2

Thirty Years of New Economic Policy : Where does the Indian Economy Stand Today?

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In the post-cold war scenario where India needs to accommodate itself, the Indian leadership was compelled to think in a different way. This new found approach got its recognition in the domestic and the foreign policy making during this time as well. The reform of the Indian economy under the New Economic Policy (NEP) in 1991 demonstrated this approach. The liberalization of the Indian economy, since its inception, has encompassed several stages and has completed thirty years in 2021. So, this calls for an introspection of the NEP and to what extent the subsequent leaderships have been able to continue the zeal. This article would try to answer the above mentioned queries. Along with it this article would further try to analyze the scope of development agenda of the Indian economy in a post-Covid 19 era.

[**Keywords :** India, Indian Economy, Reform, Liberalization, NEP, Development, Post-Covid 19]

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The global politics in the early 1990s was undergoing a transformation. The collapse of the Socialist Bloc followed by the outbreak of first Gulf War, had profound impact not on India's foreign policy, but on domestic policy too. Since independence, India had been following the Nehruvian growth model. The over emphasis on self-reliance actually served no fruitful result to the Indian economy. During this entire period of forty years, Indian economy remained stagnant. The average growth of GDP during this period was around 3.5%. This low rate of GDP growth between the 1950s to the 1970s, prompted economist Raj Krishna, to brand it as "Hindu Rate of Growth."[1]

1. Reform of the Indian Economy

Facing a crisis both in the internal and external fronts, India under the Narasimha Rao government adopted a New Economic Policy (NEP) in 1991. The policy opened up the country to the global economy. The primary aim of the liberalization policy was to do away with the economic stagnation and to eliminate the trade imbalances. Besides, the reform also aimed at structural adjustments of the Indian economy.[2]

The package of the NEP consisted of short-term immediate measures like devaluation of rupee, cut in public expenditure and fiscal deficit, free flow of foreign capital, making rupee convertibility, privatization of Public Sector Undertakings (PSUs), and control on inflation.[3] These short-term measures were combined with medium-term Structural Adjustment Policy (SAP) in industrial policy, financial sector reforms, tax system reforms, and foreign exchange.[4] The NEP gave top priority to reduce fiscal deficit as it was a major cause of inflation and BOPs crisis.[5] The new industrial policy of 1991 was aimed at delicensing major industries (80%) without investment limits, Foreign Direct Investment (FDI), technology upgradation and so on.[6]

The reform of the Indian economy was unique in two aspects. Firstly, the reform was implemented in a democratic context. Secondly, the reform was pursued in a decentralized political structure. As for the strategy, reform was first introduced in the Industrial sector, abolishing monopoly of public enterprises in the industrial production. Then reform in financial sector took place. Agriculture was the last sector where reform was carried out.[7]

The process of reshuffling the economic structure initiated in the 1990s (known as the Structural Adjustment Programme or SAP) had an impact on the operation and working of Export Processing Zones (EPZs)[8] and a number of initiatives were taken on the policy front.

By the end of the 1990s, the Indian economy had overcome the external crisis, and also managed to survive the East Asian economic crisis. To improve its performance Indian economic policy has gone ahead with the reform and has made a number of policy changes to achieve this objective. The Bhartiya Janata Party (BJP) government decided to launch the totally Free Trade Area policy in 2000, changed the name of EPZ as the SEZ.[9] It put forward as a 'qualitative transformation'[10] which was envisaged through 100 % FDI inflows from automatic channels, exemption from daily custom examination of export and import cargo. SEZs were designed to promote technology transfer, create employment and provide outstanding infrastructure. The businesses in SEZs were exempted taxes.[11] Total employment in these enclaves was 1,277,645 in 2014, as against an expectation of 1,743,530 by 2009, while the share of SEZs in total exports rose from 6% in 2006-07 to 28% in 2010-11.[12]

However, the momentum for expanding the SEZs in India is on a decline since the last decade.[13] The Indian experience with the SEZs showed that it failed to produce the spill-over effect in the Indian economy as it had in China. The main reason why the SEZs became unsuccessful to produce the desired results was due to the factors such as, lack of infrastructure, land acquisition problems, and labour law rigidities.[14]

