

## THE POST PANDEMIC CHALLENGES AND ECONOMIC RECOVERY OF SOUTH ASIAN NATIONS

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### **Abstract**

The global economic recovery is facing a major challenge amid pressures such as new divergent waves of covid-19 disease outbreaks, continuing labor force challenges, persistent supply chain challenges and rising inflation. South Asian countries have maintained the pace of their economic recovery amid robust remittances and broadly supportive policy stances. Estimated at 7.4 percent in 2021, Asia's GDP is expected to expand at an average pace of 5.9 percent in 2022. However, South Asia's economic recovery is still weak and uneven. Fiscal policy remains highly restrictive, making it more challenging to a sustained recovery in economic activity and increase employment. As far as India is concerned, economic recovery is on a solid path amid a rapid vaccine easing social restrictions and supportive fiscal stance. India's GDP is expected to expand to 6.7 percent in 2022 after expanding by 9 percent in 2021. Pakistan economic growth is also travelling with moderate strength. The country's GDP is projected to expand to 3.9 percent in 2022 after expanding to 4.5 percent in 2021. Pakistan's economy is driven by private consumption, high remittances and fiscal support. The uncertainties and risks imposed by the pandemic have hit South Asian countries the hardest. Countries with low vaccination rates were particularly affected more. And global monetary pressures have increased volatility. This may trigger capital outflows and increase credit growth, especially the impact is greater in countries with high debt and large financing needs. This chapter has been prepared with theoretical data sourced throughout. All data were collected from popular dailies, standard websites, economic articles, books and economic reports. Various macro economic factors such as GDP, Inflation, Employment, External Debts, Imports and Exports are examined in this chapter. Factors like population growth and per capita income are also studied in depth. Also sector wise growth decline and reasons are explained with evidence. Economic downturns and subsequent recoveries in South Asian countries as a whole have been studied extensively. Permanent solutions for the regional economic recovery the South Asia and the necessary recommendations to continue on the growth path are clearly stated. It is also important to expand the trade and industry sector by investing more in Information and Technology (IT) and Research and Development (R&D). Countries like India are exemplary in such activities. The epidemic has had an incalculable impact on the economy and public health of South Asian countries. This chapter examines the social and economic devastation that covid-19 has wrought in South Asian countries in recent years. All economies have faced the need for digital remote services during the pandemic. Overcoming these challenges and identifying the issues and taking appropriate policy measures is an urgent need of the moment.

**Keywords:** Challenge, Covid-19, Debt, Economy, Employment, Inflation, Pandemic, Population, Recovery, South Asia

### **Introduction**

With 199 crore population, South Asia is home to almost 24.89 percent of the world's people who inhabit in this location. The region comprising eight countries – Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka – is a high degree of poor, densely populated and close to China with respect to geography, where the coronavirus which cause infectious disease covid-19 originated. It is no wonder that covid-19 was a huge storm in South Asian countries. This region is the most poor and about 33.4 percent of the extreme poor population in the world are living in South Asia - Makena Roberts (2022) [1]. About 70 percent of the people of the region live in villages who are fully dependent on agriculture. Before the covid-19 pandemic, 64.9 crore people in South Asia were moderately and 27.1 crore severely food insecure. Moreover 36 percent of children are stunted and 16 percent are malnourished. The spread of covid-19 has further exacerbated this situation in

South Asian countries - Rasul.G (2020) [2]. South Asia is estimated to account for two-fifths of the world's poor based on data after 2020 - World Economic Situation (2021) [3].

Due to population growth, high poverty rates, poor health infrastructure and socioeconomic conditions, new social security systems, less access to drinking water and sanitation, less shelter, covid-19 has posed enormous challenges to the South Asian economy. There are densely populated big cities like Delhi, Mumbai, Dhaka, Karachi are located in South Asian countries. In many cities, even the basic needs of people like clean drinking water and sanitation facilities are not enough. For example, in Afghanistan, 42 percent of households live in dire conditions using unsafe drinking water - ICIMOD (2020) [4].

Compared with other economies, the social and economic view of South Asian region is very different from the whole world. As per the *World Inequality Database- 2020*, the one percent of the global richest holds twenty percent of total global wealth and 54 percent of resources. High population density coupled with poor working conditions and inadequate housing make social distancing very difficult. Slums with high population density where dwellings are closely spaced are most prevalent in South Asian countries. For example, the Orangi area in Karachi, Pakistan, home to two and a half million people, the Dharavi area in Mumbai, India, home to one million people, and the Rohingya camps in Cox's bazaar- Bangladesh, home to over one million people. These over crowded habitats and often shared drinking water and sanitation facilities resulted self-isolation became difficult and increased exposure risks - Hossain.M.S & Ferdous.S and Siddiquee.M (2020) [5].

South Asian nations, holding more than 25 percent of the world's total population, have been hit severely by the covid-19 pandemic. A large number of marginal population, shortfall in social security, inequality in economic and employment activities and weak public health infrastructure dominated disease impact. The covid-19 pandemic is estimated to have created 6.2 to 7.1 crore new poor in South Asian countries in 2020 and 4.8 to 5.9 crore in 2021 - Viraj Mehta & Suchi Kedia (2022) [6]. Tourism is a major contributor to the revenue of all South Asian countries. The outbreak has completely disrupted foreign tourist arrivals and disrupted the livelihoods of millions of people who depend on tourism. SMEs are the backbone of South Asian economies. They contribute significantly to country's GDP, employment and exports. The impact of covid-19 has completely paralyzed these companies. This crisis has brought home to all the historical inequalities and vulnerabilities. And it has set South Asian country's progress towards poverty alleviation and achieving the Sustainable Development Goals back by decade. Although the economic damage is far from an easy recovery, it has begun in South Asian countries with strong growth in manufacturing and export activity. As far as South Asia is concerned, the opportunity to take advantage of the crisis can be used to build more stable and resilient societies. Recovery paths and new development strategies should be based on the best experience gained during the crisis and the innovations introduced during the crisis

As South Asian countries grapple with the Covid-19 outbreak, more than a billion people are struggling with strained public health systems, unprecedented economic disruption, increasing government surveillance and uncertainty about what the future holds. The impact of the pandemic on regional geopolitics, economics and governance will have profound consequences for years to come.

