International Journal of Research (IJR)

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

COVID-19: Government Financial Reforms for A Sustainable Future

Mrs. G. Naga Laxmi
M Com, MBA
Assistant Professor,
Head, Dept. OF Commerce,
St. Pious X Degree & PG College for Women
ghatti.laxmi@gmaail.com

Abstract

The impact of coronavirus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. Domestically, the impact of the corona virus pandemic COVID-19 led to slowdown in domestic demand. This will result in erosion of purchasing power due to job losses or pay cuts and slow-down effect of deferred demand that may have a longer lasting impact on different sectors, especially where demand is discretionary in nature. Almost all the sectors have been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed. In the early stages of the pandemic, the priority for governments was to get money into the hands of those who needed it urgently – namely citizens and businesses. Unfortunately, it is now clear that COVID-19 is here to stay – and so are its impacts. So the pressure is on, not only to address the ongoing public service delivery issues, but also to work out how, on top of all the existing social problems, the new post COVID-19 'normal' is to be funded sustainably. An attempt is made to analyze the impact of Covid pandemic effecting Indian Economy and the possible solutions for some key sectors. The present study is undertaken to study the impact of COVID-19 and the reforms initiated in various sectors considering the data which are secondary in nature, different appropriate statistical tools and techniques are applied for analysis and conclusion. On the basis of finding recommendations are suggested to overcome these adverse situations.

Keywords: Sectors of Indian Economy, Covid Pandemic, Disruptive Businesses, Government Support

1. Introduction

The economic impact of the COVID-19 pandemic in India has been largely disruptive, shaking its multiple sectors and as a result weakening its GDP Growth. Hence it is an emergency need to infuse financial reforms to revive the shrinking economy.

According to Nomura India Business Resumption Index economic activity fell from 82.9 on 22 March to 44.7 on 26 April. By 13 September 2020 economic activity was nearly back to pre-lockdown. Unemployment rose from 6.7% on 15 March to 26% on 19 April and then back down to pre-lockdown levels by mid-June. During the lockdown, an estimated 140 million (140 million) people lost employment while salaries were cut for many others. More than 45% of households across the nation have reported an income drop as compared to the previous year. The Indian economy was expected to lose over ₹32,000 crore (US$4.2 billion) every day during the first 21-days of complete lockdown, which was declared following the coronavirus outbreak. Under complete lockdown, less than a quarter of India's $2.8 trillion economic movement was functional. Up to 53% of businesses in the country were projected to be significantly affected. Supply chains have been put under stress with the lockdown restrictions in place; initially, there was a lack of clarity in streamlining what an "essential" is and what is not. Those in the informal sectors and daily wage groups have been at the most risk. A large number of farmers around the country who grow perishables also faced uncertainty.

Major companies in India such as Larsen & Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata Motors temporarily suspended or significantly reduced operations. Young startups have been impacted as funding has fallen. Fast-moving consumer goods companies in the country have significantly reduced operations and are focusing on essentials. Stock markets in India posted their worst losses in history on 23 March 2020. However, on 25 March, one day after a complete 21-day lockdown was announced by the Prime Minister, SENSEX and NIFTY posted their biggest gains in 11 years.

The Government of India announced a variety of measures to tackle the situation, from food security and extra funds for healthcare and for the states, to sector related incentives and tax deadline extensions. On 26 March a number of economic relief measures for the poor were announced totaling over ₹170,000 crore (US$23 billion). The next day the Reserve Bank of India also announced a number of measures which would make available ₹374,000 crore (US$50 billion) to the country's financial system. The World Bank and Asian Development Bank approved support to India to tackle the coronavirus pandemic.

The different phases of India's lockdown up to the "first unlock" on 1 June had varying degrees of the opening of the economy. On 17 April, the RBI Governor announced more measures to counter the economic impact of the pandemic including ₹50,000 crore (US$6.6 billion) special finance to NABARD, SIDBI, and NHB. On 18 April, to protect Indian companies during the pandemic, the government changed India's foreign direct investment policy. The Department of Military Affairs put on hold all capital acquisitions for the beginning of the financial year. The Chief of Defence Staff has announced that India should minimize costly defence imports and give a chance to domestic production; also making sure not to "misrepresent operational requirements".