2. The Impact of Reform on the Indian Economy

The economic liberalization policy has had an impact upon the Indian economy in different ways. India approached the IMF for a loan to cope up with the severe economic crisis. On December 5, 1991, the World Bank made its largest Structural Adjustment Loan (SAL) to date, US$ 500 million to India.[15] Initially, India would receive US$300 million, followed by the remaining US$200 million a year later if the structural adjustment policies it agreed to remain in place.[i,16] So, in order to receive the aid from the World Bank, India was required to go by the obligations that the bank was imposing upon. The bank recommended and pushed through reforms focused on five key areas of investment and trade regimes, the financial sector, taxation, and public enterprises.[17] This effectively ended four decades of central planning, significantly shifted resource allocation decisions from the public sector to the private sector and markets, and started integrating the country into the world economy.[18]

Over the years, India has become a consumer oriented market as a result of the economic liberalization. The high demand and the supply chains have led to a significant growth in the market. The creation of greater job opportunities in different sectors has also increased the per capita income. According to the World Bank data, in India the gross national income per capita rose to US$ 7,060 in 2017 from US$ 1,120 in 1990.[19] In respect to Industrial sector, liberalization had a positive impact by encouraging foreign industries to set up their farms in India, especially in the pharmaceutical, BPO, petroleum, manufacturing and chemical sectors. These companies helped in generating employment opportunities in the country. The share of the industrial sectors in the annual GDP of India was 29.02% in 2016-17[20] and 29.6% in 2018-19.[21]

Service sector is perhaps the best area where the impact of the reform can best be noticed as it is the major contributor to the country's economic growth. Although the growth of services picked up in the 1980s, it accelerated over the period of 1991-2000 on an average rate of 7.5% per year.[22] The share of services in the annual GDP of India rose from 41% in 1990 to 51% in 2003.[23] In 2009, services accounted for 57.3% of India's GDP.[24] In 2018-19, the share of services in the annual GDP of India was recorded as 54.3%.[25] Within the service sector, the impact of reform to financial sector was of great significance. According to a *joint report* prepared by *KPMG-Confederation of Indian Industry* (CII), Indian banking sector was considered to become fifth largest in the world by 2020 and third largest by 2025.[26] As for insurance sector, it was expected to touch INR 26 trillion by 2020.[27] The share of financial sector in the Indian economy was 21.06% in 2016-2017[28] and 21.3% in 2018-19.[29]

The liberalization also has had an impact upon the agriculture sector in India. The share of India's agricultural exports in total exports has varied between 11% and 15% since 2000.[30] During 2007-08, the value of agricultural exports totalled more than US$ 7 billion.[31] In the post-reform years the growth in the agricultural sector has been in fluctuations. In some years, growth rates increased by as much as 10% (between 2002-03 and 2003-04) as compared to the average growth of 4.5% between 2002-03 and 2006-07.[32] The average growth of GDP from agriculture and allied sectors during the 1997-98 to 2008-09 period was estimated at 3.7% per year.[33] In 2015-16, the agricultural growth rate was a sluggish 1.2%.[34] The weather conditions such as drought and so on have had an impact on the agricultural growth. The share of the agricultural and allied sector in the GDP in India was recorded as 17.32% in 2016-17[35] and 16.1% in 2018-19.[36]

It is not to be forgotten that the larger part of India's population (nearly 60%) is dependent on the agricultural production. So, modernization and diversification of agricultural sector must be in progress. Although India has achieved near self-sufficiency in food productivity, there are still some obstacles that the farmers face today, such as problems of low yields and lack of infrastructure to transport the food grains from farm to market. To overcome these obstacles, certain planned infrastructural modifications must be introduced in the Indian agricultural sector. A mention should be made here that in June, 2020, in order to overhaul the agricultural sector, the current NDA government introduced three Farm Law Bills[ii,37] which resulted into a nationwide protest by the Indian farmers and ultimately were repealed by the Centre in December, 2021.[38] Agricultural growth is critical for a vast populous country like India, since self-sufficiency in food productivity helps to improve the national economy, similarly it also helps to generate employment in rural areas through agricultural growth. So, the government should take up more initiatives to boost the agricultural output.

The development of economic infrastructure is another area that should be addressed in connection with prolonged growth maintenance. The need of infrastructural development of the Indian economy is enormous due to demand generated by economic growth, rise in population, rapid urbanization and so on.[39] Hence, mobilizing the necessary resources and developing quality infrastructure call for a decent regulatory framework on the part of the Indian government in order to attract domestic and foreign investments.