### The Novel Coronavirus

In December 2019, this strange viral disease originated in China and killed more than 64 lakh population worldwide, and over 60 crore people were affected. In South Asia, India and Sri Lanka were the worst hit countries. The novel corona count in South Asian nations is illustrate in the **Table- [1]**.

**Table- [1]**  
**Novel Coronavirus Count in South Asian Countries**

Country	Total cases	Total Deaths	Total Recovery	Death/ Million	Total Vaccinated	Vaccinated/ Million
Afghanistan	192906	7777	171519	191	1066354	26125
Bangladesh	2011560	29323	1955839	174	14743394	87641

<b>Bhutan</b>	61076	37	60961	27	2303734	2916436
<b>India</b>	44419671	527829	43825024	375	885528970	628375
<b>Maldives</b>	184856	308	163687	549	2213831	3945808
<b>Nepal</b>	996979	12000	981744	396	5886260	194484
<b>Pakistan</b>	1568849	30575	1528907	133	30095965	130775
<b>Sri Lanka</b>	669819	16692	652271	773	6486117	300119
<b>South Asia</b>	449805716	624541	49339952	327	948324625	1028795

Source: Asian Development Bank (ADB)- 2020

### Impacts of the Pandemic in South Asian Nations

#### Low Income from Tourism and Remittances

Remittances through foreign workers are economically significant across South Asian countries. When these countries faced previous economic crises, they welcomed workers to the Gulf countries to help them overcome their domestic woes. But remittances and foreign employment opportunities were completely cut off when the pandemic hit. Meanwhile, tourism revenue is essential for countries like Bhutan, Maldives, Nepal and Sri Lanka. Due to covid 19 outbreak, the tourism sector has come to a complete standstill and the tourism income has decreased dramatically. As far as Nepal is concerned, the tourism sector comprises 12 percent of the nation's total workforce, and the pandemic-related economic downturn has put the country's entire economy on a dangerous path.

#### Poor Economic Development in South Asia

As the most powerful economy in South Asian region, India has high expectations for the country's GDP growth, driven by sound government policy initiatives to boost private investment and improve consumer spending. A leading country in the garment manufacturing industry, Bangladesh is an important factor in the economic growth of the country through garment exports. Bhutan is familiar for its clean power which is a world leader in hydro electricity. On the other hand, Nepal is trying to recover from past disasters by travelling on the path of economic recovery. Various economic reforms are being done in Pakistan along with better security system and this initiative will promote the economic development of the country. Economic reforms play a major role in Sri Lanka which is having a growth rate of 5 percent, although Afghanistan, the Maldives, and smaller economies in the South Asian region have achieved moderate growth among big challenges.

However, the current health crisis because of the impact of the pandemic has hampered the growth of emerging economies and severely affected companies around the world. India has the largest counts of covid cases among the South Asian economies, with highest numbers of deaths and the worst hit Pakistan faced second wave. New cases in Bangladesh have decreased slightly while new cases have increased in Afghanistan and Sri Lanka - World Health Organization (2020) [7]. The following **Table- [2]** showing the real GDP growth of South Asian countries, and GDP per capita growth (Nominal) and growth rate is shown in **Figure- [1- A & B]**.

**Table- [2]**  
**Real GDP Growth of South Asia at Constant Market Prices**

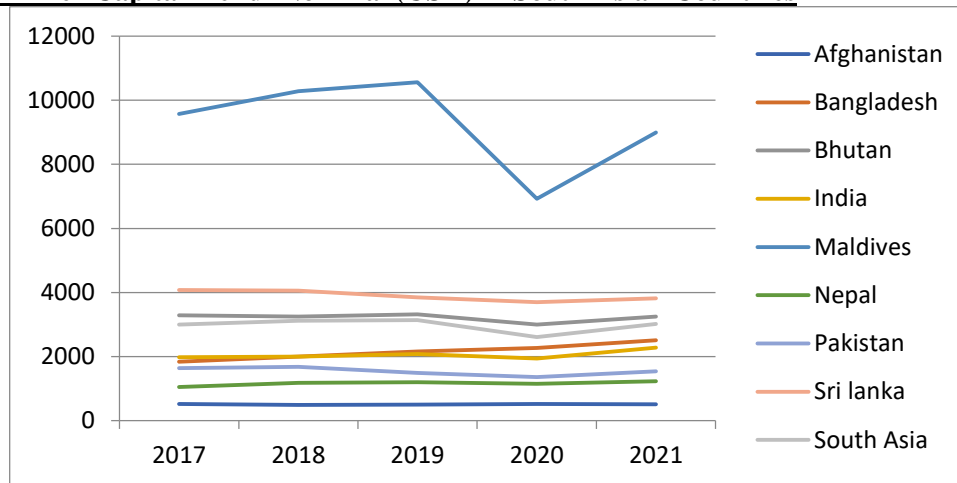
Country/Region	Calendar/Fiscal year Basis	2019	2020	2021
<b>South Asia</b>	From January to December	4.1	-14.0	-2.2
<b>Afghanistan</b>	From December to December	3.9	-8.5	-1.0
<b>Bangladesh</b>	From July to June	8.1	-5.2	-5.7
<b>Bhutan</b>	From July to	3.8	-59.0	-4.1

