



World Bank GDP Projection for India

Why in News

According to the [World Bank](#), India's economy, South Asia's largest, is **expected to grow by 8.3% in the fiscal year 2021-22**.

- The **South Asia economic focus report** projects the **region to grow by 7.1% in 2021 and 2022**. It is a **biannual economic update** presenting recent economic developments and a near-term economic outlook for South Asia.
- **Other Major reports** of the World bank include [Human Capital Index](#), [World Development Report](#). Recently, it has decided to **discontinue the practice of issuing 'Doing Business reports'**.

Key Points

- **GDP Growth:**
 - The projected growth (8.3%) is supported by an **increase in public investment** to bolster domestic demand and schemes like the [Production Linked Incentive \(PLI\)](#) to boost manufacturing.
 - **India's Gross Domestic Product (GDP) increased by 20.1% in the first quarter** (April-June quarter) **of financial year 2021-22** in the backdrop of "a significant base effect, limited damage to domestic demand and strong export growth".
 - In the **first quarter of financial year 2020-21**, [GDP of India contracted by 24.4%](#) because of nationwide coronavirus lockdown.
 - The World Bank also observed that the **disruption in India's economy during the [second wave of the pandemic](#) was limited**, compared to the first.
- **On Economic Recovery:**
 - Economic recovery across various sectors in India **has been unequal**.
 - **Manufacturing & construction sectors recovered steadily** in 2021 but low-skilled individuals, self-employed people, women and small firms were left behind.
 - The extent of recovery in the financial year 2021-'22 will **depend on how fast household incomes recover** and activity across informal sector & smaller firms normalises.
 - India's economic prospects will be **determined by its pace of vaccination against [Covid-19](#)** and successful implementation of agriculture & labour reforms.
- **Base Effect:**
 - Economic data such as 'GDP growth rate' are calculated on a year-on-year basis.
 - Thus, a low growth rate in the previous year leads to a low base for the number in the current year.
- **Associated Risks:**
 - Risks associated with the extent of recovery include- worsening of financial sector stress, slowdown in vaccination, higher [inflation](#) constraining [monetary-policy](#) support etc.
- **Suggestions:**

◦ **Medium Term Growth:**

- It is **time to start rethinking policies about medium term growth** by learning lessons from Covid-19 like crisis.
- It's time to build **social protection and adopt greener policies**, because the next shock might be from the environment.
- To reduce inequality, it is very important to **integrate the informal sector and women into the economy**. So that should be also an important element of the medium term growth strategy.

◦ **Need for Regulatory Experimentation:**

- The Bank called on **South Asian countries to lower entry barriers in the services sector**, creating more national and international competition while curbing the “emergence of new monopoly powers”; aiding labour market mobility and upgrading of skills; and enabling the absorption of these new services by households and firms.

[Source: TH](#)

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