Technological upgradation and scientific knowledge have spearheaded modern economic growth. For technological development, investment in Research and Development is an essential prerequisite. In India, the picture is quite disheartening. It was 0.63% of the GDP in 1996[40] and in 2014 it was only 0.85% of the GDP.[41] According to the Economic Survey Report, 2017-2018, India's spending in R & D was still less than 1% of the GDP (about 0.6% of the GDP) which was well below than in major nations like the U.S.A (2.8%) and China (2.1%).[42]

The rationale behind the introduction of the NEP in 1991 was to accelerate economic growth. The immediate results that followed the liberalization of economy seemed to be true to this assumption. According to the *Annual Report 2008-2009* of the Planning Commission, in Eighth Five Year plan (1992-97), the actual rate of growth 6.70%, exceeded the targeted growth rate of 5.6%.[43] The effects of the reform should be judged from this period onwards. In the early 2000s, economic performance of India improved steadily with an economic growth rate of 9% giving high hopes about the future development of the country's economy. However, the Indian economy has been experiencing a slower growth rate since 2014. India recorded a GDP growth rate of 6.5% in 2016-17[44] which sharply declined to 4.8% in the first half of 2019-20.[45]

The current NDA government has adopted some important measures to bring back the Indian economy to a higher rate of growth. In this respect 'Make in India' calls for a brief analysis. The 'Make in India' programme was launched by Prime Minister Narendra Modi in September 2014 intending to transform India into a global design and manufacturing hub in order to boost the nation's economic growth rate. It represents a comprehensive and unprecedented refurbish of outdated processes and policies. Most importantly, it represents a complete change of the Government's mindset and a shift of the status of the government from an issuing authority to a business partner. It is attuned with Prime Minister Modi's tenet of 'Minimum Government, Maximum Governance'.

The strategies under the 'Make in India' are : (a) inspire confidence in India's capabilities amongst potential partners abroad, the Indian business community and citizens at large; (b) provide a framework for a vast amount of technical information on 25 industry sectors; and (c) reach out to a vast local and global audience via social media and constantly keep them updated about opportunities, reforms and so on.[iii,46]

The target under 'Make in India' is to create 10 crore new jobs by 2025 by taking the manufacturing sector's growth to 25 % of the country's GDP.47 When 'Make in India' was launched the share of manufacturing sector was 16% in the country's GDP, however, according to the World Bank, it came down to 15% in 2017.[48] This prompted many to criticize the 'Make in India' initiative.

Providing the strongest critique of the government's 'Make in India' strategy, Raghuram Rajan, the former Governor of the Reserve Bank of India (RBI) at a conference of Indian Chambers of Commerce and Industry in 2014, opined that India rather needs to make for India, adding that neither an incentive-driven, export-led growth nor an import-substitution strategy can work for the country in the current global economic scenario.[49] He was of the opinion that due to tepid global economic recovery, the export-led growth strategy would not pay dividends for India as it did for Asian economies, including China.[50] The Modi government emphasizes on making India a manufacturing powerhouse and therefore, it advocates policy for boosting exports and incentivizing import substitution. India is evolving at its own pace so it is necessary to work out according to the export condition. Hence, Rajan suggested that apart from developing policies, the government should also focus on creating an environment where all sorts of enterprises could flourish, and then leaving entrepreneurs to choose what they would want to do.[iv]

'Make in India' faces many challenges that limit its impact. These are as follows :

1. India's labour laws and labour quality fail to meet the high quality industrial production. Labour unrest is very common scene in India's industries which many times stand in way of industrial productivity.[v] In addition, there is a lack of available skilled labour in India as compared to nation like China.[51] Besides, the lack of labour safety also contribute to low productivity in India. These factors often do not encourage the foreign investors to invest in India's manufacturing sector.
2. According to the World Bank's Doing Business Report (DBR, 2019), India is in the 77th position out of the 190 countries.[52] The position may look promising, however, a country which aims at transforming itself into a global manufacturing power in the near future, the scene is not encouraging enough, especially when, China, another Asian giant is at 46th place in the global rankings of ease of doing business.[53]