On 12thMay, 2020 the Prime Minister announced an overall economic stimulus package worth ₹20 lakh crore (US$270 billion). Two days later the Cabinet cleared a number of

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

proposals in the economic package including a free food grains package. In December 2020, a Right to Information petition revealed that less than 10% of this stimulus had been actually disbursed. By July 2020, a number of economic indicators showed signs of rebound and recovery. On 12 October and 12 November, the government announced two more economic stimulus package, bringing the total economic stimulus to ₹29.87 lakh crore (US$400 billion).

Increased confidence in technology, technical performance, and online payment sectors are causing a change in consumer behaviour, away from traditional methods. This forces us to adapt to new trends, such as working from home, and move towards a future that could be free of brick-and-mortar offices at large. There will be a long-term decrease in business travel due to the emergence of video-conferencing tools, with High Net worth Individuals preferring to travel via private jet as opposed to first-class air travel. Governments, business leaders, and companies will allocate more budgets for investing in healthcare and healthcare products after discovering the gaps in the global system while fighting the coronavirus. More tech start-ups will emerge with creative applications.

2. RESEARCH METHODOLOGY

For this study mostly secondary data is used. The secondary data are collected from different sources such as internet, books, articles & public investigations.

3. OBJECTIVES OF THE STUDY

The following are the objectives:

- To understand the impact of pandemic on various sectors of India Economy
- To study the Financial Reforms initiated by the Indian Government
- To suggest strategies to be adopted to heal the disruptive Indian Economy

4. ANALYSIS AND INTERPRETATION

4.1. Impact of COVID-19 pandemic on the Indian Economy

India's GDP growth for the current financial year is expected to tumble to 4.3 per cent in Q4. The COVID-19 pandemic will impact in significant adverse economic crash globally. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the coronavirus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

The World Bank and rating agencies had initially revised India's growth for FY2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However, after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signalling a deep recession. (The ratings of over 30 countries have been downgraded during this period.) On 26May, CRISIL announced that this will perhaps be India's worst recession since independence. State Bank of India research estimates a contraction of over 40% in the GDP in Q1. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. On 1 September 2020, the Ministry of Statistics released the GDP figures for Q1 (April to June) FY21, which showed a contraction of 24% as compared to the same period the year before.

From April to June 2020, India's GDP dropped by a massive 24.4%. According to the latest national income estimates, in the second quarter of the 2020-'21 financial year (July-September 2020), the economy contracted by a further 7.4%, with the third and fourth quarters (October 2020-March 2021) seeing only a weak recovery, with GDP rising 0.5% and 1.6%, respectively. This means that overall rate of contraction in India was (in real terms, adjusted for inflation) 7.3% for the whole 2020-'21 financial year.

Worst ever economic performance

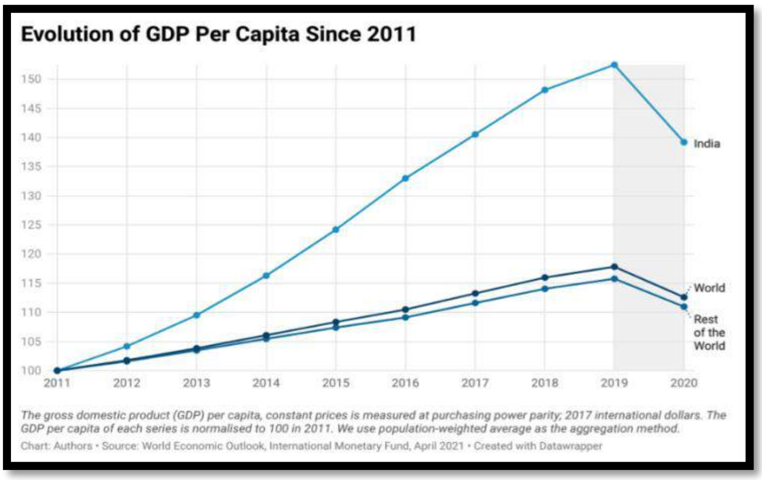
In the post-Independence period, India's national income has declined only four times before 2020 – in 1958, 1966, 1973 and 1980 – with the largest drop being in 1980 (5.2%). This means that 2020-'21 is the worst year in terms of economic contraction in the country's history and much worse than the overall contraction in the world (Figure 1). The contraction is solely responsible for reversing the trend of global inequality, which has now started to rise after three decades (Deaton, 2021; Ferreira, 2021).

