

Research Topic: Bharat (Rural Economy) driving the India's Economic Growth in Covid times

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ABSTRACT

India's economic growth in the first decade of 21st century was backed by favourable growth from all the sectors of the economy. The growth rate was the highest since independence and it seemed that soon India will be touching the double digit growth rate. But the impact of US financial crisis changed the algorithms of the Indian economy. On a similar note in 2019-20 when Indian economy was already struggling with growth, the impact of pandemic made it much worse. However in both these crises the rural economic growth came as a saviour of the Indian economy taking the driver's seat. The Researcher has focused on how key macroeconomic variables were supported by rural economic growth in during the crisis period.

Keywords: Macroeconomic, Financial crisis, Algorithms, Rural economy, Industry

I. INTRODUCTION

The financial crisis in USA impacted almost all the economies of the world. The impact of the crisis depends upon the extent of connection and integration of those economies with the rest of the world. This resulted in deceleration in economic growth across all sectors except mining & quarrying and community, social and personal services. The manufacturing sector contracted due to the combined impact of fall in exports backed by decline in domestic demand. Indian Economy on a similar note faced a challenging task during 2018-19 and 2019-20. Amid protectionism policies of USA and China, US- Iran geopolitical tensions Indian economy also pessimism towards investment. The consumer and investors confidence was very low with financial sector sitting on huge loan defaults which indirectly has an adverse impact on the real sector of the economy. In the mid of all these, the impact of pandemic gave a huge blow to the already struggling economic activities.

The research paper has been divided into various sections. Section I deals with Introduction. Section

II deals with the objectives and research methodology adopted in the research paper. Section III deals with causes and consequences of crises with larger focus on economic variables aftermath.. Section IV finally deals with conclusions and suggestions.

II. OBJECTIVES OF THE STUDY

- To study the Indian Economy and its different macroeconomic variables.
- To study the nature, causes and consequences of the crises faced by India post 2008-09 and especially during current pandemic and its impact on macroeconomic variables.
- To analyze the importance and extent of rural sector growth as a saviour of Indian Economy.

III. RESEARCH METHODOLOGY

The research design suitable for the study is descriptive as it tries to focus in detail the impact of crises on macroeconomic variables. The researcher wants to set up relations as to how rural economy came out as saviour for Indian economy at the times of crises. Besides the researcher knows the research problem, has adequate data available to be analyzed, has clarity about what he wants to measure and has prescribed set of research tools to measure the data. The various macroeconomic variables which drive the rural economy as well as Indian economy have to be analyzed in order to set the relation. Correlation and regression methods have been used as statistical tool in order to set relations between variables.

IV. ECONOMIC CRISES AND MACROECONOMIC VARIABLES AFTERMATH

The crisis in India which started way back in 2008-09 due to external shocks continued affect the economic variables even after that. The adverse impact of this was largely felt on businesses which further affect the lenders with huge bank defaults. In the mid of this the various structural reforms

measures taken by the government in the form of demonetization, GST, labour reforms, new automobile policies continued to hit the already slowing economy. The changing geo politics, US China trade barriers, BREXIT, fluctuating crude oil prices and other protectionism measures by the respective countries continued to hurt the global economy. With all this the sudden wave of Pandemic due to COVID19 shattered the global economy with India being no exception. The already sinking Indian economy could not sustain the impact of locking the economic activities either

by the centre or by the states from time to time. The macroeconomic variables such as industrial index production, unemployment rate, service sector growth and even public sector spending turned red. But the silver lining was seen with normal monsoon rainfall, key agricultural activities, government spending in the form of MGNREGA, PMKISAN, bumper rabi production etc. Thus time and again it has been experienced that rural economy has always come to the rescue of Indian economy at the time of economic crisis.

a) Growth of GVA of Economy and agriculture and allied sectors at constant (2011-12) Basic Prices

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Growth of GVA of economy	6.1	7.2	8	8	6.6	6	3.9	-7.2
Growth of GVA of agriculture and allied sectors	5.6	-0.2	0.6	6.8	5.9	2.4	4	3.4

