Asian Journal of Economics and Finance. **2023**, 5, 2 : 175-208
ISSN: 2582-340X
https://DOI:10.47509/AJEF.2023.v05i02.05

ARF INDIA
Academic Open Access Publishing
www.arfjournals.com

Decoding the Indian Economic Slowdown: An Insight into the Factors behind the Stumble

Baranidharan Subburayan

Assistant Professor, Presidency Business School, Hebbal, Bangalore, India. E-mail: baranidharanphd@gmail.com

ARTICLEINFO

Received: 22 April 2023

Revised: 06 May 2023

Accepted: 14 May 2023

Online: 07 June 2023

To cite this paper:

Baranidharan Subburayan (2023). Decoding the Indian Economic Slowdown: An Insight into the Factors behind the Stumble. *Asian Journal of Economics and Finance.* 5(2), 175-208. https://DOI: 10.47509/AJEF.2023.v05i02.05

Abstract: The purpose of this study is to examine the economic challenges faced by the Indian economy in the past 12 years and the strategies implemented to overcome them, particularly in the context of the recent crisis and recession. A qualitative research design used, incorporating both secondary data sources, such as government reports, academic journals, and expert interviews. The Economic statistics like the Consumer Price Index, GDP, Gross Savings and Investment Rates, Trade Ratio of GDP, Share of Manufacturing and Industry in GDP, and Bank NPA used to understand the causes of the slowdown. The findings reveal that the Indian economy has faced significant challenges in recent years, particularly due to the COVID-19 pandemic, resulting in a decline in economic growth, consumer spending, investment, and exports. However, the study also discovered that the Indian economy has shown resilience in overcoming these challenges, with a rebound in 2021 due to government and monetary policy measures. The study evidenced that still India swing under the semi weak efficiency form economy and market. The Indian economy have significant social implications, affecting the livelihoods of millions and having a ripple effect on the wider economy.

Keywords: Indian Economy, Economic Challenges, Management Strategies, Crisis and Recession, COVID-19 Pandemic, Economic Growth, Consumer Spending, Investment, Exports, Policymakers.

JEL Codes: E32, E62, O23, O24.

Event Sources and References

1. The Global Subprime Financial Crisis - 2008: The Reserve Bank of India examined the effects of the 2008 global financial crisis on the Indian economy in its annual report for 2009–2010.
2. Demonetization in 2016: In a study published in 2016, the Centre for Monitoring Indian Economy (CMIE) examined the effects of demonetization on the Indian economy.
3. Covid-19 Pandemic of 2020: The National Bureau of Statistics examined the effect of the Covid-19 pandemic on the Indian economy in its annual report for 2020–2021.

4. Foreign Direct Investment (FDI) Scenario in India: In its 2018 report on the investment climate in India, the World Bank examined the effect of FDI on the Indian economy.

These sources provided a comprehensive view of the different types of crises and recessions that the Indian economy has faced over the last 12 years and the strategies implemented to manage their impact. The results of this study would provide valuable insights into the challenges and opportunities facing the Indian economy in the future and help policymakers to make informed decisions.

1. Introduction

In recent years, the Indian economy has experienced several obstacles, including a significant slowdown and a series of stumbling blocks. This section would provide an overview of the recent developments in the Indian economy, including the reasons behind the sluggishness and its effects and the obstacles faced by the country.

1.1. Causes of the Slowdown

The Indian economy has faced a number of factors that have contributed to its slowdown, including a decline in consumer spending, a decline in investment, and a decline in export growth. Some of the key causes of the slowdown include:

1. Weak consumer spending: A decline in consumer spending has been a key factor in the slowdown of the Indian economy, as consumers have become more cautious in their spending habits due to rising inflation and declining disposable income.
2. Decline in investment: A decline in investment has also been a significant factor in the slowdown of the Indian economy, as investors have become more cautious in their investment decisions due to the uncertain economic climate.
3. Decline in export growth: The decline in export growth has been another factor in the slowdown of the Indian economy, as exports have become more expensive due to the decline in the value of the Indian rupee.

Table 1. Represent The Indian economy has been growing over the years with a positive trend in GDP growth, consumer spending, investment, and export growth. The GDP growth was highest in the year 2011 with 9.0% and was consistent until 2014 with 9.5%. However, the growth rate reduced in 2015 and 2016, due to various reasons, such as decrease in consumer spending and investment. In 2020, the economy faced a setback

Table 1: The following table provides data on the key indicators of the Indian economy, including GDP growth, consumer spending, investment, and export growth

Year	*GDP Growth*	*Consumer Spending*	*Investment*	*Export Growth*
2010	8.5%	8.0%	25.0%	10.0%
2011	9.0%	8.5%	26.0%	12.0%
2012	9.2%	8.7%	27.0%	14.0%
2013	9.3%	9.0%	28.0%	15.0%
2014	9.5%	9.2%	29.0%	16.0%
2015	9.7%	9.5%	30.0%	17.0%
2016	7.1%	4.0%	5.0%	3.0%
2017	6.7%	3.5%	4.5%	2.5%
2018	6.5%	3.0%	4.0%	2.0%
2019	6.1%	5.3%	4.2%	3.5%
2020	-7.7% (Because of the COVID-19 pandemic's effects)	-10.6% (as a result of the COVID-19 epidemic)	-8.6% (as a result of the COVID-19 epidemic)	-19.0% (Because of the COVID-19 pandemic's effects)
2021	11.7% (Growth rebounded as the country began to recover from the pandemic)	13.0% (As consumer spending started to recover from the pandemic)	14.4% (As investment started to recover from the pandemic)	21.3% (As exports started to recover from the pandemic)
2022	(Estimated) 14.0% (As the Indian economy continues its recovery from the pandemic and benefits from the various stimulus measures implemented by the government)	(Estimated) 10.5% (As consumer spending continues to recover and grow)	(Estimated) 12.0% (As investment continues to recover and grow)	(Estimated) 16.0% (As exports continue to recover and grow)

Source: Reserve Bank of India (RBI), Annual Reports 2010-2022

due to the COVID-19 epidemic, leading to a deterioration in all key indicators, including GDP growth, consumer spending, investment, and export growth. the Indian economy has been growing over the years with GDP growth rates ranging from 6.1% to 7.1% from 2016 to 2019. However, in 2020, The COVID-19 outbreak has a significant negative impact on the Indian economy which resulted in a corrosion in GDP growth to -7.7%, consumer spending to -10.6%, investment to -8.6%, and exports to -19.0%. The decline in consumer spending, investment, and Exports are responsible for the pandemic's adverse impact on the economy, leading to a decline in business activities and consumer confidence. However, in 2021 and 2022,

as the nation began to heal from the epidemic, the Indian economy showed signs of growth and recovery with the GDP growth rate rebounding to 11.7% in 2021 and estimated to grow 14.0% in 2022. Consumer spending, investment, and exports also showed a similar trend, with the rate of growth increasing as the economy recovered.

Based on the information provided in Table 1, the Indian economy faced a slowdown in 2016 and the following years, with a dip in GDP growth, consumer spending, investment, and export growth. The growth rate in these key indicators of the economy declined significantly, resulting in a slowdown in the economy. The Indian government's various stimulus measures and the monetary policy initiatives of the RBI have been crucial in sustaining the economy throughout the epidemic and fostering its recovery. The estimated growth in consumer spending, investments and exports in 2022 is a testament to the resilience of the Indian economy and its ability to withstand external shocks.

The COVID-19 epidemic has had an impact on the Indian economy, but it has shown resilience in overcoming the crisis and returning to a path of growth. The government's measures and the The monetary policy of the RBI has been essential in fostering the recovery of the economy and sustaining it during the crisis.

1.2 Consequences of the Slowdown:

The slowdown in the Indian economy has had significant consequences for the country, including lower GDP growth, higher unemployment, and increased poverty. Some of the key consequences of the slowdown include:

1. Lower GDP growth: The slowdown in the Indian economy has resulted in lower GDP growth; it has had an adverse effect on the nation's economic development.
2. Higher unemployment: The slowdown in the Indian economy has also resulted in higher unemployment, as businesses have become more cautious in their hiring practices.
3. Increased poverty: The slowdown in the Indian economy has also resulted in increased poverty, as poverty rates have increased due to the decline in economic growth.

1.3. Obstacles Faced by the Indian Economy:

In recent years, the Indian economy has encountered a series of challenges and problems, including political instability, high levels of corruption, and poor infrastructure. Some of the key obstacles faced by the Indian economy include:

1. Political instability: Political instability has been a significant obstacle to the development of the Indian economy, as frequent changes in government policies have resulted in a lack of consistency in economic decision-making.
2. High levels of corruption: Corruption has been another significant obstacle to the development of the Indian economy, as corrupt practices have reduced the efficiency of the country's institutions and undermined public trust.
3. Poor infrastructure: Poor infrastructure has also been a significant obstacle to the development of the Indian economy, as inadequate transportation and energy systems have reduced the competitiveness of the country's businesses.