Year → / Quarter ↓	2015-16	2016-17	2017-18	2018-19	2019-20
Q1	7.5%	7.2%	5.9%	7.7%	5.0%
Q2	7.6%	7.4%	6.6%	6.9%	4.5%
Q3	7.3%	7.0%	7.3%	6.3%	4.7%

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

Q4	7.9%	6.1%	7.9%	5.7%	

Figure 1: Economic Contraction in India and the World during Covid-19



India GDP Trend

Sources: Ministry of statistics and Programme Implementation (MoSPI)

Macroeconomic Indicators

While economies worldwide have been hit hard, India has suffered one of the largest contractions. During the 2020-'21 financial year, the rate of decline in GDP for the world was 3.3% and 2.2% for emerging market and developing economies.

Comparing India's unemployment rate in 2020 with other countries, India has performed relatively poorly – both in terms of the world average and compared with a set of reference group economies (with similar per capita incomes to India's). Unemployment rates were more muted within the reference group economies and were also kept low by generous labour market policies to keep people in work.

Despite the scale of the pandemic, additional budgetary allocation to various social safety measures has been relatively low in India compared with other countries. Although India might look comparable to the reference group in non-health sector measures, the additional health sector fiscal measures are less than half those in the reference group. More worryingly, the Indian government's announced allocation in the 2021 budget for such measures does not show an increase, once inflation is taken into account.

Summary of key macroeconomic indicators

	India	Reference group	World
GDP at constant prices 2019 (% change)	4.0%	3.6%	2.8%
GDP at constant prices 2020 (% change)	-7.3%	-2.2%	-3.3%
Unemployment rate 2019 (% of total labour force)	5.3%	5.5%	5.4%
Unemployment rate 2020 (% of total labour force)	7.1%	6.4%	6.5%
Above-the-line additional health sector fiscal measures in response to Covid-19 (% of GDP)	0.4%	0.9%	1.2%
Above-the-line additional non-health sector fiscal measures in response to Covid-19 (% of GDP)	3.0%	2.8%	7.8%

Source: Data on gross domestic product, constant prices (percentage change) is obtained from the World Economic Outlook Database April 2021

Income, Consumption, Poverty and Unemployment

While the macroeconomic statistics provide a snapshot of India's economic position, they hide the large and unequal impacts on households and workers within the country. Both wealth and income inequality has been on the rise in India. Estimates suggest that in 2020, the top 1% of the population held 42.5% of the total wealth, while the bottom 50% had only 2.5% of the total wealth. Post-pandemic, the number of poor in India is projected to have more than doubled and the number of people in the middle class to have fallen by a third.

During India's first stringent national lockdown between April and May 2020, individual income dropped by approximately 40%. The bottom decile of households lost three months' worth of income. Microdata from the largest private survey in India, the CMIE's Consumer Pyramids Household Survey or CPHS, shows that per capita consumption spending dropped by more than GDP.

GDP recovery did not follow the bounce back in consumption during periods of reduced social distancing. Mean per capita consumption spending continued to be over 20% lower after the first lockdown (in August 2020 compared to August 2019) and remained 15% lower year-on-year by the end of 2020.

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

Official poverty data are unavailable and the CPHS data come with a caveat of "top" and "bottom exclusions". For example, official statistics show a rural headcount ratio of 35% in 2017-'18. But the CPHS data estimate it at 25%, which suggests exclusions at the lower end of the consumption distribution.

Despite these statistical concerns, CPHS does provide consumption numbers for a large sample of individuals, which can provide insights into changes in consumption levels arising from the pandemic.

Table 2: Percentage of Individuals by Monthly Consumption Expenditure

Monthly Consumption Expenditure	All-India		Urban		Rural	
	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20
Rs 1,000 or below	6.0	9.0	3.0	5.4	7.5	10.9
Rs 1,600 or below	23.5	31.6	14.5	21.7	**27.9**	**37.0**
Rs 2,000 or below	38.3	48.3	25.7	35.7	44.4	55.2
Rs 2,400 or below	52.1	62.6	**37.9**	**49.5**	59.0	69.7
Sample Size	433021	499879	278759	331809	154262	168070
	Aug-19	Aug-20	Aug-19	Aug-20	Aug-19	Aug-20
Rs 1,000 or below	5.0	10.0	2.3	5.5	6.4	12.5
Rs 1,600 or below	21.0	33.6	12.0	22.5	**25.5**	**39.5**
Rs 2,000 or below	34.9	50.3	21.9	37.1	41.3	57.5
Rs 2,400 or below	48.2	64.4	**33.4**	**51.3**	55.5	71.5
Sample Size	570592	477237	362417	321100	208175	156137

Source: Consumer Pyramids Household Survey (CPHS) for December 2019 and December 2020 and for August 2019 and August 2020.