To give a push to the 'Make in India' campaign, the Indian Government in 2018, launched 'Make in India 2.0' with renewed focus on 10 sectors, including capital goods, automobiles, defence, pharmaceuticals and renewable energy to push growth in manufacturing and generate job opportunities.[54]

In addition, India has to develop sophisticated supply chain systems, internet connectivity, and roads and highway infrastructure, *i.e.*, the right manufacturing ecosystem to make it a success. The program has certainly highlighted the manufacturing potential of the Indian industries. It has also provided a plan for large-scale infrastructure projects. As a consequence, it will take several years before analysts can effectively measure the success of 'Make in India'.[55]

Apart from 'Make in India', the current Indian government has adopted two measures to boost the national economy. The first was the Demonetization of the Indian currency in November, 2016 and the second was the enactment of the Goods and Services Act (GST) in 2017. The scrapping of the Indian currency (initially it was for the currency notes with the denominations of 1000 and 500) has had an impact on the Indian economy. Demonetization was adopted to combat the fake currency, to curb the hoarding of black money (un-accounted money) in the Indian economy and also viewed as a means to make India cashless and thus, giving boost to the digitization of the country.[vi] It was also addressed as a means to curb terror funding as the terror groups use fake currency to fund their terrorist activities. The immediate effect of the demonetization was seen in the disruption of the ordinary life across the country for several weeks. The hardest-hit were those in rural areas, where access to banking and the internet are quite low.[vii] The rural and informal economy suffered disproportionately because most transactions in these areas are based on cash. After the scrapping of the currency notes with the denominations of 1000 and 500 almost 99% of the money returned to the RBI.[56] The Income Tax Department reported that it had unearthed a undisclosed income of 7,961 crore in the post demonetization period between November 2016 to March 2017.[57] An amount of INR 18.70 crore of fake Indian currency note had been seized till November, 2017.[58]

One significant effect of demonetization can be seen in the behavior of the common people as many of them have started using the plastic cards and the mobile wallets in the post-demonetization period. According to Global Data survey, the share of cash or cheque (cash on delivery) in total e-commerce transaction value declined from

31% in 2013 to 16% in 2017, whereas the mobile wallet share jumped from just 7% to 29% during the same period.[59] The usage of payment cards dropped from 38% to 32% during this period.[60] This practice has thus, become a boosting factor to "Digital India", a programme launched by Prime Minister Narendra Modi in 2015 to "empower every citizen with access to digital services, knowledge and information".[61] To give a major push to the digital currency, Central Bank Digital Currency (CBDC) is introduced in the Union Budget 2022, which would be issued by RBI using blockchain and other technology.[62]

'The Goods and Service Tax' (GST) enacted by the Indian Parliament in July 2017, is a momentous tax reform policy in India in the post-liberalization period. It is founded on the notion of "one nation, one market, one tax". Previously, different states could impose different taxes on any given product and these could be different from that levied by the Centre.[63] Under the GST regime the tax revenue generation in India is showing an impressive growth. A tax collection of INR 90,000 crore on a monthly average was registered between August, 2017-March, 2018.[64] According to the Finance Ministry of the Government of India the collection of tax has touched INR 1,03,458 crore in April, 2018.[65] Gross GST revenue in April stood at INR 1,03,458 crore, of which central GST was INR 18,652 crore, state GST INR 25,704 crore and integrated GST INR 50,548 crore, including INR 21,246 crore collected on imports.[66] The compensation cess collected was INR 8,554 crore, including INR 702 crore on imports.[67] The number of Income Tax Return has also increased from INR 5.43 crore in 2017 to INR 6.84 crore in 2018.[68] The number of registration of businesses under the old tax regime was 6.4 million.[69] This number has increased to 11.2 million under the GST.[70] The growth in the figure of business registration is indicating to the fact that tax base has been expanded under the GST regime. GST could provide a significant opportunity to improve the growth momentum by reducing barriers to trade, business and related economic activities. While presenting the Union Budget in February 1, 2022, Finance Minister Nirmala Sitharaman stated that the gross GST collections for the month of January 2022 are 1,40,986 crore, which is the highest since its inception in 2017.[71]

To liberalize the Indian economy, several efforts have been taken by the Congress and BJP led governments 1991 onwards. In this respect, FDI is considered as a master plan to raise the investment level in capital building and ultimately generate output, employment and income.[72] India's FDI policy went through several modifications under the current NDA regime. The reform in the FDI policy in 2016, brought by the central government covered sectors like defense, pharmaceuticals and aviation and so on.