Source: Data from DAC&FW, Table no.1

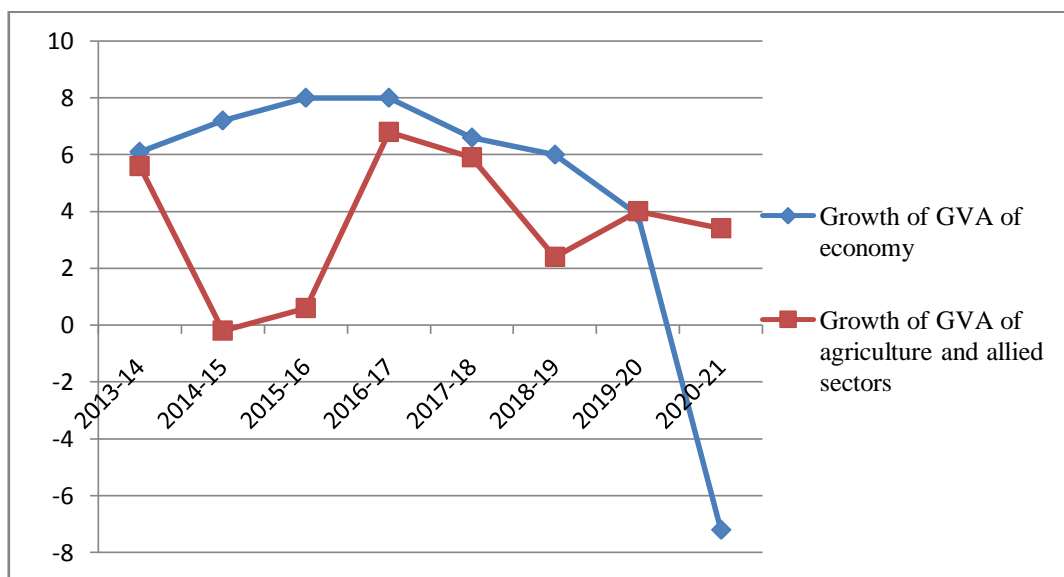


Chart no.1

Interpretation: The above table and figure depicts both the variables growth of GVA of the economy and growth of GVA of agriculture sectors fluctuating over period of time but in 2020-21, it

can be seen that while the GVA for the entire economy contracted by 7.2%, the agriculture and allied sectors shown a positive growth of 3.2% driving the Indian economy.

b) Share of components of GVA (Gross Value Added)

%	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Agriculture	18	18	18	18	17	18	20
Industry	30	30	29	29	29	27	26

Services	52	52	53	53	54	55	54
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Source: NSO Table no. 2

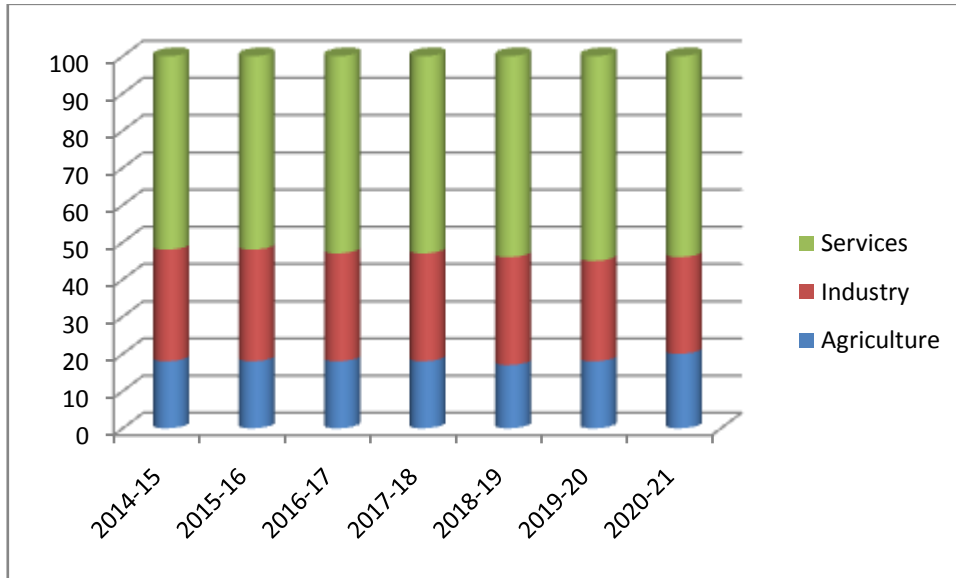


Chart no.2

Interpretation: The above table and figure shows contribution of different sectors i.e. agriculture, industry and services to the GVA of the country remain constant during the period of study but in

2020-21, the share of agriculture to the overall GVA increased and is the highest during the period of study.

c) MNREGA Expenditures

MNREGA	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (cr.)	38552.6	36025	44002	58062.9	63649.4	69618.5	68044.8	111000

Source: Ministry of Rural Dev.