Taking into account the general trend of reduction in poverty, an estimated 230 million people in India have fallen into poverty as a result of the first wave of the pandemic.

Poverty spikes

Households in the middle of the pre-Covid-19 CPHS consumption distribution saw large drops in consumption after the first wave of the pandemic, helping create a new set of people entering poverty. The percentage of poor people in the 2nd lowest quintile of pre-Covid-19 consumption jumped from 32% to 60% within a year.

This was driven largely by rural areas, where the headcount ratio for the 2nd quintile almost doubled. In urban areas, the poverty line is set higher due to greater living costs and 72% of people in the 2nd quintile of the urban income distribution were below this poverty line before the pandemic. Within a year, they were joined in urban poverty by

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

many who earlier had higher incomes before. Fifty percent of people in the 3rd quintile and 29% of people in the 4th quintile fell below the poverty line after the pandemic.

This sharp rise in poverty after the first lockdown is consistent with a variety of surveys that highlighted the depth of the crisis. Year-on-year urban unemployment rate jumped from 8.8% in April to June 2019 to 20.8% in April to June 2020.

Public Health

To avoid another livelihood crisis, India turned to local lockdowns during the second wave of the virus. Before the second wave, India's public health performance (in terms of confirmed cases and confirmed deaths), while not the best, was ahead of several reference group countries. But the second wave has made India's position significantly worse. The total confirmed cases per million now are comparable to those in the rest the world and the rate of vaccination is lower in India.

While death rates seem lower in India, there is massive underreporting. After accounting for the underreporting within official statistics, India's total confirmed cases and deaths might exceed that of the rest of the world by a large margin.

In the conservative scenario, the total confirmed cases per million are about 13 times larger than in the rest of the world and the total confirmed deaths per million are about 85% of that in the rest of the world. In the worst case scenario, India is far behind the rest of the world. There is an important caveat: while the focus of this article is on India, underreporting of Covid-19 cases and deaths is prevalent globally (Institute for Health Metrics and Evaluation, University of Washington, 2021).

4.1.1. Impact of Covid -19 on different Sectors of Indian Economy

Although the majorly affected sectors include travel and tourism, logistics, auto, metals, drugs and pharmaceuticals and retail, among others, education, has completely changed and is impacted too. Understanding the Impact of Covid -19 on different Sectors of Indian Economy:

Education: In India, around 250 million students were affected due to school closures at the onset of lockdown induced by COVID-19. The pandemic posed several challenges in public and private schools which included an expected rise in dropouts, learning losses, and increase in digital divide.

Food & Agriculture: Since agriculture is the backbone of the country and a part of the government announced essential category, the impact is likely to be low on both primary agricultural production and usage of agro-inputs. Several state governments have already allowed free movement of fruits, vegetables, milk etc.

Aviation Sector and Tourism: The contribution of the Aviation Sector and Tourism to our GDP stands at about 2.4% and 9.2% respectively. The Tourism sector served approximately 43 million people in FY 18-19. Aviation and Tourism were the first industries that were hit significantly by the pandemic. These two industries have been dealing with severe cash flow issues since the start of the pandemic and are staring at a potential 38 million lay-offs, which translates to 70 per cent of the total workforce.

Telecom: There has been a significant amount of changes in the telecom sector of India even before the COVID 19 due to brief price wars between the service providers. Most essential services and sectors have continued to run during the pandemic thanks to the implementation of the ‘work from home’ due to restrictions. With over 1 billion connections as of 2019, the telecom sector contributes about 6.5 per cent of GDP and employs almost 4 million people. Increased broadband usage had a direct impact and resulted in pressure on the network. Demand has been increased by about 10%.

Oil & Gas: The Indian Oil & Gas industry is quite significant in the global context – it is the third-largest energy consumer only behind USA and Chine and contributes to 5.2% of the global oil demand. The complete lockdown across the country slowed down the demand of transport fuels as auto & industrial manufacturing declined and goods & passenger movement (both bulk & personal) fell.

