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# A Critical Analysis on Indian Economic Crisis and Its Impact in Implementing Policy

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## ABSTRACT

*Economic crisis is the major disastrous situation which turns the position of a country upside down. Every country at any situation shall face this issue, in this paper it elaborates a detailed study of economic growth, reason behind economic crisis in India and what are the sectors which are been affected due this economic crisis. It also deals about the implementation of policy in the India for the well being of the people and the benefits acquired by the citizens when the policy is been implemented. Economic is the major weapon of a country to improve their position and standard and also to develop their country among others. This study consolidates about the problems faced by the sectors during the economic crisis and how far the implementation of policy has been worked in it.*

*Keywords: Economic crisis, citizen, policy, country and growth.*

## I. INTRODUCTION

Indian economy looked to be relatively insulated from the global financial crisis that started in August 2007 when the ‘subprime mortgage’ crisis first arisen in the US. In fact the Reserve bank of India was raising interest rates until with the view to increase the growth rate and contain inflationary pressures. But as the financial status slowed down and morphed into a global economic downturn with the collapse of Lehman Brothers on 23 September 2008, the impact on the Indian economy was almost immediate. Credit flows suddenly dried-up and, overnight; the money market interest rate hiked to above 20 percent and remained high for the next month. It is, perhaps, judicious to assume that the impacts of the global economic downturn, the first in the center of global capitalism since the Great Depression, on the Indian economy are still unfolding.

The reason behind the economic crisis and how far the depletion of resources, economic standard can be brought to the original state. It is incumbent to focus on the sectors which are very essential for day to day life. The implementation of various policies shall be benefited to the people of all ranges without any partiality in it. The Rural Marketing Association of India

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collected a report in India's rural markets and found no evidence of a slowdown, particularly among those who earn a living from agriculture. The paper mainly focuses on the reason behind the financial crisis and the sectors which are been affected the most as well as the implantation of policies for the well being of the citizen's of the country.

## **II. SEVEN PILLARS OF ECONOMIC GROWTH**

How these policies benefit all the citizens is that education and the first pillar is education since it has been reduced across all levels above the median on pre-primary and primary and there is a large gender gap which still exists. The overall result of Indian education system is poor and the quality of the education is available for those who are ready to pay.

The second pillar which deals with jobs and wages since Indian's employment rate is high in number and not able to provide everyone the job and wages properly and the report shows that there is gap between the labour force and the wages since they are high in nature and these economic opportunities does not reaches the women in India and the third pillar is the people's capacity is to start their own enterprises and accumulate assets and these entrepreneurs are set back by the red tape and there is a inefficient justice system since they have secured a low ranking for time and cost to start a business. On the fourth pillar we bring some news for India and it gives access to finance for developing businesses and investing in the economy level and the entrepreneurs have given access to bank accounts, credit, venture capital and equity markets.

The country's performance consists of seven pillars but in the fifth pillar itself ,the fifth pillar which deals with corruption and market power and this shows the competition between the banking and corporate sector. And corruption stands as a barrier for the Indian economic growth since they collect these taxes in an inappropriate way and behavior of the firms. On the sixth pillar it deals with the infrastructure and basic service like health and other things and looking in first six pillars which have dealt with aspects of the market capacity to generate growth in including all the sector and to boost the economic growth the society shows more equal through redistribution and the seventh pillar looks at the tax code and social protection programmes.

## **III. ADVANTAGES OF ECONOMIC GROWTH**

There are five types of advantages for a economic growth in a country and they are

- Higher income.
- Reduce poverty.

- Better education.
- Improve government finance.
- Improve life expectancy.

#### **IV. DISADVANTAGES OF ECONOMIC GROWTH**

There are certain failures for the economic growth in India and they are given below:

- Poor infrastructure relating to transport and power networks
- Low productivity and weak human capital. A high percentage of workers are low-skilled and work in small businesses
- High inflation and a persistent trade deficit
- national saving is low as a share of GDP, low share of capital investment
- Relatively closed economy
- Structural difference in the economy is that India has not yet seen the rapid urbanization experienced in compared to other nations that is more than 60 per cent Indian citizens are still living in rural areas and so on.

#### **V. MAJOR REASONS FOR ECONOMIC CRISIS IN INDIA**

In the year 2016 the prime minister Narendra Modi implemented demonetization in the month of November to eradicate black money in India but this made a major drop in demand in the market since there were no cash flow in the country and people were affected in a larger interest because demonetization was made in overnight and next comes the reforms in form of GST in the year 2017 July and this as a effect on export growth because of the delay in refunds to the exporters in India and in the year 2018 there was another drop in the economic growth that is Infrastructure Leasing & Financial Services (**IL&FS**) is a non-banking financial company (NBFC) credits crush down the growth and by the end of 2018 the global trade and GDP growth is decreased. Tight monetary and fiscal policy that is monetary policy was focused to control inflation and the interest rate was higher in nature, combined fiscal deficit is the difference between total revenue and total expenditure of both central and state government is high. The government is trying to reduce the fiscal deficit and to increase the economic growth. Global headwind that is the crude price favored the Prime minister in the first three years of his first term but the price has increased.