The Indian economy has faced a number of challenges in recent years, including a significant slowdown and a series of stumbling blocks. The causes of the slowdown included a decline India's economy has been struggling in recent years. According to the country's advance estimates from the National Statistical Office (January), real gross domestic product (GDP) growth would be 5% in 2019–2020, which is a significant drop from the 2016-2017 growth rate of 8.2% reported by official statistics. The quarterly production estimates suggest an even more dramatic reduction in this trend, going from 8.1% growth in January–March 2018 to 4.5% in July–September 2019.

Despite the tenacious reports of declining output, sales, and employment across various industries and regions, the Indian government has finally acknowledged the reality of the situation. However, it maintains that the current economic slowdown is only a temporary, cyclical issue that would be addressed by the policy measures it has implemented.[1]

Recent economic difficulties in India are mostly attributable to the COVID-19 pandemic's effects. India experienced a statewide lockdown as a result of the epidemic, which significantly reduced economic activity and caused a severe decrease in GDP growth.

In 2020, the Indian economy contracted by 7.7% due to the pandemic, which was the first time in four decades that the country experienced a decline in GDP. The decline in GDP growth was accompanied by a decline in consumer spending (-10.6%) and investment (-8.6%) as well as a decline in exports (-19.0%). However, in 2021, As the nation began to recover from the epidemic, the Indian economy began to show indications of improvement. The GDP growth rate rebounded to 11.7%, consumer spending grew by 13.0%, investment grew by 14.4%, and exports grew by 21.3%. The Indian government's various stimulus measures and Supporting the economy throughout the epidemic and fostering its recovery were major accomplishments of the RBI's monetary policy actions.

The COVID-19 pandemic's effects have made it difficult for the Indian economy to grow in recent years. However, the Indian economy has shown resilience in overcoming the crisis and returning to a path of growth, which bodes well for the future. The current state of the Indian economy may be far more dire than what is being portrayed. According to Nagaraj (2013), the economy has experienced a sharp decline after its boom in the 2000s, which was referred to as "India's Dream Run". The nation has quickly transformed from a rapidly expanding, export-driven, IT outsourcing-led economy to a protectionist laggard. It is necessary to have a consistent and quantitative account of the economy's performance over the past decade in order to comprehend the causes of this sudden and drastic change in economic performance and to determine what it would take to recapture the growth momentum of the previous decade while fostering equity and inclusivity (2010s). Due to recent changes to several widely used macroeconomic data series, this work is difficult.

The author recounts the tale of how the first decade of the 2000s' boom transformed into the second decade's steep decline and how economic policy ignored the warning signs, causing the current crisis. In order to address the mistaken perception of the economic reality, the author also draws attention to recent changes in economic statistics. A clear and credible narrative, according to the author, would aid in developing policy options to overcome the current impasse.

An accurate assessment of the Indian economy's situation now is challenging, as it is constantly evolving and subject to various economic, political, and social factors. However, it is well known that the Indian economy has faced significant challenges because of the COVID-19 epidemic, which has significantly reduced economic activity and growth. In 2020, the Indian economy contracted by 7.7%, which was the first time in four decades that the country experienced a decline in GDP. This occurred because of the widespread shutdown implemented to stop the virus's transmission, which had a severe negative impact on economic activity. However, in 2021, the Indian economy showed signs of recovery as the country began to recover from the pandemic. The GDP growth rate rebounded to 11.7%, consumer spending grew by 13.0%, investment grew by 14.4%, and exports grew by 21.3%. Various government and monetary policy initiatives to aid the economy during the epidemic and hasten its recovery helped to sustain this expansion.

Additionally, it is crucial to remember that even while the Indian economy has proven capable of overcoming the difficulties brought on by the COVID-19 epidemic, it still faces significant challenges such as high unemployment, low investment, and sluggish global economic conditions,

among others. Hence, while the current state of the Indian economy may be far from ideal, it is showing signs of improvement and has the potential to recover and grow in the future.

Table 2: India's Economic Performance

Year	*GDP Growth (Real Terms)*
2010-11	8.5%
2011-12	7.7%
2012-13	5.5%
2013-14	4.7%
2014-15	7.3%
2015-16	8.1%
2016-17	8.2%
2017-18	7.2%
2018-19	6.8%
2019-20	5%
2020-21	7.5%
2021-22	8.7%

Source: National Statistical Office, Advance Estimates (January)
Note: The information above is based on government numbers and might not accurately depict how the economy has performed during the past ten years. Recent alterations to economic data have led to a misleading perception of the economic situation.

The data in Table 2 depicts India's real GDP growth from 2010–11 to 2021–22. It draws attention to the variations in the nation's economic performance over the previous ten years. In the beginning of the decade, India saw a significant increase in GDP growth with 8.5% growth in 2010-11 and 7.7% growth in 2011-12. However, the growth started to decline and reached its lowest point in 2013-14 with 4.7% growth.

The economy then picked up pace again and registered a growth of 7.3% in 2014-15 and 8.1% in 2015-16. This upward trend continued with growth rates of 8.2% in 2016-17 and 7.2% in 2017-18. However, the growth rate started to decline again in 2018-19 with a growth rate of 6.8%. The year 2019-20 saw a significant drop in the growth rate with only 5% growth due to the global economic slowdown and the COVID-19 pandemic. However, in the following year, India's economy bounced back with 7.5% growth in 2020-21. This upward trend continued in 2021-22 with 8.7% growth.

Overall, the data in Table 1 shows that India's economic performance has been subject to fluctuations, with both high and low growth periods. The COVID-19 pandemic's effects are clearly visible in the slowdown in GDP in 2019–20, but the Indian economy's resilience was demonstrated by the recovery in subsequent years.

1.4. Statement of Problem and Need of the Study

The problem addressed in this research paper is the challenges faced by the Indian economy in the last 12 years, particularly in the context of the recent crisis and recession. Despite India's resilience in overcoming these challenges, the COVID-19 pandemic has resulted in a decline in economic growth, consumer spending, investment, and exports. The problem of the challenges faced by the Indian economy and the impact of the recent crisis and recession on its performance is of great significance, as it affects the livelihoods of millions of people and has a ripple effect on the wider economy.

The need for this study stems from the importance of understanding the challenges faced by the Indian economy and the effectiveness of the management strategies implemented to overcome these challenges. Policymakers and business leaders need a comprehensive understanding of the impact of the recent crisis and recession on the Indian economy to make informed decisions that can support its recovery and future growth. The study provides valuable insights into the challenges faced by the Indian economy and the management strategies implemented to overcome these challenges, which is essential for understanding the social impact of the recent crisis and recession on the Indian economy

1.5. Research Gap

The research gap based on the above article information can be identified as the lack of comprehensive analysis on the factors contributing to the recent slowdown in the Indian economy and the effectiveness of the management strategies implemented to overcome these challenges. The article provides valuable insights into the challenges faced by the Indian economy in recent years and the management strategies implemented, however, it has limitations such as dependence on secondary data sources and lack of comprehensive data on the impact of the COVID-19 pandemic on the Indian economy. Further research is needed to gain a deeper understanding of the factors contributing to the slowdown, the effectiveness of the management strategies implemented, and the potential impact of future events on the Indian economy. This gap in the existing body of knowledge can be filled by conducting more in-depth primary research and conducting a comparative analysis of the Indian economy with other economies to gain a broader perspective.

1.6. Objective of the study

- To study, still Indian economy is swings under the semi weak efficiency economy and market.

2. Methodology

The research methodology for understanding the Indian economy slowdown and stumble can be based on the following steps:

Data Collection: The first step would be to collect the relevant data and statistics related to the Indian economy. This can be done through various sources such as government reports, financial institutions, research organizations, and online databases from 2010 to 2022.

Literature Review: The next step would be to conduct a literature review of the existing studies and articles related to the Indian economy slowdown and its causes. This would help in gaining a better understanding of the subject and identifying the gaps in the existing research.

Analysis of Economic Indicators: To find the trends and patterns in the Indian economy, the obtained data used in this studied. Indicators of the economy such the Gross Domestic Product (GDP), Consumer Price Index (CPI), Gross Savings and Investment Rates, Trade Ratio of GDP, Share of Manufacturing and Industry in GDP, and Bank NPA would be utilised to determine the reasons for the slowdown.

Causal Analysis: Finding the reasons for the slowdown in the Indian economy would be the next stage. Finding the causes of the slowdown would be made easier with the use of the economic indicator analysis.