Pharmaceuticals: The pharmaceutical industry has been on the rise since the start of the Covid-19 pandemic, especially in India, the largest producer of generic drugs globally. With a market size of $55 billion during the beginning of 2020, it has been surging in India contributing to its exports.

4.2 Financial Reforms initiated by the Indian Government

The Government of India announced a variety of measures to tackle the situation, from food security and extra funds for healthcare and for the states, to sector related incentives and tax deadline extensions.

The different phases of India's lockdown up to the "first unlock" on 1 June had varying degrees of the opening of the economy. On 17 April, the RBI Governor announced more measures to counter the economic impact of the pandemic including ₹50,000 crore (US$6.6 billion) special finance to NABARD, SIDBI, and NHB. On 18 April, to protect Indian companies during the pandemic, the government

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

changed India's foreign direct investment policy. The Department of Military Affairs put on hold all capital acquisitions for the beginning of the financial year. The Chief of Defence Staff has announced that India should minimize costly defence imports and give a chance to domestic production; also making sure not to "misrepresent operational requirements".

On 12thMay, 2020 the Prime Minister announced an overall economic stimulus package worth ₹20 lakh crore (US$270 billion). Two days later the Cabinet cleared a number of proposals in the economic package including a free food grains package. In December 2020, a Right to Information petition revealed that less than 10% of this stimulus had been actually disbursed. By July 2020, a number of economic indicators showed signs of rebound and recovery. On 12 October and 12 November, the government announced two more economic stimulus package, bringing the total economic stimulus to ₹29.87 lakh crore (US$400 billion).

4.2.1. Economic Relief from Pandemic:

- **Loan Guarantee Scheme for Covid Affected Sectors:** Additional credit of Rs 1.1 lakh crore flow to the businesses. This included Rs 50,000 crore for the health sector and Rs 60,000 crore for other sectors, including tourism. The health sector component aimed at scaling medical infrastructure targeting underserved areas. Guarantee Coverage: 50% for expansion & 75% for new projects. For aspirational districts, the guarantee cover of 75% will be available for both new projects and expansion. Maximum loan admissible under the scheme is Rs. 100 crore and guarantee duration is up to 3 years. Emergency Credit Line Guarantee Scheme: Expand this scheme as part of Atmanirbhar Bharat Package in May, 2020, by Rs 1.5 lakh crore.

- **Credit Guarantee Scheme for Micro Finance Institutions:** It is a new scheme which aims to benefit the smallest of the borrowers who are served by the network of Micro Finance Institutions (MFIs). Guarantee will be provided to Scheduled Commercial Banks for loans to new or existing Non-Banking Financial Company (NBFC)-MFIs or MFIs for on lending upto Rs 1.25 lakh to approximately 25 lakh small borrowers.

- **Extension of Aatmanirbhar Bharat Rozgar Yojana (ANBRY):** ANBRY incentivises employers for creation of new employment, restoration of loss of employment through Employees' Provident Fund Organisation (EPFO).

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

- **Pradhan Mantri Garib Kalyan Ann Yojana:** To the beneficiaries under the National Food Security Act (NFSA), 2013, 5 kg of food grains per month free will be provided during May-November 2021.

- **Strengthening Public Health:** New Scheme for Children and Paediatric Care:A new scheme for strengthening public health infrastructure and human resources with outlay of Rs. 23,220 crore was also announced.

- **Growth & Employment:** Free one month tourist visa to 5 lakh tourists. Additional Subsidy for DAP & P&K fertilizers.

- **Climate Resilient Special Traits Varieties**: Indian Council of Agricultural Research (ICAR) has developed bio fortified crop varieties having high nutrients like protein, iron, zinc, vitamin-A. These varieties are tolerant to diseases, insects, pests, drought, salinity, and flooding, early maturing and amenable to mechanical harvesting also developed. 21 such varieties of rice, peas, millet, maize, soyabean, quinoa, buckwheat, winged bean, pigeon pea & sorghum will be dedicated to the nation.

- **Revival of North Eastern Regional Agricultural Marketing Corporation :** A revival package of Rs 77.45 crore to be provided to North Eastern Regional Agricultural Marketing Corporation (NERAMAC).NERAMAC has facilitated registration of 13 Geographical Indicator (GI) crops of North-East. It has prepared a plan to give 10-15% higher price to farmers by-passing middlemen/agents. It also proposes to set up North-Eastern Centre for Organic Cultivation, facilitating equity finance to entrepreneurs.