	June			
<b>India</b>	From April to March	4.2	-16.5	-1.8
<b>Maldives</b>	From January to December	5.9	-25.0	3.9
<b>Nepal</b>	From mid-July to mid-June	7.0	-6.2	-5.9
<b>Pakistan</b>	From July to June	1.9	-3.9	-2.5
<b>Sri Lanka</b>	From January to December	2.3	-10.0	-0.4

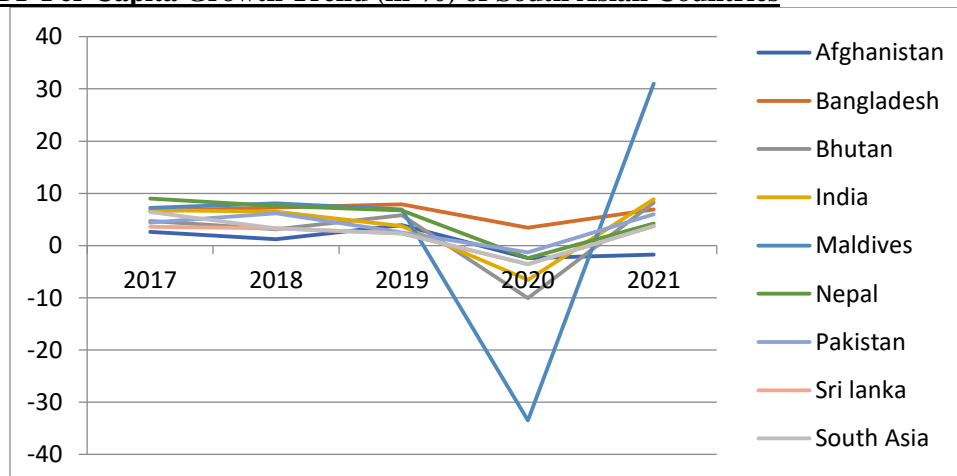
Source: The World Bank

**Figure- [1]**  
**Growth Trend of Per Capita GDP in South Asia Nations**

**A. GDP Per Capita Trend- Nominal (USD) in South Asian Countries**



**B. GDP Per Capita Growth Trend (in %) of South Asian Countries**



Source: <https://data.worldbank.org>

South Asia's GDP growth rate fell to -5.4 percent in 2020 after the covid-19 pandemic, but rebounded to 8.3 percent in 2021. Except Bangladesh, all South Asian Nations met with negative growth rate during 2020. Countries such as Bhutan (-10.1 %), Maldives (-33.5 %) and India (-6.6 %) in particular have experienced steep declines in 2020, however recovered with significant growth in 2021.

## Challenges Posed by the Pandemic

### The Challenge Created by Covid-19 in South Asian Countries

- ❖ The following are some challenges faced by South Asian countries after Covid-19,
- ❖ Economic recession
- ❖ Trade decline
- ❖ Increase in unemployment and joblessness
- ❖ High price rise and inflation
- ❖ Banking industry failure due to increasing Non Performing Assets (NPAs)
- ❖ High turmoil due to education suffering

The corona virus infection is decreasing but not over yet. Only countries that act quickly with a vaccine response against this newly evolving microbe are thought to be doing better than others. However, immunization rates and public health funding must be increased to address this threat. Also, the economy should be reopened after a gap to avoid a prolonged economic freeze. Additionally, the *Centre for Disease Control and Prevention (CDC)* recommends self-isolation for five days in close proximity to the recently infected omicron patient - CDC (2022) [8].

### Price Rise and Food Insecurity

This lockdown restrictions exacerbated supply and demand mismatches caused by problems that had previously driven up global prices. Prices of essential food items have risen by up to 40 percent since the pandemic began, with low-income countries hit hardest, says *International Monetary Fund (IMF)*. Developing and emerging markets in the South Asian region are predicted to experience inflation of more than 6 percent by 2022. But in developed economies this inflation is predicted to be around 3.6 percent. Factors such as rising house prices, input supply shortages, continued pressures on food prices and currency depreciation may push inflation higher in the long run - David Lawder (2021) [9]. In some advanced economies in South Asia, wages have risen significantly in sectors like leisure, hospitality and retail, which have been hit more by covid-19. Almost all South Asian countries are facing hyper inflation by 2021-2022. Especially Sri Lanka and Pakistan have been severely affected. The GDP growth rate and inflation rate of South Asian economies is shown in the **Table- [3]**. The real GDP and annual growth rate of south Asia from 2012 to 2021 is shown in the **Table- [4]**

