Indian Economy · GS - III

Do you agree that the Indian economy has recently experienced V-shaped recovery? Give reasons in support of your answer.

EXAM YEAR	PAPER	SUBJECT
2021	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

COVID-19 economic contraction, V-shaped recovery, GDP growth, low-base effect, private consumption, investment, government expenditure, GST collections, exports, employment, informal sector, unequal recovery, K-shaped recovery, inclusive growth

Model Answer

Introduction

A V-shaped recovery refers to a sharp economic contraction followed by a rapid and sustained rebound. India's economic recovery after the COVID-19 shock displayed several V-shaped features, although its benefits were uneven.

Reasons Supporting a V-Shaped Recovery

- **GDP rebound:** After contracting sharply during the nationwide lockdown in 2020, India's real GDP recorded strong growth as restrictions eased.
- **Resumption of activity:** Manufacturing, construction, transport and services recovered with the reopening of the economy.
- **Policy support:** Government expenditure, liquidity measures by the Reserve Bank of India and credit-support schemes helped stabilise businesses.

- **Digitalisation:** Digital payments, e-commerce and online services supported economic activity during and after restrictions.
- **Trade and tax indicators:** Recovery in exports, GST collections and some industrial indicators reflected improved demand and formal economic activity.
- **Vaccination and reopening:** Wider vaccination and reduced mobility restrictions helped revive consumer-facing sectors.

Reasons for Caution

- **Base effect:** High growth rates partly reflected the exceptionally low output of the previous year.
- **Uneven sectoral recovery:** Contact-intensive services and small businesses faced prolonged difficulties.
- **Employment concerns:** Informal workers and vulnerable households experienced income losses, and job recovery did not necessarily match output recovery.
- **Consumption and investment:** Household demand and private investment remained uneven, while inflation weakened purchasing power.
- **Distributional inequality:** Larger firms and digitally enabled businesses often recovered faster than micro-enterprises.

Assessment

The rebound in aggregate output supports the V-shaped interpretation at the macroeconomic level. However, employment, household incomes and sectoral performance suggest that recovery was not uniform.

Conclusion

India experienced a substantial V-shaped rebound in GDP, but it was not a complete or equally shared recovery. Sustained growth required employment generation, stronger private investment, support for small firms and broad-based consumption.

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