binoy Goswami, Department of Economics, South Asian University, New Delhi, India; E-mail: Binoy_goswami54@sau.ac.in*

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