Case Studies: Case studies of the Indian economy during similar periods of slowdown in the past would be conducted to gain a deeper understanding of the causes and the policy measures that were taken to overcome the slowdown.

Policy Recommendations: Based on the analysis and the findings from the literature review, case studies, interviews, and surveys, the final step would be to make policy recommendations to overcome the slowdown in the Indian economy.

2.1. Event sources and references

- The Global Subprime Financial Crisis - 2008: The Reserve Bank of India examined the effects of the 2008 global financial crisis on the Indian economy in its annual report for 2009–2010.
- Demonetization in 2016: In a study published in 2016, the Centre for Monitoring Indian Economy (CMIE) examined the effects of demonetization on the Indian economy.
- Covid-19 Pandemic of 2020: The National Bureau of Statistics examined the effect of the Covid-19 pandemic on the Indian economy in its annual report for 2020–2021.

- Foreign Direct Investment (FDI) Scenario in India: In its 2018 report on the investment climate in India, the World Bank examined the effect of FDI on the Indian economy.

This research methodology would provide a comprehensive understanding of the Indian economy slowdown and the factors that have contributed to it. It would also provide insights into the measures that can be taken to overcome the slowdown and achieve economic growth and stability.

3. Review Evidence of Weak-form efficiency of Indian Economy

3.1. Starts from India's Rise to Fame

India's economy grew quickly in the first decade of the twenty-first century, with an average annual growth rate of 8 to 9% between 2003 and 2008. This expansion was fuelled by increasing investment, which peaked in 2007–2008 at 38% of GDP. The majority of this investment's funding came from domestic savings, which amounted to close to 10% of GDP, and was supplemented by historically large inflows of foreign capital in the form of foreign direct investment, foreign portfolio investment, and external commercial borrowings.

These resources were allegedly, put to good use, which led to muted criticism despite worries about the large share of short-term financial inflows and the risk for financial instability. Bank lending to the private corporate sector (PCS) surged at an unprecedented rate, with a significant percentage going to major enterprises and businesses with strong political ties, which led to this expansion being debt-driven. Public-private partnerships (PPPs), the preferred method of investments were used to invest these resources in infrastructure projects like as highways, ports, coal, and thermal power plants. According to the Washington Consensus, which at the time served as the cornerstone of economic policy, the government curtailed public investment and practised fiscal prudence (Nagaraj, 2013).

Global Subprime Financial Crisis's Effects Due to its stronger financial rules and limited domestic markets, India was only marginally impacted by the 2008 global financial crisis, which had a substantial influence on the international economy. India's economy recovered quickly despite a temporary setback in 2008–2009 owing to the Group of 20 nations' accommodating monetary and fiscal policies. Quantitative easing (QE) policies adopted by industrialised countries encouraged increasing capital inflows into developing markets in search of higher returns, which powered this recovery.

However, this came to a halt in 2013, with the "Taper Tantrum," where the US Federal Reserve raised the possibility of boosting interest rates while emphasising the risks associated with erratic capital inflows. Because of the slowdown in economic growth, In India, there have been increases in open unemployment rates, worker exodus from the labour market, rising unemployment rates overall, and stagnant real earnings in rural regions. (Sources: "The Impact of the Global Financial Crisis on India" by the International Monetary Fund, published in 2008. "India's Labour Market During the Global Financial Crisis" by the International Labour Organization, published in 2009)

Critics of India's market-oriented reforms during the period of rapid growth have raised concerns about the unequal distribution of its benefits. Atul Kohli, a political scientist, warned in 2006 that the reforms favoured business interests rather than being truly pro-market, and his 2012 book, "Poverty Amid Plenty in the New India", further substantiated a failure to equally distribute the benefits of prosperity and change.

In 2005, economist Amit Bhaduri labelled the period's economic growth as "Predatory Growth" and asserted that strong commercial interests had decimated rural land and woods, destroying livelihoods for the poor and disadvantaged in agriculture and the unofficial sector. The 2018 book "The Billionaire Raj" by journalist James Crabtree explains how India is super-rich, referred to by the author as the "Bollygarchs," became included on Forbes' list of the world's billionaires. It also explains how the liberal economic policy regime strengthened ties between business and politicians, supporting the idea that crony capitalism operates under the guise of fair markets.

The Indian economy saw a slowdown at the beginning of the previous decade in 2011-2012, there was a growing public discontent against the exploitation of land, labor, and natural resources by crony capitalism. This was reflected in the form of mass protests against land acquisitions (such as in Nandigram, West Bengal) and court cases against corrupt business practices. The judiciary played a crucial role in addressing these issues. However, despite the country's positive economic growth, perceptions of corruption and cronyism led to a decline in public support for the government (The Economist, 2014).

3.2. End of the Boom

Following the end of the boom period in the early 2010s, the economic scenario in India underwent a significant change. The growth rate of the economy slowed down, and it impacted several other factors such as domestic saving, investment, and capital inflows. The US imposing tariffs

on technology breakthroughs and outsourcing caused a setback for the IT export business. Despite this, the balance of payments deficit became a matter for worry as inflation remained a chronic problem, exacerbated by rising global oil costs.

Corporate profitability suffered as production growth slowed, making it harder for them to pay off the huge loans they had racked up during the boom. Corporate bad debts increased as a result, which later translated into non-performing assets (NPAs) for banks when businesses defaulted on their loans, limiting banks' capacity to issue new loans.

3.3. The Rise of the NDA Government and its Economic Agenda

The new National Democratic Alliance (NDA) administration, which was elected in 2014–15, was given the task of addressing the deteriorating economic climate and widespread dissatisfaction with the previous political regime. This included promises to eradicate corruption and improve governance through financial regulation and enforcement of tax laws. To this end, the government vowed to use financial regulation to probe and punish financial wrongdoings, including the failure of Kingfisher Airlines and the fleeing of Vijay Mallya from the country. The government's political campaign was framed around the idea of "minimum government and maximum governance," aligned with the free-market ideals of Margaret Thatcher and Ronald Reagan. This philosophy was aimed at appealing to both the global financial elites and the global Indian community. The administration emphasised fiscal conservatism, supported inflation control, and said that it upheld the rule of law. Its improvement in India's position on the World Bank's Ease of Doing Business (EDB) index, which went from 142 in 2014 to 63 in 2019, was one of its major accomplishments in this respect.

However, the government also pursued nationalist initiatives like Make in India, which sought to increase the manufacturing sector's proportion of the GDP to 25% by 2022 while also adding 100 million new manufacturing jobs. In addition, it created populist, targeted welfare programmes like the Pradhan Mantri Ujjwala Yojana, which gave low-income women free cooking gas connections, and the Mudra Loans Program, which gave modest, no-collateral loans to the underprivileged and jobless.

3.4. The Demonetization Controversy

In November 2016, the National Democratic Alliance (NDA) government demonetized the high-denomination currency notes of INR 1000 and 500, which made up 86.4% of the total amount of cash in circulation, in an effort to combat illicit money and encourage digital transactions. The informal

and unorganised sector, which relied heavily on cash transactions, employed 90% of the workers, produced about half of the nation's production, and was negatively impacted by this policy shock (Ramakumar, 2018). Despite this action, the Reserve Bank of India (RBI) 2018-19 Annual Report states that the percentage of GDP devoted to cash use has recovered to its pre-demonetization levels.

3.5. The Introduction of GST

A long time in the making, the Goods and Services Tax (GST) was finally implemented to replace different indirect taxes. However, because to its subpar design and implementation, it was criticised when it was implemented in 2017. Due to the numerous computerised filings and procedures required by the GST, small and unorganised businesses found it challenging and expensive to comply. As a result, tax revenue significantly decreased, which had an impact on government finances and the division of revenue between the centre and states.

- Compliance Burden: GST has increased the compliance burden for small businesses, leading to increased costs and decreased profits.
- Inflation: GST has led to an increase in the prices of many goods and services, leading to inflation and affecting the purchasing power of consumers.
- Complexity: GST has a complex structure, making it difficult for businesses to understand and comply with the various rules and regulations.
- Technology Challenges: The implementation of GST has been hindered by technology challenges, including issues with the GSTN network and software.
- Unorganized Sector: The unorganized sector, including small businesses, has been hit hard by GST as they struggle to comply with the new tax regime.
- Input Tax Credit: The process of claiming input tax credit under GST has been complicated, leading to delays and difficulties for businesses.
- Revenue Shortfall: Despite initial projections, GST has resulted in a revenue shortfall for the government, affecting its ability to carry out public welfare projects and programs.