#### ***Cultivators***

The impact of the crisis on the agricultural sector is much more severe than we thought;

Agricultural cultivators have already been undergoing a crisis in the agricultural sector for more than a decade, which persisted even before increasing the price of the international crop. The problems of farming in India are both deep and varied. The cultivators stated that the crisis in agricultural sector is because of the weather such as monsoon, frequent droughts or floods, soil degeneration, lack of institutional credit and insurance leading to excessive reliance on private moneylenders, problems in accessing reliable and reasonably priced input, the main problem in agricultural sector is that the price of the crop and difficulties in marketing. Except, these are all related to public policies from the early 1990s onwards, they systematically reduced the protection given to the farmers and allowed the profit making industries supply of agricultural input and crop purchases without proper framework of regulation; reduced certain forms of public expenditure; tried to remove subsidies by increasing the prices of essential inputs like fertilizer and water and electricity rates and destroyed major public institutions that have direct connection with farming, including public extension services and marketing arrangements, And various forms of public protection for cultivation were being reduced. They were competing against the high subsidized producers in the developed countries, whose average level of subsidy amounted to many times the total domestic cost of production for many crops. In addition to increasing the risks of farming, Indian farmers tend to respond quickly and extensively to price signals by shifting to more high-priced crops. This made large and often undesirable changes in cropping patterns which ultimately affected the farmers by themselves. The dry land areas followed traditional staple crops like millets which were abandoned in favour of oilseeds such as groundnut which require more irrigation and fertilizers are high in price, As a result of the shift away from traditional staple grains to cash crops, there was much greater use of a wide range fertilizer, including new varieties of seed and related inputs marketed by many multinational companies. Farmers have inadequate access to institutional credit, but things got much worse after 1993.

Financial liberalization measures caused a significant slowdown in the growth of bank credit, particularly from commercial banks in rural areas, and a relative fall in proportion of bank credit flowing to the priority sectors, especially agriculture. The impact of the slowdown in the rural banking system affects the poor and small borrowers at a higher level. Marginal farmers, tenants and women farmers still remain outside the ambit of institutional credit, and most farm debt is informal. The main problems of rural debt is that it cannot be addressed without dealing with both public and private debt and recapitalizing the moneylenders to alleviate the problems of borrowers and keep private rural credit channels flowing.

### ***Migrant Workers***

According to the sources it shows that there is a sharp fall in employment in the export-oriented sectors like textiles and garments and gems and jewellery, and even the domestic market like metal products, automobiles and construction are also affected. The economic boom in the last ten years shows that we relied on such type of workers, Not only in the sectors mentioned above but in labour-related services, such as cleaning, maintenance, private security, driving, They were not simply considered as informal activities, many of them catered to be the requirements for expanding the corporate sector, and in effect subsidized it by providing a cheap and flexible external labour force. These types of workers are now forced either to stay in dangerous conditions in the urban areas, or go back to their villages or towns. Most of the workers come from the most depressed and backward regions of the country, where there is lower potential for productive income generation.

Home-based Workers as more opportunities for paid employment have dwindled, even during the boom, there are nearly 15 million women workers are there in the unorganized sector, and half of them are women involved in home based work for different types of industry. This includes zari, charkha or other handloom work; bindi, labels, stitching; food processing. According to data available it shows that most of them are paid very less. Recently micro-evidence confirms the poor worker conditions working in such a type of work.

## **VI. POLICY IMPLEMENTATION IN INDIA**

Implementation of policy is a kind of success for a government in India, these policies should be implemented by the way that it benefits all the citizens and not a particular group of people or a class of people and the policies made in a democratic country is not only by the government agency but also by the non governmental agency, these policies should be made in a fair, impartial and in a effective way. Once the policies is made it should be presented by before the parliament that is the legislative body and then if there is any confusion then it should be presented before the judiciary and finally if everything is done and passed the majority of the votes in both the houses then it can be sent to the executive body for making it in a official gazette.

### ***Problems in policy implementation***

While implementing a policy it should have a relationship between different implementing agencies in the field and during this implementation there should be cooperation, coordination and there should also be a commitment all the stages in implementing the policy and to quote Mr. Goetz, plan alone cannot make an enterprise successful, action is also required, the enterprise must operate and to add on a point communication is also a requirement for

implementing a policy, broadly speaking communication is the means by which intentions of the program are classified to ensure the result of the policy. In countries like India institutions which are engaged in making policy are weak and slow towards their performance and these institutions have framed policies relating to the emerging environmental challenges, including river cleaning, management of waste, hazardous substances and plastic management, dealing with chemical contamination, monitoring compliance with environmental clearances, etc.

### ***How these policies benefit all the citizens?***

In despite the record given on economic growth in India shows that the middle class remains small and there is no surety in getting a job and these class of person doesn't have chance of getting escape from poverty and the Prime minister Narendra Modi's government faced a struggle a wide range in implementing a policies to ensure the growth of the country. And a report was submitted in the year 2015 that is to extend the GDP per capita to convert into improvement in living standards for the population in larger areas. While measuring the countries capacity to grow is quite difficult since the concept is new and does not know to which they have to give importance and this report given in the year 2015 does not give an overall rank of the countries but it shows to compare them with similar income levels across the other countries economic growth.

## **VII. RECOMMENDATIONS:**

- To bring transparency in the collection of taxes.
- To promote the growth in agricultural sector by implementing beneficial schemes and policies to the agrarian.
- To improve equal standard of education to all categories of people in this society.
- To bring transparency in the implementation of policy and authorized officials are required to do a proper inspection on the reach of funds and other required materials to the people.

## **VIII. CONCLUSION**

In the period of economic crisis country shall face the financial crisis and further development of the country can also be detained. But during this scenario it is incumbent to look in to the sector which is very essential for the welfare of the people and also measures to be taken to avoid depletion of resources, unemployment. The policies shall be imposed and pass for the welfare of the people irrespective of their financial position. The economic growth of the country shall play a pivotal role in the further development of the country.