Table no.3

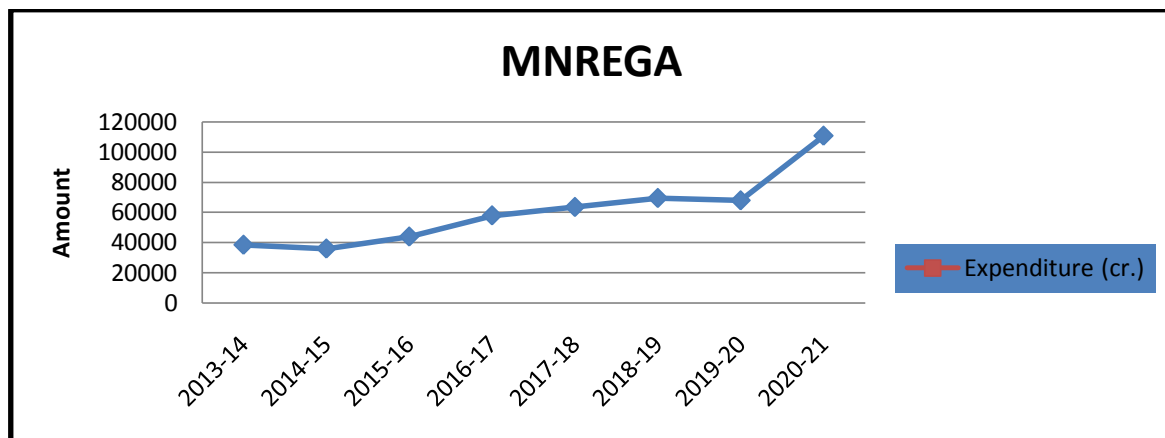


Chart no.3

Interpretation: The above figure and table shows an increase in MNREGA expenditure. In 2020-21,

the overall expenditure increased to a larger extent not only to support rural population but also to

support the migrant labours returning to their respective villages. This has increased the rural income increasing the rural demand. Thus the

increase in rural demand has positively influence the economic growth.

d) Expenditure of GOI in various schemes during covid in order to boost rural demand

Schemes	PM KISAN	PM Gram Sadak Yojana	Blue Revolution	Jal Jeevan Mission	Green revolution	PM Kisan Sampada Yojana	PM Matasya Sampada Yojana
Amount	65000 cr	13706 cr	710 cr	11000 cr	10474 cr	750 cr	20050 cr

Table no. 4

Interpretation: The above table suggests how increased government spending in various schemes have helped rural economy in creating large incomes to the rural population. These amount of spending in the rural economy will definitely boost the rural demand influencing the economic growth.

V. CONCLUSIONS AND SUGGESTIONS

Rural demand has always remained decent empowered by the government's thrust on the rural economy and infrastructure in previous years, through a bouquet of reforms for both farm and non-farm sectors. In the last few years, these efforts have been further boosted by extending rural roads to smaller villages, rural housing and sanitation, provision of basic amenities under various Government Schemes and creation of durable assets through MGNREGS.

These measures have been reinforced by rural digitalisation and financial inclusion drives such as Jan Dhan Yojana, Atal pension Yojana, which also aided in smooth implementation of demand push measures during COVID-19. Initiatives to spur skill development, entrepreneurship, Self Help Groups and livelihoods have further empowered the rural economy to combat the COVID-19 induced vagaries. The important steps such as PM-KISAN, adoption of cost plus 50 per cent formula for MSP for different crops, focus on irrigation via PM Krishi Sinchai Yojana, micro-irrigation scheme, promoting economies of scale through FPOs, and institutionalizing e-NAM (Electronic national agricultural market), and promotion of agricultural mechanization through subsidies and custom hiring centres, have contributed to nourishing a vibrant agricultural sector, which remains a silver lining to India's growth story of FY 2020-21. The much needed farm reforms has further supported the agriculture sector. Besides various schemes in agriculture and allied sectors such as Agriculture Infrastructure fund, Animal husbandry infrastructure development fund, Pradhan mantra Matasya Sampada Yojana will act as booster in stimulating rural demand.

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