In 2011-2012, FDI into India declined to US$ 24.20 billion from US$36.19 billion in 2010-11.[73] However, Foreign Direct Investment (FDI) inflows into the country touched a new high of US$ 44.48 billion in 2016-17.[74] FDI inflows into India was recorded as US$ 51 billion in 2019.[75] The FDI Outflow in case of India is rather poor. According to the World Investment Report 2018, it was only US$ 5.07 billion in 2016, however, it rose to US$ 11.30 billion in 2017.[76]

India's economy is diverse, encompassing agriculture, handicrafts, textiles, manufacturing and a multitude of services. Although two-thirds of the Indian workforce still earn their livelihood directly or indirectly through agriculture, services are a growing sector and play an increasingly important role in India's economy. India is an important 'back office' destination for global outsourcing of customer services and technical support. India is a major exporter of highly-skilled workers in software and financial services and software engineering. Other sectors like manufacturing, pharmaceuticals, biotechnology, nanotechnology, telecommunication, shipbuilding, aviation, tourism and retailing are showing strong potentials with higher growth rates. The economy of India, according to the International Monetary Fund's (IMF) 'World Economic Outlook, April 2018', is the sixth largest in the world with a GDP of around US$ 2.6 trillion in 2017.[77] In the fiscal year in 2007-08, the Indian economy reached a growth momentum when it recorded a GDP growth rate of 9.1% which made it the second fastest big emerging economy in the world after China.[78] After the world-wide financial crisis in 2008, the growth rate of the Indian economy has slowed down, however, it still maintained a moderate annual GDP growth rates over the following years. This rate of sustained growth prompted many to forecast that India would, over the coming decades, have a more pronounced economic effect on the world stage. Besides, India is rich in natural resources and mineral resources. But the rising energy demand concomitant with economic growth has created a state of energy scarcity in India. India is poor in oil resources and is currently heavily dependent on coal and foreign oil imports for its energy needs. India is rich in Thorium, but not in

Uranium, for which it has entered into the Indo-US civilian nuclear deal. So, the quest for energy security has also become an integral part in the Indian development strategy.

3. The Post-COVID-19 Scenario : Where does the Indian Development Agenda Stand?

The COVID-19 Pandemic has thrown many challenges to the nations worldwide which in turn not only exposed the basic structure of the liberal states, but also put a question mark on the current world order. The inefficient healthcare system of many nations, the uncertainties born out of the liberal economies and so on, all became evident during this period. India currently being the worst hit COVID-19 country actually announced a nationwide lockdown in March, 2020 which has been lifted gradually since May, 2020. During the first wave of the COVID-19 following the months of complete lockdown the country witnessed the plight of the migrant labourers, the loss of jobs, the wage cheapening, the howling from the poor state of healthcare system, the negative growth of the national economy and so on. India's GDP which has been on a constant downward slope since 2017,[viii,79] has registered a *-23.9%* drop in the Q1 of 2020.[80] However, the second wave of COVID-19 has battered the Indian economy to a great extent. On May 31, 2021, the Indian Government released the data for GDP that during the financial year 2020-21, GDP contracted by 7.3%.[81] It should be mentioned here that it is the most severe contraction in India's GDP since its independence. Now when the country is hit by the third wave, the growth scenario for the financial year of 2021-22 would again suffer an adverse impact.[82] The UN World Economic Situation and Prospects 2022 predicts India's GDP to grow at 6.5% in the fiscal year 2022.[83]

As the economic crisis following the COVID-19 pandemic occurred, one thing became clear that to depend on a single global and regional supply chain is actually a risk to the entire world economy. The slump in manufacturing in China, the single most important supply chain in the global economy only demonstrated the risk. This offers an opportunity to India to project itself as an alternative supply chain especially to Southeast Asia and Asia-Pacific where India has a significance presence in terms of foreign relations. This would in turn also help the Indian economy to get back into shape. For this, the current Indian government needs to give a much required push to the Indian manufacturers. The Indian

Prime Minister has already declared a figure of Rs 20 lakh crore stimulus package as a mix of fiscal support, monetary support, ease of doing business process[ix,84] and some fundamental reforms to the country's economic policy.[85] India needs to win back the trust from foreign investors. To recover from the pandemic slump, the Indian economy needs a constant flow of capital which is to be ensured primarily by the government.