- **Boost for Project Exports:** It has been decided to provide an additional corpus to the National Export Insurance Account (NEIA) over 5 years. This will enable it to underwrite additional Rs. 33,000 crore of project exports. NEIA Trust promotes Medium and Long Term (MLT) project exports by extending risk covers. It provides cover to buyer's credit, given by EXIM (Export-Import) Bank, to less credit-worthy borrowers and supporting project exporters.

- **Boost to Export Insurance Cover:** Infuse equity in Export Credit Guarantee Corporation (ECGC) over 5 years to boost export insurance cover by Rs. 88,000 crore.

- **Digital India:** Additional Rs. 19,041 crore will be provided to implement Bharat Net in PPP model in 16 States on viability gap funding basis.

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

This will enable expansion and upgradation of Bharat Net to cover all Gram Panchayats and inhabited villages.

- **Extension of PLI Scheme:** Tenure of Production-Linked Incentive (PLI) scheme for Large Scale Electronics Manufacturing has been decided to be extended by one year i.e. till 2025-26.
- **Reform-Based Result-Linked Power Distribution Scheme:** Financial assistance to DISCOMS for infrastructure creation, up-gradation of system, capacity building and process improvement was announced in the Union Budget of 2021-22.

- **New streamlined process for PPP Projects and Asset Monetization:** A new policy will be formulated for appraisal and approval of Public-Private Partnerships (PPP) proposals and monetization of core infrastructure assets, including through Infrastructure Investment Trusts (InvITs).

4.2.2 Significance of the Package

- It would usher in much-needed liquidity and help revive the employment-intensive sectors such as tourism.
- It will help save livelihoods and mitigate further closures and also create new job opportunities.
- It will bolster efforts for any such healthcare challenges in the future.
- It will enable the Covid-affected Sectors to rise from the challenges they had faced over the past year and a half.
- The liquidity for small businesses could indirectly revive the fortunes of larger industries they source from and help repair broken supply chains.

4.3 Vision for the Self-Reliant India

Hon'ble Prime Minister of India, Mr. Narendra Modi assured the global investors at the Virtual Global Investor Roundtable (VGIR), on Thursday, 5th November, 2020 that India will do whatever it takes to make it the engine of global growth resurgence in the post-COVID 19 world.

- **20 lakh crore package to revive the economy**
- Prime Minister Narendra Modi's recent announcement of a 20 lakh crore package to revive the economy would help the movement to create a more self-reliant India. This money will be used in creating more opportunities for employment, new businesses and new startups which in turn will help the economy to get a boost.
- **Ban of Chinese Products**

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

- In most countries of the world, Chinese products have been banned. This has happened as after the pandemic, people all over the world are staying away from Chinese products because of mistrust. Because of this a large market is ready to be replaced with a new market because of which India will emerge as an attractive alternative market, and the Indian economy will start growing exponentially.
- **Make in India Initiative**
- "Make in India" has been the main agenda of the current government for the longest period now. The government's vision of making India a manufacturing hub can become a reality through timely focused efforts, given that global players are looking for options to set up their manufacturing base here.
- **Reforms in various sectors**
- The pandemic has provided us an opportunity to conduct reforms that were waiting to happen for a decade. There has been Infinite Reforms in India across various sectors such as coal, agriculture, labour, defense, civil aviation and so on have been undertaken which will help us get back on the higher growth path than we were on before the crisis.
- **Reforms in Manufacturing sectors**
- There has been a number of reform measures from cutting down corporate tax rate to 15% for new manufacturing units to raising FDI limits for foreign investors and Indian Subsidiaries and allowing private investment in strategic sectors like space, defense and so on.
- These reforms undertaken in the last few months will help increase the growth rate and return in both the manufacturing and agriculture sectors.
- **Strengthen the "safety net" significantly for the most vulnerable**: The government could consider expanding the scale and duration of direct benefits for the poor
- **Enable survival of small and medium businesses**: Provide direct assistance covering 70% of the payroll of small businesses
- **Restart the rural economy**: Increase the maximum support price of critical crops, particularly priority cereals and pulses, and boost the funding and scope of the employment guarantee to all rural districts,
- **Provide targeted assistance to at-risk sectors**: The government should devise sector-specific "rescue and revival packages" structured as five- to eight-year convertible loans for several capital and labor-intensive sectors such as manufacturing, retail, hospitality, healthcare, travel and automotives
- **Launch "Make in India 2.0" to capture global opportunities**: With a focus on export-oriented industries such as pharmaceuticals, electronics, renewables, medical devices, food processing, electricals, precision components, heavy engineering, chemicals and textiles, a renewed push should be made to attract investments and improve the ease of doing business.

