Onward and upward: redefining India’s growth trajectory post COVID-19

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The trajectory of India’s recovery after the crippling shocks inflicted by the COVID-19 pandemic looks promising. The pandemic damaged all strategic sectors of growth and led to disturbed demands. However, the Indian economy is in recovery mode and likely to bounce back to a real gross domestic product (GDP) growth of 11 per cent during 2021–22 after an estimated 7.7 per cent contraction in the current fiscal year1. The policymakers are inclined to have more room to support the recovery process of the country.

The overall geopolitical landscape after the pandemic has acted as a catalyst for foreign investors to set up businesses in India, as the case for investment diversification across multiple geographies became stronger. Global FDI collapsed in 2020 by 42 per cent to an estimated USD859 billion from USD1.5 trillion in 20192. However, boosted by investments in the digital sector, India witnessed a 13 per cent rise in FDI to USD57 billion in 2020 compared to the previous year3.

The government is playing an enabling role by introducing a liberal FDI policy and various sectoral schemes and structural reforms both at the centre and state levels. An outcome of the government’s effort is that India has moved 14 places to the 63rd position among the 190 nations in the Ease of Doing Business Ranking and Report for 20204.

It is crucial to confront the challenges and capture the opportunities, and this demands an alteration in the investment-development model. In the post-pandemic era, the services sector and the digital industry are expected to remain strong anchors for investments. However, in order to spur India’s industrial growth, the Government of India launched the ‘Aatmanirbhar Bharat Abhiyan’ to aid manufacturing activities, investments and employment. It was one of the largest economic packages announced by any country globally.

Under its Production-Linked Incentives (PLI) Scheme, India has identified 24 key sectors wherein it will devise an action plan to become a global supplier and manufacturing hub. This is meant to help create a conducive manufacturing ecosystem to enable Indian manufacturers to participate in global supply chains, strengthen backward linkages by building capacities of local suppliers and eventually progress up the value chain. India’s share in global exports of manufacturing products is negligible at only 1.9 per cent5 and this initiative is expected to drive export-led growth. The time is ripe to strengthen our international bilateral relations and invite investors to leverage the plethora of incentives on offer. With quality and scale, India can rise to cater to not only the increasing domestic demand but also global requirements.
The COVID-19 crisis has reiterated the importance of startups in fostering creativity, innovation and out-of-the-box thinking. India is now among the top five countries in the world in terms of startups\textsuperscript{6} and their agility and resilience are expected to add value to several businesses in the post-pandemic era. Several factors such as availability of funding, foreign investors, evolving technology space and a burgeoning demand within the domestic market set the Indian startup ecosystem on its path to success.

A combination of policy reforms, initiatives and digitisation should continue to propel the Indian economy onto a higher growth trajectory, despite the devastating experience of the pandemic in 2020. The government has taken credible measures to bolster the startup ecosystem, but much will depend on its on-ground implementation. India’s biggest asset in this path to recovery is its ability to support the cultivation of newer growth centres in the regions that will potentially have a large role to play in defining India’s long-term growth.

\begin{itemize}
\item \textsuperscript{1} India GDP to grow 11 pc in FY’22 aided by V-shaped recovery: Eco Survey, The Economic Times, January 2021
\item \textsuperscript{2} India gets 13 per cent more FDI in 2020; major economies witness opposite trend: UNCTAD, BusinessLine, January 2021
\item \textsuperscript{3} FDI inflows into India jump by 13 per cent to USD57 billion in 2020: UN, Tol, January 2021
\item \textsuperscript{4} India Will Be the Foreign Direct Investment Magnet In the Post COVID-19 World, Entrepreneur India, December 2020
\item \textsuperscript{5} UNCTAD handbook of statistics
\item \textsuperscript{6} Start-up India, Government of India, accessed on 23 February 2020
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