India should make use of platforms like regional and sub-regional institutions to strengthen country to country relations and harvest economic gains from it. Regional institution like ASEAN and Sub-regional institutions like BCIM, BIMSTEC provide India with a platform for engaging with the countries in South and Southeast Asia. In this context, it can be said that in the post-COVID 19 situation India must take initiatives to revive SAARC, since it is pertinent to ease out the mutual mistrust that India has with many of its South Asian neighbours. Regarding the Quadrilateral Security Dialogue (QUAD),[86] an initiative to facilitate conversation and cooperation between the U.S., Japan, Australia and India, in the context of China's rise, Japan and India share a similar vision of inclusivity and regional engagement. The emerging scenario in the post-COVID 19 also makes it an unavoidable necessity to rethink on India's position on RCEP[x], since this presents India with a foray into the Asia-Pacific, a region where China already has a significant presence.

It should be noted here that India will host the G20 Summit in 2022. As the host, India would be in a position to set the agenda of the summit and would have the opportunity to give a renewed call for reforms of WTO and UN Security Council, thus, could garner support for its enhanced role in the current international order. By rallying together with like-minded states India might be able to do so in a post-pandemic world. For that India should go regional before it goes global.

During his Independence day speech in August 15, 2020, Prime Minister Modi declared the new Indian objective of "*Atmanirbhar Bharat*" and thus, set the focus on "*Make for India*" from the earlier "Make in India" initiative.[87] The pandemic might have posed challenges to the current international order as never before, however, the same period has also witnessed a consolidated approach from nations, small and big, rich and poor in this order to fight the outbreak of the virus in order to ensure that the process of globalization may run seamlessly. In a globalized world, particularly after the pandemic, the stakes of the participating nation-states are too high to call for an alternative international order right now. India, being a prominent stakeholder in this order, knows it wholeheartedly and so, must strive to mould the prevailing situation in its favour. According to the Trade and Development Report 2020, by UN Conference on Trade and Development (UNCTAD) India's GDP was forecast to reach 3.9% in 2021.[88] Though the resurgence of the virus in April-May, 2021, further adds uncertainty to the growth forecast of the Indian economy. A U.S based rating agency, Moody's Investors Service in their report predicts India's real GDP to grow at 9.6% in 2021 and 7% in 2022.[89] So, the future seems not too disappointing either. All that is required now that the Indian government must take and calibrate some bold, decisive and pragmatic steps to set its priorities straight. In a positive turn of event with an objective to boost a long term growth within the Indian economy, the outlay for capital expenditure[xi,90] in the Union Budget 2022 is stepped up sharply by 35.4% from 5.54 lakh crore rupees in the current year to 7.50 lakh crore rupees in 2022-23.[91] This has increased to more than 2.2 times the expenditure of 2019-20.[92] A thrust on capital expenditure is a timely requirement as it would have a suitable impact on generating employment in a post-Covid 19 era.[93]

The Indian Government has administered more than One Billion doses of vaccines to its citizens living in the States and Union Territories by November, 2021.[94] In addition to protecting its own population, India has also acted responsibly in the world's best interest by providing medical supplies and equipment to more than 150 countries across the globe and thus, placing a critical supply of the COVID-19 vaccines while ensuring equitable access around the world.[95] According to the Indian Economic Survey 2021, the domestic market is expected to grow three times in the next decade. India's domestic pharmaceutical market is estimated at US$ 42 billion in 2021 and likely to reach US$ 65 billion by 2024 and further expand to reach US$ 120-130 billion by 2030.[96] India is the world's largest supplier of generic medications, accounting for 20% of the worldwide supply by volume and supplying about 60% of the global vaccination demand.[97] The Indian pharmaceutical sector is worth US$ 42 billion and ranks third in terms of volume and 13th in terms of value worldwide.[98] The pandemic has presented India with a platform banking on which India might strive to establish a supreme position in the global pharmaceutical industry.