- **Build "Modern India"**: We suggest the creation of a USD 1 trillion infrastructure buildout fund to create a modern India across several sectors such as smart cities, urban water supply and distribution, mining, oil and gas, logistics, cold chain and modern freight transport.
- **Accelerate Digital India and innovation**:The government should also catalyze the creation of an "India Cloud", a digital alliance of data centers to host India-specific data locally and launch "Start-up India 2.0" to focus on new areas such as Artificial Intelligence, blockchain-based tracing and quantum computing.
- **Strengthen global investment corridors with the US, UAE, Saudi Arabia, Japan and the UK**: The government could capitalize on growing international efforts to diversify manufacturing bases and global supply chains
- **Debottleneck land and labor**: New laws and codes are needed to structurally reform the land and labor markets, to enable timely acquisition of non-agricultural land for manufacturing and infrastructure, while ensuring adequate compensation for landowners. The government could lay down a roadmap for labor reform
- **Transform banking and financial markets**: We propose the prioritization of banking sector reform through further consolidation and massive recapitalization (including from public equity markets). At the same time, the RBI could play an active role in bridging the financing crisis by expanding open market operations and stepping up "reverse sterilization" to compensate for foreign outflows

5. BEYOND COVID-19: THE NEW NORMAL

There was talk of a trade-off between lives and livelihoods when the Covid-19 crisis erupted last year. As India struggled under the second wave, it is clear that the country did poorly in both dimensions. India's policy response, while high in terms of some aspects of lockdown stringency, was neither effective in dealing with the public health nor economic aspects of the crisis on the most vulnerable section of the population. In view of the scale of disruption caused by the pandemic, it is evident that the current downturn is fundamentally different from recessions. The sudden shrinkage in demand & increased unemployment is going to alter the business landscape. Adopting new principles like 'shift towards localization, cash conservation, supply chain resilience and innovation' will help businesses in treading a new path in this uncertain environment.

Therefore, along with clear and effective communication, broad monetary and fiscal stimuli will be required to be coordinated on an international scale for maximum impact, and, "would be most effective to boost spending in the recovery phase."

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Vol. 9 Issue 03
March 2022

While the nation is fighting hard against Covid and the health risks, the economic packages and the measures in pipeline to revive the economy and the most affected sectors are the hopes that we thrive on to crawl out of this major crisis that we are all in. It is important that we improve the capabilities in order to counter the consequences of unforeseen events. We need quickly restore the profit of business and resumethe original state which was destroyed by the risk. One small virus has devastated the world which is beyond imaginable for mankind. The important learning we have learnt so far is the criticality of overall cost control in business and living our livelihood to the minimum.

Covid-19 is the perfect storm for reforms.

Economically, Covid-19 is a 1991 moment. Reforms are simple to think but difficult to deliver. For this, India needs deeper reforms. A more participatory governance. A more responsible state. A sharper delivery on outcomes-based education and healthcare. A policy incentive system that turns agriculture productive. A better planned more orderly urbanisation. An attitude that looks at private enterprises as temples of future jobs and growth, value and wealth. What we now need is a consolidation such that this urgency stays for good. We need engaging conversations of action between the three pillars of democracy – the Executive, the Legislatures and the Judiciary – that are geared towards listening to the voices of a younger and more aspirational new India and bringing reforms such that the Indian state listens to, facilitates and powers Indians and not incumbents.

Bibliography:

https://reva.edu.in/blogs/impact-of-covid-19-on-indian-economy-few-key-points

https://www.thehinducentre.com/publications/policy-watch/article33219616.ece/binary/WP-2020-013.pdf

https://www.paisabazaar.com/business-loan/coronavirus-impact-on-indian-business-and-economy

https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/covid-19-urgent-government-finance-reforms-essential-sustainable-future