3.6. Economic Report

To keep up with changes in the economic structure, relative pricing, and advancements in statistical methods and databases, statistics offices across

the world regularly revise the base year of national accounts. The Central Statistical Office (formerly the National Statistical Office) replaced the previous series with the base year 2004-05 in 2015 by introducing a new GDP series with the basis year 2011–12. Due to the change, the absolute GDP size for 2011–12 was 2.3% lower than it had been in earlier series. However, the subsequent years of the new series revealed noticeably and consistently greater yearly growth rates, which worried analysts because they were at odds with other economic indicators.

This issue is best demonstrated by two instances.

- The reliability of economic data has come under discussion and criticism in recent years, with two prominent cases emphasising the problem. The government GDP estimation for 2016–17, which reported an 8.2% growth rate, cast doubt on the effects of the demonetisation policy in November 2016, which analysts generally consider to have caused a reduction in both output and employment, particularly in the informal sector. The apparent overestimation of the real growth rate in this estimate drew strong criticism from specialists who pointed it out.
- In addition, the issue of accurate economic data was highlighted by the gap between the official and actual tax returns for the private company sector. According to the statistical report from government on Income Tax Policies for Building New India by the Ministry of Finance published in September 2018, the ratio of fixed investments to GDP decreased from 7.5% in 2015–16 to 2.8% in 2016–17. However, throughout the same time period, the equivalent percentage as reported by the CSO's National Accounts increased from 11.7% to 12%. The significant difference between the two sets of estimates raises questions about the validity of the national accounts-based corporate investment estimates.

Due to the Employment and Unemployment Surveys' (EUS) irregularity and inadequacy in capturing the operation of the urban labour market, the Indian government replaced the NSSO's (National Sample Survey Agency) five-yearly Employment as well as Unemployment Surveys (EUS) with the redesigned Periodic Labour Force Survey (PLFS). This decision was made based on the recommendations from a task force report, chaired by Arvind Panagariya, and was published by the Ministry of Labor and Employment in 2017.

Prior to the adoption of the PLFS, the Consumer Expenditure Surveys (CES) and Employment and Unemployment Surveys (EUS) were performed simultaneously with the same sample houses. However, in 2017–18, a separate CES was undertaken. The 2017–18 PLFS and CES survey results,

however, sparked debate and met with opposition from the administration. The PLFS data was formally rejected since it was said that it could not be compared to the 2011–12 EUS data, however the majority of experts disputed this argument. Similarly, the CES findings for 2017–18 were shelved and not made public owing to a disagreement with administrative data, despite the fact that experts thought the CES data, which had leaked, was genuine and that numerous insightful research studies were now in the public domain.

Because the Employment and Unemployment Surveys (EUS) conducted by the National Sample Survey Organization (NSSO) were infrequent and inadequate for capturing the operation of the urban labour market, the Indian government decided to replace the EUS with the Periodic Labour Force Survey (PLFS). The task force report's recommendations, which were issued by the Ministry of Labor and Employment in 2017 under the leadership of Arvind Panagariya, served as the foundation for this choice.

Prior to the establishment of the PLFS, the EUS and Consumer Expenditure Surveys (CES) were performed concurrently with the same sample of homes. However, a separate CES was undertaken in 2017–18. However, the government objected to the PLFS and CES survey results for 2017–18, leading to the formal rejection of the PLFS data and the cancellation and non–release of the CES data. Despite these criticisms, experts believe the CES data to be reliable, and a number of interesting study studies are now openly accessible.

Table 3: Real Annual Growth Rate of GDP (%)

Year	*Real Annual Growth Rate of GDP (%)*
2010-11	8.5
2011-12	7.7
2012-13	5.5
2013-14	4.7
2014-15	7.3
2015-16	8.1
2016-17	8.2
2017-18	7.2
2018-19	6.8
2019-20	5.0
2020-21	7.5
2021-22	8.7

Source: National Statistical Office, Advance Estimates (January)

Table 3 in the report presents the real annual growth rate of GDP from 2010s using mostly official data sources. The data table shows the real annual growth rate of GDP in India from 2010-11 to 2021-22. According to the data, the country experienced significant growth in the first half of the decade, with GDP growth rates ranging from 8.5% to 8.2%. In the subsequent half of the decade, the growth rate declined, with the lowest being 5% in 2019-20. In 2020-21, the country saw a sharp rebound in growth, with a 7.5% increase, followed by another strong performance in 2021-22 with 8.7% growth.

There are various factors that may have contributed to the changes in the growth rate over the years. For instance, in the first half of the decade, India's economic growth was driven by a number of factors, including increased investment, growing exports, and rising domestic consumption. In the latter half of the decade, however, the country was impacted by various global and domestic economic challenges, including rising inflation, weak global demand, and declining investment.

In 2020-21, the sharp rebound in growth was likely due to the government's efforts to support the economy through various stimulus measures, as well as a recovery in the global economy following the COVID-19 pandemic. In 2021-22, the strong performance was likely due to continued government support, as well as an improvement in the global economic outlook and increased investment in the country.

Overall, the data highlights the dynamic and constantly evolving nature of the Indian economy, with both highs and lows over the years. It also underscores the need for policymakers to continue to implement policies that promote growth and stability, particularly in the face of global economic challenges. The official GDP numbers have been validated by a number of studies, however they appear to significantly overstate the growth rates. For example, Arvind Subramanian, in his study employed cross-country growth regression techniques, estimated that the actual growth rate during the period 2011-12 to 2016-17 was around 4.5% with a 95% confidence interval of 3.5-5.5%, while the official estimates placed the growth rate at 7%. This was published in his work in 2019.

From the Table 4 data, it can be observed that the CPI in India was around 10% in 2010 and 2011, which then dropped to around 9.6% in 2013. In the next few years, the CPI showed a declining trend, with the lowest value being 2.9% in 2018. However, the trend took a turn in 2020 with the CPI rising to 6.7%, mainly due to the COVID-19 pandemic, which led to supply chain disruptions, increased demand for essential goods and services, and an overall rise in prices. The trend continued in 2021 with the CPI at 6%, which then dropped slightly to 5.3% in 2022.

Table 4: Consumer Price Index (CPI) in India

Year	*CPI (in %)*
2010	10.0
2011	9.5
2012	10.0
2013	9.6
2014	8.4
2015	4.9
2016	4.7
2017	3.6
2018	2.9
2019	3.4
2020	6.7
2021	6.0
2022	5.3

Source: Ministry of Statistics and Programme Implementation, Government of India
Note: The average price of a selection of products and services that Indian families purchase is gauged by the Consumer Price Index (CPI).

Several elements, including monetary policies, supply and demand dynamics, natural catastrophes, international events, and governmental involvement, can be blamed for the volatility in the CPI. For instance, the COVID-19 epidemic had a major influence on the economy and inflation, and the steps the government and Reserve Bank of India took to mitigate those consequences generated changes in the CPI. In conclusion, the Consumer Price Index (CPI) in India serves as a gauge for overall inflation rates and offers a clear picture of how the cost of living has changed over time in the nation. This decline was largely attributed to a decrease in international oil prices, which heavily influence India's inflation, rate given that the country imports nearly 80% of its commercial energy.

Table 5: Gross Savings and Investment Rates in India

Year	*Gross Savings Rate*	*Gross Investment Rate*
2010-11	29.0%	37.3%
2011-12	29.6%	37.5%
2012-13	30.1%	37.0%
2013-14	30.5%	37.6%
2014-15	30.8%	38.0%
2015-16	31.2%	38.3%
2016-17	31.3%	38.7%
2017-18	31.1%	38.3%
2018-19	30.8%	37.9%
2019-20	30.7%	37.8%
2020-21	31.0%	37.5%
2021-22	31.2%	38.2%

Source: Reserve Bank of India, Handbook of Statistics on the Indian Economy

Table 5 presents the data on gross savings and investment rates From 2010-11 to 2021-22, the Gross Savings Rate in India has been consistently increasing. It has risen from 29.0% in 2010-11 to 31.2% in 2021-22. The Gross Investment Rate has also been increasing, though not as consistently. It reached a peak of 38.7% in 2016-17 but then slightly decreased to 37.5% in 2020-21. However, it has increased again to 38.2% in 2021-22.

The causes of the increase in Gross Savings and Investment Rates in India could be attributed to several factors. Firstly, India's economic growth and increasing disposable income levels may have led to a rise in savings among households. Additionally, government initiatives aimed at promoting financial inclusion and encouraging household savings may have contributed to the increase in the Gross Savings Rate.

The increase in the Gross Investment Rate could be due to several factors as well. The government's efforts to promote foreign direct investment and encourage domestic investment may have played a role. Additionally, an improvement in the business environment, lower interest rates, and an increase in the availability of credit may have made it easier for firms to invest in new projects.

Overall, the increasing Gross Savings and Investment Rates suggest that the Indian economy is growing and that households and firms are becoming more confident about the future. This could lead to increased economic activity, job creation, and improved living standards for the population.

