

Inspite of spending on infrastructure policies need to minimize the income loss from the impact of recent pandemic. Discuss (200 words).

According to IMF, India is one of largest emerging economies in world before pandemic. Pandemic forced government to move towards infrastructure policies rather than policies minimizing income loss.

Eg: National Infrastructure Pipeline worth of ₹111 lakh crore was speeded up.

Why infrastructure project?

1. To ~~Reduce~~ ^{Counter} the unemployment rate surged at a rate of 12%. , the unused man resources went in vain - by private organisations
2. High unemployment rate in turn affected the production which in turn affects the credit flow.

Why infrastructure policy is a problem?

1. They are highly capital intensive sector and are highly automated and could not create much employment to cater the needs.
2. Secondly the loss is unlikely to be distributed in an uniform manner. They large listed companies remain unaffected while small MSMEs and household/cottage industries get affected because of diversion of credit and investment to infrastructure projects. This in turn creates huge income loss.

Policies need to minimize the income loss

1. Policies must be designed in a way they cater the loss created by pandemic the previous year - Eg: Reduction in automobile parts sale.
2. Policies designed must stimulate the credit flow in MSMEs, ~~or~~ household and cottage industries.

Eg: Schemes like Credit Linked Capital Subsidy, can improve state of art infrastructure in MSMEs

Production Linked Incentive Scheme could boost cluster of MSMEs like SIPCOT, ELCOT etc

3. The schemes must be more of income supporting for MSMEs to reap the benefits of existing infrastructure. Eg: PM Employment Generation Scheme

Thus need of hour is a fiscal policy that minimizes the income loss incurred by pandemic and extend the V-shaped recovery.