**Table- [3]**  
**GDP Growth Rate and Inflation Rate of South Asian Countries**

Country	GDP Growth (In %)				Inflation Rate (In %)			
	2020	2021	2022	2023(E)	2020	2021	2022	2023(E)
Afghanistan	-2.40	-	2.81	3.59	5.61	5.19	-	-
Bangladesh	3.39	6.89	6.88	7.09	5.68	5.61	6.01	5.89
Bhutan	-10.2	3.49	4.52	7.48	5.59	7.42	7.09	5.49
India	-6.59	8.91	7.49	8.01	6.22	5.43	5.81	5.08
Maldives	-33.6	31.61	11.09	12.08	-1.41	0.52	3.09	2.52
Nepal	-2.11	2.32	3.91	5.03	6.22	3.59	6.48	6.23
Pakistan	-1.02	5.59	4.02	4.49	10.68	8.89	10.99	8.51
Srilanka	-3.59	3.68	2.41	2.49	4.62	5.99	13.29	6.32
<b>SOUTH ASIA</b>	<b>-5.19</b>	<b>8.3</b>	<b>7.0</b>	<b>7.4</b>	<b>6.5</b>	<b>5.7</b>	<b>6.5</b>	<b>5.5</b>

Source: World Bank Data

**Table- [4]**  
**GDP and Annual Growth Rate of South Asia From 2012 To 2021**

Year	GDP In Trillion USD	Annual Growth Rate (%)
2012	2.30	5.5
2013	2.36	6.0
2014	2.58	6.9
2015	2.70	7.4

2016	3.01	7.7
2017	3.43	6.4
2018	3.53	6.4
2019	3.65	3.9
2020	3.48	-5.2
2021	4.09	8.3

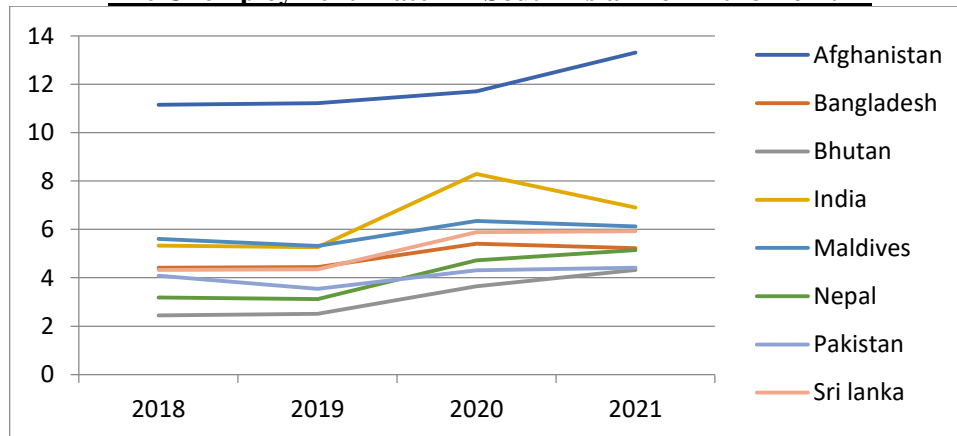
Source: World Bank Data

In all South Asian countries, post-epidemic inflation rates have skyrocketed and eroded the standard of living of the people. Inflation rates in Sri Lanka and Pakistan have been on the rise for the past few years, but will peak in 2021 and hit those countries the hardest. However, this ratio is expected to decrease further in the coming years.

#### Impact on Job Opportunity levels

With the population of 200 crore people, South Asia is the most populated region in the world. It holds about 25 percent of the global population and has the world's largest working-class of approximately 170 crore people. But current jobless rate is just four percent - Bloom & McKenna (2015) [10]. **Figure- [2]** illustrate the jobless rate of each countries of the said region between 2015 and 2020, shows that covid has boosted job loss count.

**Figure- [2]**  
**The Unemployment Rate in South Asia From 2018 To 2021**



Source: The World Bank Data- 2020

There was a shrinkage in economic activities due to the outbreak which make the path to lower income and job losses in 2020. The unemployment situation is as same as in all countries. Every section were hit in every way as some were hard in manufacturing due to lock-in and companies such as **Information Technologies (IT)** that made working from home possible have a lesser effect - Ordonez (2020) [11]. Informal companies and their labours were affected more while compare with formalized sector due to the pandemic in South Asia, as in the case of India, approximately 44 percent of employees in this sector were out of job during 2020. Further loss of earnings people dependent on the informal economy were around 9 percent, 13 percent and 16 percent in Bangladesh, India and Pakistan respectively. In India about 3 to 10 crore people were left jobless in all sectors (both formal and informal). In Bangladesh, only in garment sector, there were about 25 to 30 lakh lay-offs was estimated. About 1.8 crore people in Pakistan lost their employment. The economic ministry of Afghanistan, reported that the jobless rate will rise by approximately 40 percent due to the out break of covid-19 - Kepayet.M (2020) [12].

One of the biggest problems facing South Asia is unemployment. There has long been an allegation that South Asian nations are not creating enough jobs to keep pace with population growth. In such an environment, the problem of joblessness increased further due to the impact of Corona in 2020. Due to the curfew imposed to prevent the spread of corona virus, the situation where people are confined to their homes without work. Many employees were fired. Normalcy started to return after lockdown relaxations were announced and the corona vaccination program was implemented. Employment also increased slightly. As a result, the unemployment rate in South Asia began to

decrease. The jobless rate in this region fell to 5.79 percent in 2021, according to a recent report, a 1.45 percent decline from 2020. The unemployment rate was 7.24 percent in 2021.

The recovery in employment continues to be slow. As far as India is concerned, employment in the manufacturing and service sectors has seen a decline so far in 2022. But the expansion of the manufacturing sector in March- 2022 has increased job opportunities. Looking ahead to 2020 and 2021, sluggish economic recovery efforts and misguided economic policies are pushing jobless rate higher in Afghanistan, Bhutan, Nepal, Pakistan and Sri Lanka.

