

Ques: "What are the ongoing challenges facing country in its economic revival efforts"? Suggest some measures for the same. (250W) GS-II

Due to this unforeseen COVID-19 pandemic and pandemic-induced lockdown has shown an economic downturn and private investment & demand has also been decelerating. Prior to the pandemic, ^{also} unemployment rate in the country was at 45 yrs high (~6.1%, according to NSSO data) and growth rate of GDP was also declining.

→ Ongoing challenges in Indian economy

① Weak demand:

- People's purchasing power has been eroded due to job loss (as per CMIE, over 15 mn jobs were lost in May 2021)

② Low investment:

- despite of decline in interest rate, investments are not rising because of low profitability expectations and low Business confidence: shown by the survey by FICCI and slipping PMI (Purchasing Managers' Index).

③ Issues in labour market:

- Rising unemployment rate:

According to CMIE, unemployment rate in India, shot up to ~12.1%.

- High informality

Job losses bring out the high informality & vulnerability of labour in India.

→ Ongoing challenges by economic revival efforts

- Supply side measures

- More focus of govt. is on supply side like providing easy loans, but not focusing on the demand side.
- To revive economy, there is a need to revive the aggregate demand in the economy along with easy credit & investment opportunities.

- Medium term policies

- Stimulus packages focus on medium term & not on immediate term.

- Support to ongoing small & loss making businesses

so that loss of jobs can be regulated & sustainability of the business would be ensured.

→ Way forward:

- Agriculture sector: performed relatively better during the pandemic. So need to boost it by schemes like APO promotion, dairy sector promotion ⇒ demand generation, women labour force participation, reduced distress migration.

- Increasing MGNREGS funding & expansion to urban areas.

- Promote labour intensive sectors - leather goods, textiles, jewellery etc.

India is slowly but surely on the path to economic recovery & investment is the way to sustain this growth momentum.