During this period while prioritising the infrastructural development planning the Indian government has also announced two ambitious projects-the National Infrastructure Pipeline[xii,99] and National Monetisation Pipeline.[100] This wide-ranging development agenda supports initiatives across multiple sectors including reforms to consolidate multiple and disparate labour laws, drafting of the Insolvency and Bankruptcy Code, and banking reforms.[101]

Any further structural reforms in the Indian economy in the post-pandemic era must aim at equitable and inclusive growth. The pandemic has not only exposed the lack of infra-structural competence and inadequacy of the healthcare system in a developing economy like India, it has also exposed the inequalities that exist in the Indian society and the impact that those inequalities have on the vulnerable sections who are mainly employed in the unorganized sectors in India.

According to an Oxfam report, "Inequality Kills : India Supplement 2022", published in January, 2022, India is among one of the most unequal nations in the world.[102] This report further reveals that when 84% of households in the country suffered a decline in their income in a year marked by tremendous loss of life and livelihoods, the number of Indian billionaires grew from 102 to 142.[103] It also states that just a one percent wealth tax on 98 richest billionaire families in India can finance Ayushman Bharat, the national public health insurance fund of the Government of India for more than seven years.[104] A one percent surcharge on the richest 10% of the Indian population to fund inequality combating measures such as higher investments in school education, universal healthcare, and social security benefits like maternity leaves, paid leaves and pension for all Indians.[105] The stark wealth inequality in India specifies one hard fact that the economic policies rolled in by the Indian government (current and the previous ones) have failed to provide conducive growth to the poor and marginalized in the country.

The economic growth should never aim at attaining GDP growth only. To sustain the growth rate, the government must invest in building social infrastructure and in particular health and education. The pandemic experience has shown that during the crisis it is the public health sectors (government hospitals, government health centres) that delivered the most.[106] Despite of this fact, the Indian government allocated only around 0.34% of GDP in health in the Budget of 2021-22.[107] The pandemic has made it an imperative necessity that the government should spend more on basic healthcare like providing medical treatment, building health infrastructure and so on.

During the pandemic the Indian government has imposed one of the longest closures of education institutions globally. These closures have revealed the inequalities between urban and rural populations, as well as between girls and boys, in adapting to online learning tools.[108] The pandemic has posed challenges to remote learning and teaching in India, as the education institutions have opted for online mode of teaching, the digital divide among the population becomes pervasive. A Study by the A*zim Premji Foundation* showed that almost 60% of school children in India cannot access the online learning opportunities.[109] In pitching literacy rates higher, India's performance is quite poor as compared to its neighbouring countries. India ranks 19th amongst other Asian countries in terms of literacy rates. The World Bank's Learning Poverty indicator also estimates that 55% of 10 year-old children from India are not able to read a basic sentence, compared to 15 % in Sri Lanka and China.[110] Even in terms of female literacy rates, Bangladesh, Nepal and India now almost levelled at an 85% literacy rate despite Bangladesh and Nepal previously lagging behind.[111] The Draft National Education Policy 2019 by the Government of India, acknowledged the severe learning crisis in India.[112] An educated and healthy population is an essential requirement for efficient and speedy development.

The pandemic has also highlighted the importance of social schemes in the process of development. Public Pensions System, Public Distribution System (rationing system), employment project like National Rural Employment Guarantee Programme (NREGA) still continue to provide reliefs to the marginalized sections in the Indian society, hence, more such programmes should be adopted by the government.

The pandemic further highlighted the need of introducing social protection measures under the existing labour laws in India.[113] In terms of employment share the unorganized sector employs 83% of the work force and 17% in the organized sector.[114] There are 92.4% informal workers (with no written contract, paid leave and other benefits) in the economy.[115] There are also 9.8% informal workers in the organized sectors indicating the level of outsourcing.[116] The pandemic has dealt a severe blow to labour protections, particularly in the informal sectors as mentioned earlier. To sustain an economy, a solid workforce is one of the prerequisites. The policy makers should not undermine this simple fact while making policies. The Labour Law Codes must implement social protections for this huge marginalized workforce that exists in the Indian economy.

In order to reap the benefits of economic reform the Indian government must create a condition where the social responsibility of the government is coupled with credible and well planned implementation of the reforms. Furthermore, good governance plays an important role in providing the political legitimacy. The relevancy of this human centric approach of development became obvious in the post-Covid 19 era.