**Impacts on the Three Main Sectors**

Covid-19 has hardly hit all countries of South Asian location. However, compared to the manufacturing and service sectors, only the agriculture sector has shown positive growth despite the pandemic. Among the South Asian economies, Bangladesh has recorded forward growth in all three key sectors in 2020. The following **Table- [5]** shows the growth rate of three major sectors in South Asian economies in 2020.

**Table- [5]**  
**Sectoral Growth Rate of South Asian Economies in 2020**

Country	Growth of Agriculture Sector (In %)	Growth of Production Sector (In %)	Growth of Service Sector (In %)
Afghanistan	5.0	-5.0	-9.6
Bangladesh	3.1	6.5	5.3
Bhutan	2.6	-1.1	3.8
India	3.0	-8.2	-8.1
Maldives	6.4	-21.2	-32.7
Nepal	2.2	-4.2	-3.6
Pakistan	2.7	-2.9	-0.6
Sri Lanka	-2.4	-6.9	-1 5

Source: [www.southasiamonitor.org](http://www.southasiamonitor.org)

As far as sector wise growth rates are concerned, all the countries in the South Asian region except Sri Lanka have achieved significant growth in the agricultural sector. But in the manufacturing and service sectors, all other countries except Bangladesh are experiencing a negative growth. In particular, it can be seen that the Maldives is facing a lot of setbacks.

**Strain Due to Population**

All South Asian countries have very fast growing populations, which create enormous pressure on available habitats and other resources. The situation of Bangladesh appears most critical. Bangladesh has the highest population density in this region and has an average of 950 persons in a square kilometre. Above 60 percent of its inhabitants are farmers. The key industries are the textile and the processing of farm produces. On the other hand, India has an average of 328 persons per square kilometre, while Pakistan has 168. As in Bangladesh, more than 60 percent population in India and Pakistan are too agriculture communities.

**How Should South Asia Respond to a Growing Population?**

- ❖ They should express to its growing population by providing more education to its people.
- ❖ They should express to its growing population by promoting innovation and new technologies
- ❖ They should express to the growing population by providing more medical services.
- ❖ They should express to its growing population by developing its infrastructure and exploiting its resources.

Although the population growth rate has slowed slightly in South Asian countries, the population is still growing. Economic growth proportional to the growing population is very important for every country. Along with population growth, increasing food production, education and health infrastructure is a huge challenge for the government. Agriculture is an important industry as far as South Asian countries are concerned. It is significance to use the nation's natural resources and water resources to achieve self-sufficiency in food production. Any country dependent on imports for food will find it difficult to return to the path of growth. Only a productive economy can develop a country. Above one fourth of the global population lives spread across South Asian countries. The economic destruction created by the impact of

epidemics can be ended by increasing production using the abundant human resources here. **Table- [6] & [7]** showing the population trends in South Asian countries. **Figure- [3] & [4]** indicates the population distribution in South Asian countries as on 01 July- 2022.

**Table- [6]**  
**Population in South Asian Countries, Percentage Contribution and Population Density/Square Kilometer as on 01 July- 2022**

Country	Population (In Crore)	Percentage Contribution South Asia	Population in Density in Persons / Sq km
Afghanistan	4,11,41,317	2.16	63.60
Bangladesh	17,12,06,805	8.90	1160.04
Bhutan	7,82,497	0.04	20.38
India	141,72,84,809	73.85	431.07
Maldives	5,23,766	0.03	1745.96
Nepal	3,05,51,633	1.59	208.00
Pakistan	23,58,77,803	12.29	267.40
Sri Lanka	2,18,32,899	1.14	332.76
<b>South Asia</b>	<b>191,92,01,529</b>	<b>100</b>	<b>399.00</b>

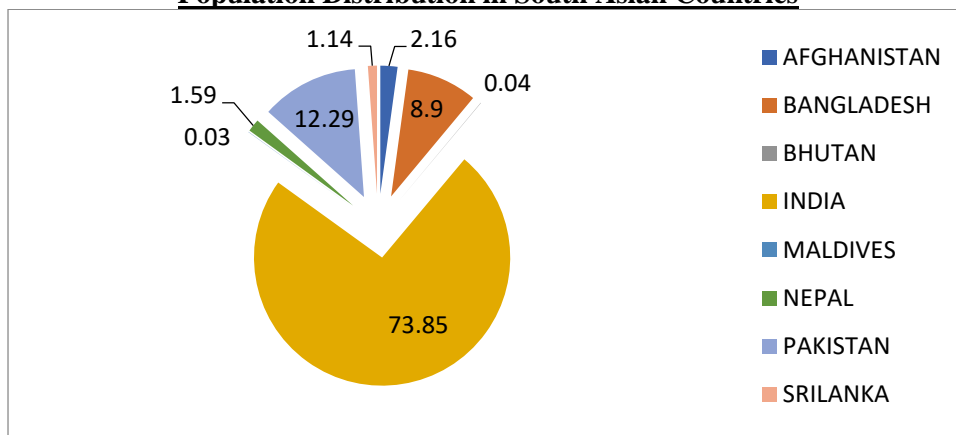
Source: World Population Prospects as on 01 July- 2022

**Table- [7]**  
**Population, Yearly Growth Rate and Density of in South Asia From 2013 To 2022**

Year	Population (In Crore)	Population Growth Rate (In %)	Persons/Sq km
2013	1774913430	1.30	357
2014	1791933127	1.28	362
2015	1827847310	1.26	367
2016	1850569600	1.24	371
2017	1873241092	1.23	376
2018	1895813944	1.21	380
2019	1918211381	1.18	385
2020	1940369612	1.16	389
2021	1961138427	1.15	394
2022	1989735403	1.13	399