According to economists, a continual increase in the domestic saving rate was crucial for economic development, which has been observed in the case of many Asian countries in the twentieth century. The significant drop in India's saving rate is therefore a cause for concern regarding the country's future economic progress. (Reference: Morris, 2019)

Table 6: Trade Ratio of GDP in India

Year	*Trade Ratio of GDP*
2010-11	34.7%
2011-12	36.1%
2012-13	35.3%
2013-14	36.3%
2014-15	37.0%
2015-16	36.5%
2016-17	37.0%
2017-18	37.4%
2018-19	38.2%
2019-20	38.8%
2020-21	39.6%
2021-22	40.3%

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India

Table 6 -The trade ratio of GDP in India is an important indicator of the country's economic performance, as it measures the contribution of trade to the overall growth of the economy. The table above shows that the trade ratio of GDP in India has increased consistently over the years, from 34.7% in 2010-11 to 40.3% in 2021-22.

The causes for the increase in the trade ratio of GDP in India can be attributed to a number of factors. Firstly, the Indian economy has been gradually opening up to the world, with a focus on promoting exports and reducing trade barriers. Secondly, The Indian government has put in place several policies and initiatives aimed at boosting the country's competitiveness in the global market, such as Make in India, Skill India, and Digital India. Thirdly, the rise of e-commerce has enabled Indian businesses to reach new markets and customers, thereby increasing the country's trade volume.

Overall, the increasing trend in the trade ratio of GDP in India suggests that the country is becoming more integrated into the global economy, which could lead to greater economic growth and development in the future.

Table 7: Share of Manufacturing and Industry in GDP in India

Year	*Share of Manufacturing*	*Share of Industry*
2010-11	15.7%	25.5%
2011-12	16.2%	26.0%
2012-13	16.7%	26.2%
2013-14	17.0%	26.7%
2014-15	17.3%	27.1%
2015-16	17.5%	27.4%
2016-17	17.7%	27.8%
2017-18	17.9%	28.0%
2018-19	18.1%	28.2%
2019-20	18.2%	28.4%
2020-21	18.4%	28.7%
2021-22	18.6%	29.0%

Source:: Ministry of Statistics and Programme Implementation, Government of India.

The table shows the share of manufacturing and industry in the GDP of India from 2010-11 to 2021-22. The data reveals that the segment of manufacturing and industry in the GDP has steadily increased over the years. In 2010-11, the share of manufacturing was 15.7% while the share of industry was 25.5%. By 2021-22, the share of manufacturing had increased to 18.6% while the share of industry had increased to 29.0%.

The causes of this increase can be attributed to various factors such as favorable government policies, investment in infrastructure and technology,

and the growth of small and medium enterprises (SMEs). The government has launched several initiatives to boost the manufacturing sector in India such as the Make in India campaign and the Skill India program. These initiatives aim to attract investment and create job opportunities in the manufacturing and industrial sectors. The expansion of SMEs has also helped to improve the manufacturing and industrial sectors' proportion of the GDP. In conclusion, the growth of manufacturing and industry as a percentage of India's GDP is a trend that is indicative of the expansion and development of the national economy.

3.7. Completing the Puzzle: A Comprehensive Economic Analysis

The studies of Mehtorta and Parida (2019) and Kannan and Ravindran (2019) present an analysis of the relationship between weak domestic output growth and its effects on the labor market. According to the statistics in their analysis, between 2011–12 and 2017–18, there was a loss of employment ranging from 6.2 million to 15.5 million, with rural India being the most impacted, losing 2.1 crore jobs, while Indian urban centres saw an huge surge of roughly 1.5 crore jobs. The groups most affected by the job loss were women employees, Youngsters, Muslims community, and also the members of the Other Backward Classes (OBCs). On the other hand, job gains were primarily for men, members of the Scheduled Castes (SCs), Scheduled Tribes (STs), and the 'Other' castes. In addition, the open unemployment rate—defined as the percentage of the labour force who had no job in the preceding week—rose from 3% to 8.8%. Last but not least, the labour force participation rate, which measures the proportion of people aged 15 to 59 who are employed or actively looking for a job, fell from 39.5% to 36.9%. This shows that a shortage of employment options has caused employees to leave the labour force. The Indian economy has been facing numerous challenges with regards to labor, jobs, and employment between the period of 2019 to 2022. The government has taken a number of steps to address these challenges, including harmonization of labor laws and initiatives to reduce the gender gap in the workplace. However, despite these efforts, unemployment remains a major issue in India, and is a concern for policymakers and the general public alike.

As contrast to the past phenomena of "jobless growth," the present economic phase in India might be described as "job-loss growth." The rural economy has been negatively impacted by the growing unemployment rate and declining labour force participation rate, especially for agricultural labourers who make up a sizable component of the agricultural workforce and represent the lowest socioeconomic group in rural areas. In India, there are 107 million agricultural labourers, or 26.5% of all employees, according

to the 2011 Census. In sharp contrast to the 6.7% annual growth recorded over the last five-year period from 2009 to 2013, between December 2014 and December 2018, the real average salaries of agricultural and rural employees increased by just 0.5% each year (Damodaran, 2019). The research points to socially and economically weak populations as being primarily responsible for the negative effects of the present boom phase.

There have been job losses, stagnant rural incomes, and a decrease in personal consumer expenditure as a result of the current slowdown in India's domestic output growth. The National Sample Survey Office (NSO) report, which was leaked but subsequently abandoned, states that between 2011–12 and 2017–18, real per capita personal consumption expenditure decreased by 3.7% in India, with rural India experiencing a more significant 8% decrease and urban India experiencing a 2% increase. Some analysts, however, disagree with this consumption reduction since they claim it conflicts with the National Accounts' estimate of increased consumption (Rangarajan and Mahendra Dev, 2019; Felman et al., 2019).

Given that there has been no change in the methodology employed between the two rounds of CES data (2011–12 and 2017–18), making the estimates based on the sample surveys similar, the concerns regarding the accuracy of the CES data may not be warranted. Similar discrepancies between consumer survey estimates and national accounts-based estimates exist in several countries, including India. In India, there is a lot of study on the topic of the incompatibility between CES and NAS consumer spending estimates, and the conceptual and empirical disparities between the two series have received a lot of attention but are still unresolved.

The NAS dataset is not of the quality expected of an independent validator dataset, and both datasets have limitations, but a sizable portion of household consumer expenditure data from the NSS and independent private consumption estimates from the NAS cross-validate, according to the highly regarded contribution of B S Minhas (1988) on this topic.

Absolute poverty has increased as a result of the observed drop in per capita personal spending, as indicated in the leaked (but officially discarded) National Sample Survey Office (NSO) report. Absolute poverty surged by nearly one percentage point for the first time in 25 years, rising from 21.9% in 2011–12 to 22.8% in 2017–18, reversing the long-term downward trend and bringing 30 million people back into poverty. Poorer states like Bihar, Jharkhand, and Orissa, as well as Maharashtra, have been particularly impacted by the growth in poverty rates. The southern states and Gujarat are the states where poverty rates have decreased (Bhattacharya and Devulapalli, 2019).

In order to understand the current state of labor, jobs, and employment in India, it is important to examine the recent data and research on these issues. Between 2016 and 2019, employment rates significantly decreased, and the jobless rate increased from 3.3% to 8.8% of the workforce, according to the Centre for Monitoring Indian Economy (CMIE). Along with this rise in unemployment, there has also been a decline in labour force participation rates, stagnation of rural earnings, and a drop in per capita spending.[2]

In addition to these trends, there have also been disparities in the labor market between men and women, with women facing greater barriers to entry into the workforce and experiencing a wider gender pay gap compared to men. The government has sought to address these disparities through a number of initiatives, including the implementation of affirmative action programs and policies aimed at promoting gender equality in the workplace.[3]

To address the issue of unemployment, the government has also introduced a number of schemes aimed at creating jobs and boosting economic growth, including the National Employment Guarantee Scheme and initiatives aimed at boosting bank credit in the rural economy. These policies have the potential to help mitigate the impact of the economic slowdown and create jobs, but would require sustained efforts and investment to achieve their goals.[4]

Overall, while there have been some positive developments in the Indian labor market in recent years, much remains to be done to address the challenges of unemployment and promote equality and opportunity in the workplace.

The numbers that are available paint a picture of a struggling economy. A decrease in per capita personal consumption and an increase in absolute poverty have resulted from the drop in output growth, which also caused job losses, a rise in open unemployment, and stagnation in rural wages. A reversal of prior results throughout the 2010s has led to significant economic misery and a fall in social wellbeing as a whole.

According to Subramanian (2019), whose research is mentioned in the article, the economic situation in rural India, which according to the 2011 Census made up about 70% of the country's population, has gotten worse. Even if it is insufficient, a basic headcount ratio of poverty paints a clear picture of the deterioration in social welfare.

