

SANT HIRDARAM GIRLS COLLEGE, BHOPAL
Lake Road Sant Hirdaram Nagar, Bhopal, Madhya Pradesh 462030



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POST-PANDEMIC RAMIFICATION ON MONETARY & FISCAL POLICY IN INDIA

Neha Raghuwanshi

Assistant Professor, Department of Commerce, Sant Hirdaram Girls College, Bhopal

neha.raghu.1220@gmail.com

ABSTRACT:

Global authorities responded to the Covid-19 outbreak with active involvement and support for fiscal and monetary policies. The Indian government is in charge of several complex initiatives aimed at eradicate the impact of the crisis and maintaining the country's financial stability. In order to maintain financial stability, ensure growth, and provide liquidity, the Reserve Bank of India used a variety of traditional and non-conventional instruments. The purpose of the lawsuit was to significantly increase the amount of liquidity in the economy so that financial markets and institutions could continue to function regularly following the disruption caused by the Covid-19 outbreak. This study is focused to analyze step- by-step approach of India's monetary & fiscal policy response to the pandemic due to the unprecedented nature of the crisis and massive uncertainty. Initially, fiscal spending in India was concentrated on giving advantaged to people in-cash and in-kind support. The emphasis now is on promoting investment. The overall goal of the policy response was to strengthen the economy's adaptability and resilience to handle the opportunities and challenges of the post-Covid period.

Keywords: Monetary Policy, Fiscal Policy, Financial Stability, COVID-19 outbreak.

INTRODUCTION:

As the world grappled with the unprecedented challenges posed by the COVID-19 pandemic, India, like many other nations, faced the daunting task of reviving its economy. In the aftermath of the crisis, the Indian government implemented a combination of monetary and fiscal policies to stimulate economic recovery and foster resilience.

The post-pandemic landscape in India has significantly influenced both monetary and fiscal policies as the nation strives to recover. On the monetary front, the Reserve Bank of India

(RBI) has adopted accommodative measures, lowering interest rates to stimulate economic activity.

Meanwhile, fiscal policy has seen a shift towards increased government spending to bolster sectors hit hardest by the pandemic.

MONETARY POLICY:

The Reserve Bank of India (RBI), as the country's central banking authority, played a pivotal role in shaping

the monetary policy response post-pandemic. One key measure was the adjustment of interest rates to spur economic activity. The RBI strategically lowered the repo rate, making borrowing cheaper for businesses and consumers alike. This move aimed to encourage investments and consumption, boosting overall demand.

Monetary policy adjustments, such as rate cuts, aim to encourage borrowing and spending. The RBI's proactive approach seeks to support businesses and individuals in overcoming the economic setbacks caused by the pandemic. However, the challenge lies in maintaining a delicate balance to control inflationary pressures that might arise due to heightened liquidity.

Furthermore, the central bank engaged in liquidity management through tools like open market operations and targeted long-term repo operations. These measures aimed to ensure sufficient liquidity in the financial system, supporting the functioning of banks and financial institutions during challenging times.

FISCAL POLICY:

On the fiscal front, the Indian government crafted policies to address the economic fallout and support vulnerable sectors. A notable initiative was the announcement of stimulus packages, injecting much-needed funds into the economy. These packages included measures such as direct cash transfers, subsidies, and credit support to sectors severely impacted by the pandemic, such as MSMEs (Micro, Small, and Medium Enterprises).

Fiscal policy in India has undergone a transformation, with the government unveiling stimulus packages and infrastructure investments. These measures aim to create jobs, revive demand, and strengthen the overall economic fabric. The emphasis on health infrastructure and digital initiatives reflects a forward-looking approach, acknowledging the changing dynamics of a post-pandemic world.

Additionally, the government focused on capital expenditure, allocating funds to infrastructure projects to create jobs and stimulate economic growth. By investing in key sectors, the government aimed to enhance productivity and build a foundation for sustained recovery.

CHALLENGES AND CONSIDERATIONS:

Despite these efforts, challenges persisted. Inflationary pressures, driven by supply chain disruptions and increased commodity prices, posed a concern. Balancing the need for economic stimulation with inflation control became a delicate task for policymakers.

Moreover, the effectiveness of the policies depended on their timely implementation and efficient utilization of resources. Ensuring that the benefit

reached the intended recipients and sectors remained crucial for achieving the desired outcomes.

The cohesiveness between monetary and fiscal policies is crucial for sustainable recovery. While monetary measures provide liquidity, fiscal interventions focus on targeted spending to ensure equitable growth. Striking

this equilibrium becomes pivotal in navigating the challenges posed by the pandemic's aftermath.

Additionally, India's fiscal deficit has widened, prompting discussions about the sustainability of such expansionary policies. Balancing the need for economic revival with fiscal prudence is a delicate task for policymakers.

The post-pandemic scenario also underscores the importance of structural reforms. Long-term policy initiatives, such as labor market reforms, ease of doing business, and investments in education and healthcare, are imperative to fortify India's resilience against future shocks.

SUGGESTIONS:

- A comprehensive approach to post-pandemic recovery in India could involve targeted fiscal stimulus measures, such as increased government spending on infrastructure projects and social welfare programs, coupled with monetary policies that support credit availability for businesses.
- Additionally, implementing structural reforms to enhance ease of doing business and fostering a conducive environment for innovation could contribute to sustainable economic growth.

LOOKING AHEAD:

As India progresses on the path to recovery, the focus shifts to the sustainability of economic growth. Striking a balance between supporting the economy and maintaining fiscal discipline becomes imperative. Continued collaboration between monetary and fiscal authorities, coupled with a vigilant approach to emerging challenges, will be instrumental in securing a robust and inclusive recovery.

CONCLUSION:

India's post-pandemic economic trajectory is shaped by a comprehensive approach to monetary and fiscal policies. The synergy between the Reserve Bank of India and the government reflects a commitment to mitigating the impact of the crisis and fostering a resilient and dynamic economy. As the nation strives to overcome challenges and build a brighter future, the effectiveness and adaptability of these policies will remain under scrutiny, shaping the narrative of India's economic recovery.

In conclusion, post-pandemic India is witnessing a nuanced interplay between monetary and fiscal policies. The collaborative efforts of the RBI and the government are crucial for a robust and sustainable recovery, requiring adaptability to evolving economic dynamics and a focus on inclusive growth.

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