Source: World Population Prospects

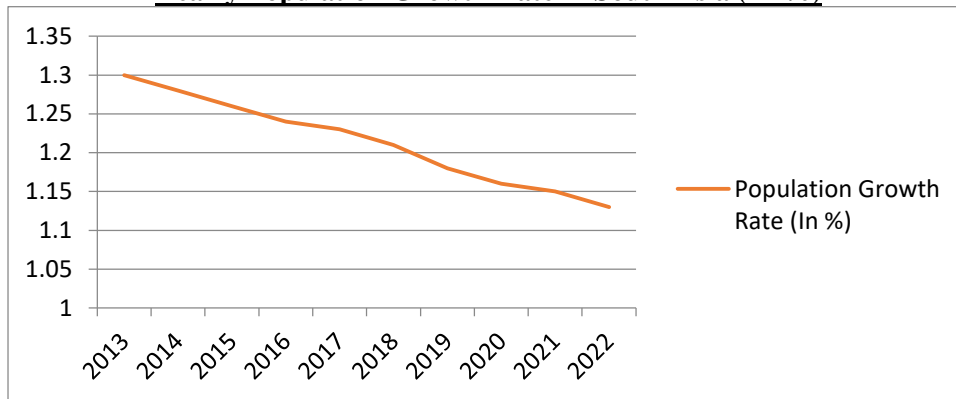
**Figure- [3]**  
**Population Distribution in South Asian Countries**



Source: World Population Prospects as on 01 July- 2022



**Figure- [4]**  
**Yearly Population Growth Rate in South Asia (In %)**



Source: World Population Prospects

**The Macro Economic Indicators in South Asia as an Average of GDP in 2020**

Most countries in South Asia have used domestic investment to recover from the pandemic. Governments have performed well in terms of revenue fund reserves and expenditure even in the worst case scenario of the epidemic - Partha Pradeem Mitra (2021) [13]. As far as the foreign trade sector of the region is concerned, the spread of infectious diseases has a negative impact and plays a major role in it. Export, import and trade balance trends are mainly looked at. Remittances play a key role to decide the current account balance of countries - **Table- [8]**.

**Table- [8]**

**The Macro Economic Trends in South Asian Countries after Covid-19 Pandemic**

Indicators	Afghanis tan	Banglade sh	Bhuta n	India	Maldiv es	Nepa l	Pakistan	Srilank a
Gross Domestic Investments	-	31.8	33.7	32.2	-	31.3	15.4	25.2
Growth Rate of Government Revenues	27.0	9.4	29.3	8.2	25.4	21.8	14.3	9.6
Trends in Government Expenditure	29.5	14.9	32.0	17.7	52.9	29.1	23.5	21.5
Fiscal Balance	-2.5	-5.5	-2.7	-9.5	-27.5	-5.5	-9.1	-11.5
Growth of Exports	-10.1	-17.1	6.7	-11.9	-39.1	-7.5	-7.2	-15.9
Growth of Imports	-14.5	-8.6	-11.8	-20.7	-37.7	-18.9	-18.2	-19.5
Trade Balance	-23.9	-5.4	-9.8	-3.4	-37.7	-26.9	-7.5	-7.4
Balance of Payment	10.7	-1.5	-12.1	1.0	-29.2	-0.9	-1.1	-0.3
Share of Remittances in GDP	4.1	6.2	2.1	2.9	0.1	22.6	9.1	7.6
Rate of Unemployment	11.9	5.3	3.7	7.1	7.2	4.4	4.7	4.8
Debt as Gross National Income (%)	5.7	12.2	13.9	19.3	29.9	17.3	34.9	23.4

Source: [www.southasianmonitor.org](http://www.southasianmonitor.org)

In South Asian countries with the largest informal sectors, the pandemic has hit jobs and livelihoods the hardest. The unemployment rates of these economies are the direct impact of covid-19. For 2020, job losses and unemployment have increased in the region. Various indices indicate that South Asian countries have met the pandemic risk more strongly than others despite the dire consequences. Agriculture development, increasing government revenue and expenditure, adequate forex reserves and increase in export earnings have helped South Asian countries cope better with the challenges of covid-19.

### **Inflation is an Obstacle to Epidemic Recovery in South Asia**

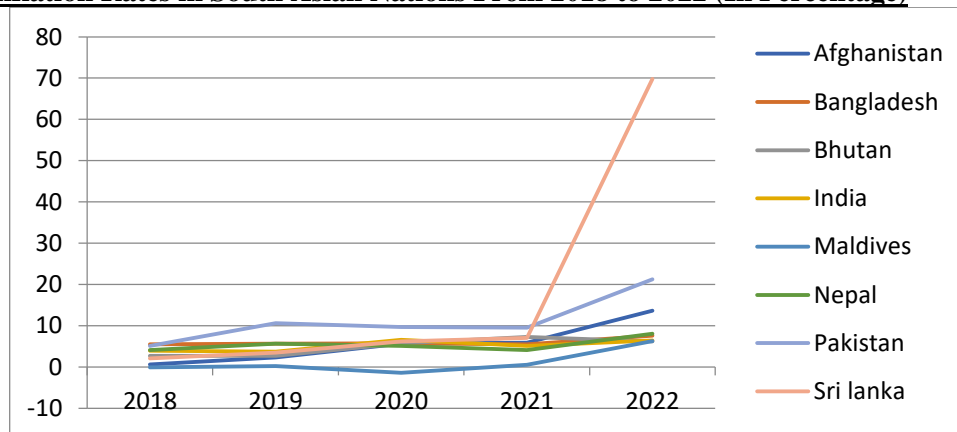
Rising commodity prices, especially from the starting of the year 2022, has made life difficult for population in South Asia - Tan Tam Mei (2022) [14]. Inflation rising is making the path to recovery from the covid outbreak tough for countries in South Asia. While price rise in this region is comparatively modest than other global countries. Continuous rise of inflation will hamper development and contribute to problems like food shortages and pay reduction. This increases the cost of living due to obstruction in supply chain because of pandemic and the Ukraine-Russia war, which has driven up the prices of essential items such as food and fuel.