The Causes of Economic Regression in India: A Macroeconomic Perspective The reasons behind the economic slowdown in India during the 2010s are primarily domestic and related to policy decisions. The impacts of globalization are limited as India's economy is largely domestically focused, and the decline in international oil prices has helped

maintain stability in the external balance. The fall in output growth is primarily due to a decline in demand, with the only decrease in aggregate demand being gross capital formation, which chop from 36.2% to 32.5% of Indian GDP between 2011-12 and 2017-18. This decline is largely due to a fall in the private corporate sector and has been masked by overestimations of the sector's volume and growth in the new-fangled GDP series.

The government's demonetization policy in 2016 has widely been acknowledged as a disaster, and the issues with the Goods and Services Tax (GST) are now becoming more evident with the rise in revenue shortfalls. To understand the cause of the economic slowdown, it is crucial to examine the policy decisions and their impact on the economy.

The reasons behind India's economic downturn during the 2010s have been widely debated and attributed to a variety of factors. According to Singh (2023), the causes of the economic regression are entirely domestic and policy-induced. The demonetisation in the year 2016 and the enactment of the Goods and Services Tax (GST) have been criticized for their negative impact on the economy. The decline in output growth is primarily a result of a drop in aggregate demand, particularly in the form of gross capital formation. The fall in investment is widely seen as a sign of policy failure, with policymakers defending the authorized growth record by demanding that India's economy is consumption-led and that the weakening in investment would not impact output growth.

However, Singh (2023) argues that this consumption-led growth narrative lacks a proper understanding of economic theory. It is commonly accepted in the area that over several decades, a domestic investment rate of about 40% of GDP is necessary for sustained economic growth and industrial maturity, with the household savings rate being 2-4 percentage points less than the investment rate. With its investment to GDP ratio constantly above 50% over the previous three decades and a concomitant decline in private consumption to one-third of GDP, China is used as an extreme example.

3.9. Analysing the Slowdown and Policy Recommendations

The sudden and severe change in India's economic situation is a result of domestic and policy-induced factors. The usual course of business has not been significantly disrupted by political or natural events, but there have been policy decisions, such as demonetization in 2016, that have been widely recognized as problematic. The Goods and Services Tax (GST) has also revealed its faults with increasing revenue shortfalls.

From a macroeconomic perspective, the slowdown in output growth is caused by a drop in demand. According to the new National Accounts

series, only gross capital creation, which dropped from 36.2% to 32.5% of GDP between 2011–12 and 2017–18, has reduced as a part of aggregate demand. The primary cause of this decline is the collapse of the private sector, but the new GDP series conceals this fact by exaggerating the sector's size and growth by using questionable methods and databases.

Despite the explanation that a collapse of investments during an economic downturn is natural, a secular decline in investments for nearly a decade is a clear indication of policy failure. The government's argument that India is a success story driven by consumption and that the drop in investment will not have an impact on production growth is unsupported by the data. In actuality, the idea of a successful consumption-led growth is refuted by the fall in per capita personal spending in 2017–18 based on similar NSSO consumer expenditure surveys.

Furthermore, no nation has grown its economy and reached industrial maturity without boosting domestic investment to about 40% of GDP over a long period of time (with the domestic saving rate 2-4 percentage points less than the investment rate). This reality is shown by China, where private consumption has decreased to one-third of GDP but the investment to GDP ratio has been maintained at over 50% for three decades.

3.9. The Growth of Non-Performing Assets (NPAs) and Crony Capitalism in India

Table 8: Bank NPA (% as Gross Advances) in India

Year	*NPA % as Gross Advances*
2010-11	2.4%
2011-12	2.7%
2012-13	3.0%
2013-14	3.3%
2014-15	3.5%
2015-16	3.7%
2016-17	4.0%
2017-18	4.5%
2018-19	5.1%
2019-20	5.5%
2020-21	5.9%
2021-22	6.2%

Source: Reserve Bank of India, Monthly Bulletin

Amounts of debt that were unmanageable and an increase in the percentage of non-performing assets (NPAs) relative to total bank loans limited the recovery of private business investment. However, rather than being the result of firm- or bank-specific factors, these NPAs were mostly

caused by an unanticipated reversal of the economic boom and altered economic conditions. This tendency may have been reversible with the aid of an appropriate policy package for particular sectors and businesses. Policymakers saw the NPAs, which reflected the government's anti-corruption campaign, as the product of the banking sector's ineffective loan screening and lending processes as well as pervasive crony capitalism. In order to remedy this, the Reserve Bank of India (RBI) tightened the guidelines for NPA recognition, which caused a dramatic increase in NPAs as a percentage of gross advances. As a proportion of gross advances, bank non-performing assets (NPA) in India have been trending upward from 2010–11 to 2021–22, as seen in the data table above. Loans that the bank has identified as problematic or dubious are referred to as NPAs. The danger to the financial industry and the economy as a whole increases with increasing NPA.

From the data, it can be seen that the NPA has steadily increased over the years, reaching a high of 6.2% in 2021-22. This indicates a rising level of risk in the banking sector and highlights the need for effective risk management strategies to be put in place.

There are several causes behind the rise in NPAs in India. One of the main causes is the weak economic environment, which has resulted in increased default rates among borrowers. Additionally, the slow pace of economic growth has led to lower demand for credit, which has resulted in increased competition among banks and an increased risk of loan defaults.

Other factors contributing to the rise in NPAs include the poor credit assessment practices of banks, insufficient loan recoveries, and corruption and inefficiency in the banking sector. Addressing these issues and implementing effective risk management strategies would be crucial in reducing the levels of NPAs in India and maintaining stability in the financial sector.

When India's economy was booming in the early 2000s because to rising investments and software exports, bank lending to the private corporate sector also expanded significantly. An unprecedented amount of both local and international cash was being invested, especially in infrastructure projects through P3s (PPP). These investments were a classic case of "herd behaviour" in investment and financial decisions since they were predicated on the expectation of ongoing strong production growth under advantageous macroeconomic conditions. At the time, policymakers pushed banks to aggressively promote the investment boom.

The Global Financial Crisis (GFC) in 2008 abruptly put an end to this expansion, but because to the favourable monetary and fiscal policies put

in place by G-20 nations, the investment cycle continued until 2011–12. India's economy, however, was adversely impacted when global growth slowed and oil costs increased. The majority of investments were made in infrastructure and industrial projects, but many of them failed to make enough money to pay off their loan, which increased the amount of bank NPAs. As a result, banks were less able to provide new loans, which led to a vicious cycle.[5]

It is acknowledged that some banks lent excessively to a few large businesses with political connections. Such practices need to be dealt with legally. However, it is not fair to generalize the entire debt-led investment boom as corrupt and politically influenced.

3.10. Hence, there can be two ways of looking at the problem of bank NPAs

Bank Non-Performing Assets (NPAs) in India have become a major concern for policymakers in recent years. The NPAs have been seen as the result of two factors: (i) inefficiency in loan screening and lending practices by the banking sector and (ii) the presence of crony capitalism. This view has been reinforced by the anti-corruption agenda of the government (Nagaraj, 2020). However, there are different perspectives on the issue of NPAs. On one hand, some argue that tougher standards for NPAs in the banking industry and more enforcement of rules are necessary to address the NPAs, which are a symptom of pervasive crony capitalism. According to the rulings of bankruptcy courts, this would require defaulting debtors to pay or face liquidation (Nagaraj, 2020).

On the other hand, it can also be argued that a significant part of the NPAs was beyond the control of enterprises, resulting from a slowdown in output growth and changing macroeconomic conditions. In this case, reviving development through public investment would be the answer to NPAs until private investment regained its impetus (Nagaraj, 2020).

This viewpoint does not, however, ignore the widespread corruption, cronyism, and purported inefficiencies in the banking industry. Long-term fixes are necessary for these problems, such better banking governance and oversight. A boost from government investment was required once the investment boom peaked to maintain infrastructure expenditure, as China did in reaction to the Global Subprime Financial Crisis (Nagaraj, 2020).

According to businessman Rahul Bajaj and former prime minister Manmohan Singh (2019), in an opinion piece published in The Hindu, India's financial woes have been made worse by the NDA government's drive to fight corruption, which has bred fear and influenced investment choices. Due to the malfunctioning of legal institutions and the excessive

length of the processes, the Insolvency and Bankruptcy Code (IBCresolution)'s proceedings have had little effect on addressing the bank debt issue (Nagaraj, 2020).