The devastating effect that the pandemic has left on the Indian economy is likely to stay for few more years. In addition, there is no guarantee that any such crisis would not happen in near future. India needs a comprehensive framework to deal with any further crisis. India still has an edge over other developing countries as it has less external debts[117] and has a huge market of its own; both of these factors ought to play decisive roles in the construction of national economy in a post-pandemic period. To move forward, India needs to prioritise economic expansion and sustainability to maintain its trajectory of growth and influence.[118] India must continue with the task of transformation that has been undergoing for the past thirty years in its economy. The pandemic experience has shown that India needs a pro-development policy which at the same time would be pro-people too. For this purpose, the policymakers in India should adopt an economic policy that would not only support a rapid growth, but would also be robust enough to sustain during any such crisis.

Footnotes

i. Strategic Adjustment Loan was granted along with the proposal of numerous reforms beyond public sector layoffs, including reduction of industries reserved for government ownership, selection of other industries in which foreign private businesses were encouraged to participate, reductions of trade restrictions, and a new regulatory and supervisory framework.

ii. These laws are the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020, the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020, and the Essential Commodities (Amendment) Act (ECA), 2020. The farmers feared that the enactment of these laws would dismantle the traditional system of business in farming and in turn would benefit the big corporate houses only.

iii. The focus of 'Make in India' programme is on 25 sectors. These include : automobiles, aviation, chemicals, IT & BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, biotechnology, space, thermal power, roads and highways and electronics systems.

iv. Rajan further opined that the small and medium enterprises might benefit much more from an agency that could certify product quality, or a platform to help them sell receivables, or a state portal that would create marketing websites for them, than from subsidized credit. However, the strategy should be developed, by creating tariff barriers, so that it does not end up reducing domestic competition, making producers inefficient and increasing costs to consumers.

v. The reform of old labour laws such the Industrial Dispute Act 1947 Under which a factory or enterprise with more than 100 workers must get permission to retrench workers. This encourages companies to think small, not think big.

vi. Prime Minister Modi launched the "Digital India" programme in 2015 with the objective to ensure the Government's services are made available to citizens electronically by improved online infrastructure and by increasing Internet connectivity and by making the country digitally empowered in the field of technology. For details refer to the Indian government's website for Digital India, https://www.mygov.in/group/digital-india/.

vii. Reserve Bank of India (RBI) Report 2016 on branch authorization policy classified 93% of rural centres in the country as unbanked, with the population dependent on roving banking correspondents and on distant urban or semi-urban branches. Access to the internet is equally patchy, with only 3% of households in underdeveloped rural areas reporting access to internet in "The Household Survey on India's Citizen Environment & Consumer Economy" (ICE 360° survey), 2016.

viii. In 2018-19 Indian economy registered a 6.1% GDP growth, whereas, in 2019-20, the Indian economy grew by 4.2% only.

ix. In the Union Budget 2022, the government introduces 'Amrit Kaal', the next phase of Ease of Doing Business 2.0 and Ease of Living. To improve productive efficiency of capital and human resources, the government declares to follow the idea of 'trust-based governance'. Budget 2022-2023.

x. The Regional Comprehensive Economic Partnership (RCEP) was initially conceptualized with aims to create a free trade zone among the ten ASEAN nations and China, India, Japan, South Korea, Australia and New Zealand. Interestingly, India, though a participant in all the negotiations, became reticent about the RCEP initiative largely due to its concerns that such an arrangement would further put India in a trade deficit with China and with other RCEP countries too. Hence, India opted out of the RCEP negotiations in 2019 citing the above mentioned concerns over domestic industry and agriculture. RCEP was finally, signed by the 15 members in November 15, 2020.

xi. Capital expenditure is the money spent by the government on the development of machinery, equipment, building, health facilities, education, etc. It also includes the expenditure incurred on acquiring fixed assets like land and investment by the government that gives profits or dividend in future. However, the government has to be cautious with the expenditure. In the financial year 2019-20, capital expenditure was 14.2 % of Budget Estimates. The government had to cut public spending sharply towards the end of the financial year in order that the deficit target could be met.

xii. The National Infrastructure Pipeline (NIP) for FY 2019-25 is a first-of-its-kind, whole-of-government exercise to provide world-class infrastructure to citizens and improving their quality of life. It aims to improve project preparation and attract investments into infrastructure.

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