The wholesale prices of crude oil and petroleum products in India, Pakistan and Sri Lanka have historically been highly correlated with global oil prices. Rising global fuel prices may push up fertilizer prices. This will certainly have an impact on food prices. It also increases operating and transportation costs in the manufacturing sector. This will reduce the profits of the producers. Governments in the region use subsidies to reduce the burden of energy prices on consumers. However devising policies to curb the usage of fossil fuels and encourage the use of green energy can be the right solution. The financial trends of South Asian economies is showing in the **Figure- [5- A, B & C]**.

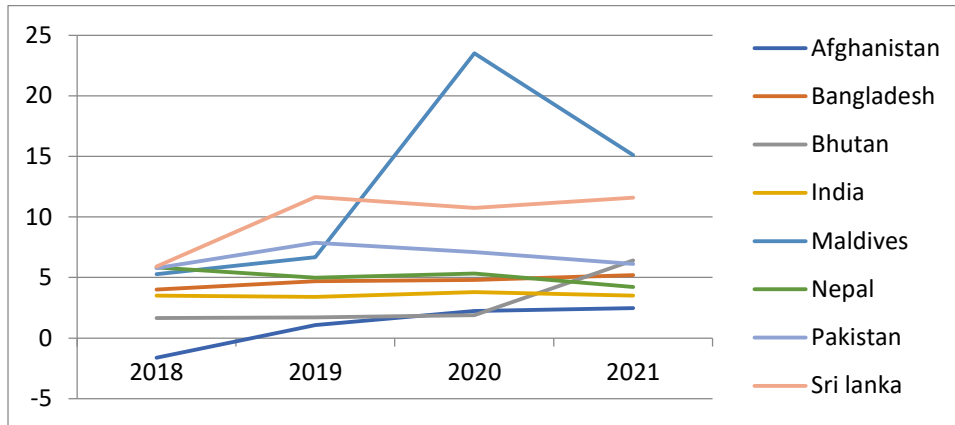
**Figure- [5]**

### **The High Inflation, Growing Fiscal Deficit and Deteriorating Current Account in South Asian Countries After Covid-19 Pandemic**

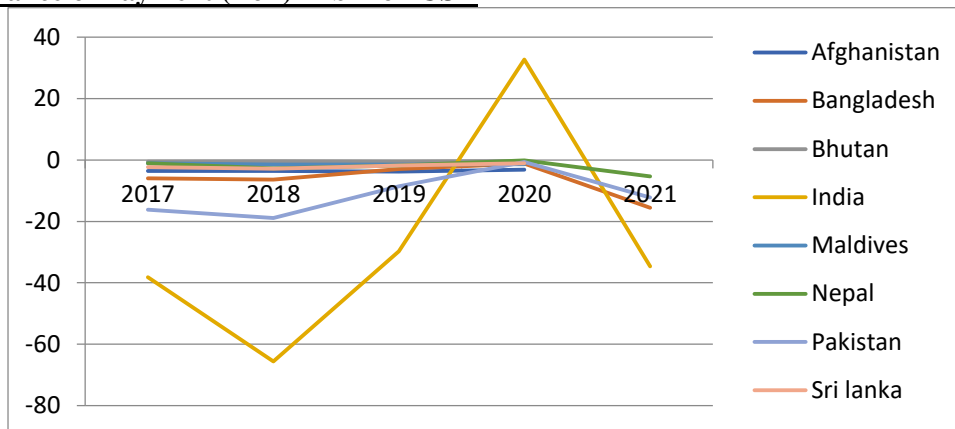
#### **A. Inflation Rates in South Asian Nations From 2018 to 2022 (In Percentage)**



#### **B. Fiscal Deficit (in percent of GDP)**



**C. Balance of Payment (BoP) in billion USD**



Source: <https://www.theglobaleconomy.com>

The most important reason for raising interest rates is inflation. All countries in the South Asian region saw year-to-year fluctuations with little change in inflation rates until the covid period. But it has rose significantly in the later years and caused a huge increase in the prices of essential commodities. Especially in 2021 and 2022, Afghanistan, Pakistan and Sri Lanka have experienced a multi-fold increase in inflation resulting in a major economic downturn. This is seen as the biggest hurdle in those countries' post-covid economic recovery effort. Meanwhile, due to the economic and trade embargo, money transfer ban imposed by the global countries on Russia, there is a shortage due to the supply chain damage from crude oil to cooking oil to wheat to steel. After the Russia-Ukraine war, most countries continue to raise interest rates due to high inflation in the world.

In South Asian countries, the prices of essential commodities have risen to the highest level in the last 8 years. Inflation prevailing in these countries is seen as a major factor for this. Central banks of these nations taking various measures to control inflation. One such initiative is the increase in interest on loans. The ever-increasing interest rates on loans have pushed countries into pre-covid condition. International commodity prices have now started to slowly decline. If this situation continues, inflation is expected to come under control by March next year.