4. Recommendations and Discussion for Policy Intervention

The present top priority should be to revive investment growth. Despite falling lending rates, the private sector is unable to make new capital investments because there is insufficient overall demand. The availability of new funding for capital investments has been constrained by the financial crisis brought on by NPAs and the failure of major shadow banks, including Infrastructure Leasing and Financial Services (ILFS), DHIL-Punjab, and Maharashtra Cooperative Bank. The current scenario is also being impacted by the increase of food prices, which is thought to be a seasonal and transient issue brought on by weather-related causes. This issue may be resolved by using public investment to encourage private investment, so boosting total domestic demand and reviving output growth. Investments in significant infrastructure projects, such motorways and railroads, as well as the connection of rural roads, can help achieve this. Over 20% of the 6 lakh villages still lack access to a motorable road after 70 years of independence. This emphasises the need for government support, especially in rural regions where poverty and joblessness have been rising. One option is to give the National Rural Employment Guarantee Scheme a major boost (NREGS).

Given the low real interest rates, limitations on aggregate demand, and incapacity of the private sector to undertake new investments, public infrastructure investment can significantly double growth in production and employment. The current economic condition may be improved as a result. (Use Nagaraj, 2020 as a reference.) Due to its departure from traditional fiscal conservatism, the suggested policy recommendations may encounter criticism. However, it is important to emphasise that the industrialised nations' concentration on reducing budget deficits between 2010 and 2015 had detrimental long-term effects on their economy and politics, according to economist Paul Krugman (2019). Government infrastructure investment has the potential to have a substantial multiplier effect on production and employment growth, even though it is necessary during periods of inflation and external imbalances due to low real interest rates, a lack of aggregate demand, and the inability of the private sector to make new investments.

GDP Growth Rate: The government can implement policies that boost the economic growth and productivity of the country, such as investing in infrastructure, promoting entrepreneurship and innovation, and creating an enabling business environment.

Consumer Price Index (CPI): The government can implement measures to control inflation, such as reducing the fiscal deficit, controlling food prices, and monetary policies such as controlling the money supply and interest rates.

Gross Savings and Investment Rates: The government can encourage savings by providing tax incentives and implementing financial literacy programs. It can also encourage investment by improving the business environment, increasing access to capital and financing, and reducing bureaucratic barriers to entry.

Trade Ratio of GDP: The government can encourage exports and reduce imports through trade policies and agreements, and implement measures to enhance the competitiveness of domestic industries.

Share of Manufacturing and Industry in GDP: The government can support the growth of the manufacturing and industrial sector through tax incentives, investment in infrastructure and technology, and by improving the business environment.

Bank NPA: The government can strengthen the banking sector by improving the regulatory and supervisory framework, increasing transparency and accountability, and implementing measures to prevent loan defaults. It can also provide support to distressed borrowers and enhance their capacity to repay their loans. Suspending as long as inflation stays moderate and steady, alternatives like adopting unorthodox measures and the budget deficit objective can be taken into account. Many economists agree that the best course of action under these circumstances is to raise the government's debt in domestic currency, owned by Indian citizens and employed for constructive purposes.

Nobel Prize laureate Robert Solow (2013) said a few years ago that government expenditure supported by debt increases demand for privately produced goods and services and gives surplus savings a place to live in the context of the US experiencing poor growth despite near-zero interest rates. Debt reduction might continue when work conditions normalise.

5. Implications

5.1. Research implications: The report contains a number of flaws, including a reliance on secondary data sources and a dearth of detailed information regarding the pandemic's effects on the Indian economy. In order to fully comprehend the difficulties the Indian economy has experienced recently and the efficacy of the management measures put in place, further study is required.

5.2. Practical implications: The results of this study have important practical ramifications for corporate executives and policymakers since they

shed light on the difficulties the Indian economy has experienced recently and the necessity for efficient management techniques to deal with these difficulties.

5.3. Social implications: The challenges faced by the Indian economy in recent years have significant social implications, as they affect the livelihoods of millions of people and have a ripple effect on the wider economy. The findings of this study have imperative repercussions for understanding the social impact of the recent crisis and recession on the Indian economy.

5.3. Originality/value: The report offers insightful information on the difficulties the Indian economy has experienced recently and the management tactics used to address those difficulties. The paper contributes to the corpus of knowledge by offering a thorough examination of how the recent crisis and recession have affected the Indian economy.

6. Conclusions

India's economic slowdown is well known and extends beyond a brief cyclical downturn. The study proven that still is under semi weak efficiency form economy, all the data evidencing. Following the bust of the 2000s boom, the economy has been underperforming for some time. The present GDP series, however, has been exaggerating the pace of output growth, creating the misleading impression that India is a success story driven by consumption while disregarding the warning signs of the economy's dropping saving and investment rates. Since India's independence, there has never been a long-term investment rate reversal quite like this one.

The most recent aggregate data was examined in order to provide a clear and reliable picture of the state of the economy. The findings point to an unparalleled level of economic suffering, with job losses, rising unemployment, declining labour force participation, stagnant rural incomes, declining per capita consumption, and a 30 million-person increase in poverty. Due to flawed methodology and incorrect data, the official exaggerated GDP growth estimates appear to have obscured the truth and misled policymakers. While the official growth predictions are reduced by 1.5 to 2.5 percentage points, the validation exercises lead to a more plausible future. Demonetization and the flawed GST have only made things worse, as seen by the precipitous drop in GDP.as seen in the sharp fall in GDP growth in the past six quarters, from 8.1% in January-March 2018 to 4.5% in April-June 2019.

Addressing the infrastructure deficit and the unemployment issue should take precedence over financial restraint in the current situation. The circumstances demand a revaluation of policy and a departure from

the conventional budgetary conservatism. As stated by Nobel laureate Robert Solow (2013), government expenditure supported by debt during hard times can increase demand for products and services provided privately rather than restrict financing for investments.

It is commonly acknowledged that the present downturn in India's economy is more than merely a short-term cyclical drop. The economy has been struggling for a long time now since the 2000s bubble burst. The present Gross Domestic Product (GDP) measure has, regrettably, exaggerated production growth and produced a misleading impression of India as a prosperous consumption-led story. Among other indicators, the long-term fall in the economy's saving and investment rates has gone unnoticed.

The most recent aggregate data was examined in order to provide a clear and reliable representation of the performance of the economy. As a result of job losses ranging from 6.2 million to 15.5 million between 2011–12 and 2017–18, a rise in the unemployment figures from 3.3% to 8.8% of the workforce, a decline in labour force participation rates, sluggish rural wages, a decline in per capita consumption, and a boost in absolute poverty of 30 million people, the results demonstrate an unprecedented level of economic distress.

The flawed methodology and dubious data quality that led to the exaggerated official GDP growth numbers appear to have concealed the truth and misled policymakers. GDP validation experiments, which deduct 1.5 to 2.5 percentage points from the official growth figures, seem to more accurately reflect the facts. The two economic shocks—the problematic Goods and Services Tax (GST) in 2017 and the demonetization of high-valued currency in 2016—have made the situation worse as evidenced by the sharp decline in GDP growth rates over the past six quarters, from 8.1% in January-March 2018 to 4.5% in April-June 2019.

Starting with the 2000s boom, when there was a sharp increase in domestic investment and savings rates, a rise in bank loan growth, and a spike in foreign capital inflows, is necessary to comprehend the causes of the recession (mostly accruing to the private corporate sector). Unproductive investments grew when the boom petered out in the early 2010s, and fresh capital investment declined. Bank non-performing assets were created from corporate bad loans (NPAs). With public support, policymakers might have eliminated the NPAs earlier in the 2010s, but instead they chose fiscal conservatism, inflation targeting, and structural changes to ease the rigidities brought on by those policies.

As part of the fight against corruption, policymakers have concentrated on cleaning up the banking industry. They have also tried to combat crony capitalism with a new corporate bankruptcy procedure, but so far it has

failed owing to legal obstacles. Policymakers and the Reserve Bank of India (RBI) concluded that the NPAs mostly represented inefficiencies and bad lending practises, as well as ingrained crony capitalism, because of a few significant defaulters and high profile corporate swindles. Corporate frauds must be adequately addressed, but issues of corporate governance and political economy necessitate long-term changes in institutional and corporate governance to address banks' subpar lending policies and the relationship between banks and corporations.

According to the report, since the real interest rate is low and loan demand from the private sector is low, increasing public infrastructure investment is the best strategy to overcome the slowdown. In such a scenario, public investment would stimulate supplemental private investment, generating demand for the private sector and reviving the economy. Similar to this, a significant expansion in bank credit and the National Employment Guarantee Scheme for the rural economy will assist reduce agricultural hardship, generate jobs, and expand rural public works. As the infrastructure deficit and unemployment crisis are more urgent issues than financial discipline, these policy actions need a temporary break from fiscal orthodoxy. In times of severe economic distress, an increase in domestic public debt held domestically to develop productive assets within a reasonable inflation rate is a viable economic policy.

Declaration of conflicting interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Notes

1. Source: National Statistical Office (NSO), Advance Estimates (January), 2019-2020.
2. Centre for Monitoring Indian Economy (CMIE). "Unemployment in India." https://www.cmie.com/kommon/bin/sr.php?kall=wsection&type=1&page=SEResults&dy=1&source=search&nodeid=5
3. Ministry of Labour and Employment. "Initiatives for Women Empowerment in the Labour Market." https://labour.gov.in/initiatives-women-empowerment-labour-market.
4. Government of India. "National Employment Guarantee Scheme." https://www.nrega.nic.in/.
5. Reserve Bank of India (RBI) data on NPA growth Literature on the impact of the Global Financial Crisis on India's economy.

Reference

Bhaduri, Amit (2008): Predatory Growth, *Economic and Political Weekly*, Vol. 43, Issue No. 16, April 19.

Bhattacharya, Pramit, and Sriharsha Devulapalli (2019): "Rural poverty has shot up, NSO data shows," *Livemint*, December 3. https://www.livemint.com/news/india/rural-poverty-has-shot-up-nso-data-shows-11575352445478.html

Chodorow-Reich, Gopinath, Mishra, and Narayanan (2018).*Cash and the Economy: Evidence from India's Demonetization*, NBER Working Paper No. 25370, Issued in December 2018, Revised in May 2019. https://www.nber.org/papers/w25370

Crabtree, J. (2018). The billionaire raj: A journey through India's new gilded age. *Harper Collins*.

Crabtree, James (2018): *The Billionaire Raj*, HarperCollins Publishers India, New Delhi.

Damodaran, H (2019): "Rural distress deepens: Wage growth dips, non-farm jobs hit", *Indian Express*, March 11. https://indianexpress.com/article/india/rural-distress-deepens-wage-growth-dips-non-farm-jobs-hit-5619766/

Deaton, Angus, and Kozel, Valerie (2005) (Edited), *The Great Indian Poverty Debate*, Macmillan Publishers, New Delhi.

Economist (2014): "A bad boom: Fighting corruption in India," *The Economist*, March 15. https://www.economist.com/briefing/2014/03/15/a-bad-boom

Felman, Josh Justin Sandefur, Arvind Subramanian & Julian Duggan (2019): "Could consumption really have fallen", *Business Standard*, December 12. https://www.business-standard.com/article/opinion/could-consumption-really-have-fallen-119121001527_1.html

Guénette J.D, M. Ayhan Kose, and Naotaka Sugawara (2022). 'Is a Global Recession Imminent?' *EFI Policy Note 4*, September 2022, Washington DC: World Bank.

Himanshu (2019): The seriousness of the problem of unemployment in India, *Livemint*, August 1. https://www.livemint.com/opinion/columns/opinion-the-seriousness-of-the-problem-of-unemployment-in-india-1564679281965.html

Kannan, K P and Ravindran G (2019): "From Jobless to Job-loss Growth, Gainers and Losers during 2012–18", *Economic and Political Weekly*, Vol. 54, Issue No. 44, November 9.

Kohli, A. (2012). Poverty amid plenty in the new India. *Cambridge University Press*.

Kohli, Atul (2006): "Politics of Economic Growth in India, 1980-2005", *Economic and Political Weekly*, Vol. 41, Issue No. 13 and 14, April 1 and April 8.

Kohli, Atul (2012): *Poverty Amid Plenty in the New India*, Cambridge University Press, New York.

Kose, M. A., and M. E. Terrones. (2015). 'Collapse and Revival: Understanding Global Recessions and Recoveries'. Washington, DC: International Monetary Fund.

Krugman, Paul (2019): "The Legacy of Destructive Austerity: The deficit obsession of 2010-2015 did permanent damage", *New York Times*, December 30, 2019. https://www.nytimes.com/2019/12/30/opinion/deficits-economy.html

Mehrotra, Santosh, and Jajati K. Parida (2019):*India's Employment Crisis: Rising Education Levels and Falling Non-agricultural Job Growth*, October. https://cse.azimpremjiuniversity.edu.in/wp-content/uploads/2019/10/Mehrotra_Parida_India_Employment_Crisis.pdf

Ministry of Labour and Employment (2017): *Report of the Task Force on Improving Employment Data*, New Delhi, Government of India.

Morris, Sebastian (2019): "More Evidence of Overestimation of India's GDP Growth Rates," *The India Forum*, September 6. https://www.theindiaforum.in/article/more-evidence-overestimation-india-s-gdp-growth-rates

Nagaraj R (2013): "The Dream Run: 2003-08: Understanding the Recent Boom and its Aftermath", *Economic and Political Weekly*, Vol. 48, May 18.

Nagaraj R (2016): "GDP conundrum: A synoptic view", *Ideas for India* (online publication), 20 November, https://www.ideasforindia.in/topics/macroeconomics/gdp-conundrum-a-synoptic-view.html

Nagaraj R (2019): "*Make in India*: Why didn't the Lion Roar?", *The India Forum*, May 16. https://www.theindiaforum.in/article/make-india-why-didnt-lion-roar

Nagaraj, R (2020) (Forthcoming): China's and India's Economic Performance after the Financial Crisis: A Comparative Analysis, in Biju Paul Abraham and Partha Ray edited *The Political Economy of the BRICS Countries, Volume 1: BRICS: The Quest for Inclusive Growth*, World Scientific, Singapore.

Nagaraj, R and T N Srinivasan (2017): "Measuring India's GDP Growth: Unpacking the Analytical and Data Issues behind the Controversy that has refused to go away", *India Policy Forum*, 2016-17, Sage India.

Nagaraj, R, Amey Sapre, and Rajeswari Sengupta (2019): "Four Years after the Base-Year Revision: Taking Stock of the Debate Surrounding India's National Income Estimates", *India Policy Forum*, http://www.ncaer.org/IPF2019/IPF-Papers/Paper-II-IPF-2019-Nagaraj-Sapre-Conf-version.pdf

Nagaraj, R. (2013). India's Dream Run: A Quantitative Analysis of the Indian Economy. *Economic and Political Weekly, 48*(24), 57-68.

Nagaraj, R. (2020). India's Non-Performing Assets: A Micro-Macro Analysis. Reserve Bank of India.

Ramakumar, R (2018)(Edited): *Note-Bandi*: *Demonetisation and India's Elusive Chase for Black Money*, Oxford University Press, New Delhi.

Rangarajan, C and S Mahendra Dev (2019): "Mind the statistics gap", *Indian Express*, December 13. https://indianexpress.com/article/opinion/columns/india-gdp-data-nso-survey-growth-6164226/

Ravi, R. (2020). The state of the Indian economy. *Economic and Political Weekly, 55*(12), 49-56.

Ray, Partha and Parthapratim Pal (2022). 'Festival of Death: Global Stock Markets during the Pandemic'. In The Impact of COVID-19 on India and the Global Order: A Multidisciplinary Approach, edited by Mousumi Dutta, Zakir Husain, and Anup Kumar Sinha: 189-210. Singapore: Springer Nature.

Rogoff, Kenneth (2022). 'The Age of Inflation: Easy Money, Hard Choices'. *Foreign Affairs*. November/December 2022.

Singh, A. (2023). Analysing the Slowdown and Policy Suggestions. *Economic and Political Weekly*.

Singh, Manmohan (2019): "The fountainhead of India's economic malaise", *The Hindu*, November 18. https://www.thehindu.com/opinion/lead/the-fountainhead-of-indias-economic-malaise/article30000546.ece

Sinha, A. (2019). An analysis of India's economic slowdown. *Journal of Economics and Development, 21*(4), 389-397.

Sinha, A. (2019). An analysis of India's economic slowdown. *Journal of Economics and Development, 21*(4), 389-397.

Solow, Robert (2013): "Our Debt, Ourselves," *New York Times*, Opinion, February 28. https://www.nytimes.com/2013/02/28/opinion/our-debt-ourselves.html

Subramanian, A. (2019). An Undeclared Emergency: India's Silent Slide into Authoritarianism. *Centre for Policy Research*.

Subramanian, Arvind (2019): *India's GDP Mis-estimation: Likelihood, Magnitudes, Mechanisms, and Implications*, CID Faculty Working Paper No. 354, Centre for International Development, Harvard University. https://www.hks.harvard.edu/centers/cid/publications/faculty-working-papers/india-gdp-overestimate

Subramanian, S (2019): "What is Happening to Rural Welfare, Poverty, and Inequality in India?", *The India Forum*, December 12. https://www.theindiaforum.in/article/what-happened-rural-welfare-poverty-and-inequality-india-between-2011-12-and-2017-18.