**Lack of Political Stability**

Rising food prices have fueled political instability in South Asian countries as people get more strain of lockdowns, joblessness and lack of food security are already the result of pandemics. Pakistan is facing a huge political crisis and a regime change is taking place. Similarly in Sri Lanka we have also seen cases where people revolted and removed the government due to rising prices and food shortages. As far as India is concerned, the opposition has been campaigning everywhere highlighting the single factor of post-pandemic inflation. Therefore, policy makers of South Asian countries to formulate effective economic development policies based on short and long duration basis is one of the key of this time.

**Post Pandemic Trends in Bangladesh**

The pre-corona period was a spring in Bangladesh's economy. Bangladesh had emerged as an economically developed country after India, the superpower of South Asia, created the nation of

Bangladesh. India's economic growth (GDP) in 2018 is 6.8 percent, but Bangladesh's GDP is 7.9 percent. The pride of Bangladesh is the only one who destroyed the world countries and all of the world has turned upside. Corona's collapse have affected the economy of Bangladesh. That is why now Bangladesh asks for USD 4.5 billion from International Finance (IMF). Similarly, the country has knocked doors of world bank for lending support.

The general election in Bangladesh will be held next year. The current economic crisis has been a major setback to the government. The Bangladesh's opposition parties criticized worsely on the government. The exports of the country are faced with the worst impact. The currency value against the US dollar has also fallen. Bangladeshi faced job losses during Corona's spreading in abroad, and hence the substantial foreign currency they got through them has declined. Bangladesh's foreign exchange reserves have declined sharply post pandemic period. The foreign exchange reserves declined from USD 39 billion to USD 48 billion. Due to this situation, Bangladesh can sustain imports only for five months. Generally, Bangladesh is a major importer of fuel and food products. A serious outbreak of disease completely affected the imports of the country. Due to this, there is shortage of fertilizer and the agriculture sector of the country is facing a severe decline. Fuel prices in Bangladesh have also increased by more than 50 percent. Bangladesh has been continuously implementing various restrictions like restrictions on electricity supply, ban on government employees going abroad, ban on buying government vehicles. In Srilanka too the situation is worst. As far as India is concerned, the country's GDP has now surpassed that of Britain for the second time. Focuses on capital expenditure. Efforts are being made to reduce other revenue expenditure. RBI is trying to keep inflation under control. As a result, the country's economy is back on the path of steady growth.

#### **Ukraine War is Slowed Down the Post- Pandemic Recovery of South Asian Countries**

The war in Ukraine slowed down the recovery of South Asian nations from the economic disaster caused by the Covid-19 pandemic. India's economy will grow by 8 percent, slightly less than in 2021, with a lasting impact on investment plans in 2022-23. The war could severely reduce tourist arrivals to the Maldives, particularly from Russia and Ukraine, a mainstay of its economy, while it deals with huge energy import bills. In Sri Lanka, the economic state is highly vulnerable, high commodity prices will exacerbate food insecurity in Afghanistan and the most serious challenge facing Pakistan is its energy subsidies, the largest in the region. And Bangladesh will suffer demand for its exports in Europe has weakened. Rethinking its reliance on oil and fuel and the war has also brought an useful opportunity to do so. It will provide a most essential stimulus to reduce dependence on fuel imports.

The ongoing war between Russia and Ukraine has severely affected the economies of South Asia. Especially since India imports 85 percent of its cooking oil requirement from Ukraine and 14 percent from Russia, the sector is under severe stress. Also the sanctions against Russia have had a reverse impact on the earnings of Indian exporters. About 400 to 600 million USD income is delayed for Indian exporters. Similarly, Petroleum Corporation of Bangladesh incurs losses of up to 2 million Euros a day, and the huge increase in shipping costs which has a significant effect on the textile sector. The impact of this war has also had a huge effect on Pakistan's economy. The rise in oil prices caused by the war will further devalue the currencies of countries that are heavily dependent on imports. Such impacts lead

#### **List for Transition**

To harvest the dividends of digital qualitative change, South Asian countries need to go beyond bridging regulatory and plan of action gaps and increasing digital capabilities. Currently there is a huge funding gap due to lack of strong digital infrastructure. A yearly investment of USD 35 billion is required for India to remain at fifth rank among the global economies. Moreover public private co-operation also required to support financially for the development of the region's digital infrastructure.

Controlling barriers required to be addressed as e-commerce regulations are weaker in South Asian countries. Also the development of this sector requires addressing practical issues like consumer protection and digital market access regulation. Digital revolution can never happen without global digital literacy. Governments and businesses must jointly work to align the system of education to meet the requirement for digital excellency and online sites. As many people experience painful lessons in data privacy during pandemic, strict cyber security measures are needed in such matters.

In South Asia, one third of the inter-regional trade potential was used and lost USD 23 billion in revenue. By addressing issues such as regulatory barriers to currency flows that hinder online

payments due to transport-related restrictions on cross-border e-commerce activities, South Asia can emulate the *European Union's Digital Single Market proposal*. As South Asia struggles with the worst economic effect of covid-19, it has a chance to make strengthen the regional institutions, developing regional basic structure and connectivity, forward trade policies, and develop cross-border solutions to shared challenges. By the support of *Covid Emergency Fund*, the countries of this region came together to fight crises during the pandemic such as exchange of health related information and data, sharing the findings of epidemic research and providing an online education site for health labours. If the countries in this region can start negotiation, which lead to a partnership for a successful digital revolution. It will require vision, wisdom and commitment at the top level of the region's political leadership.

#### **Regional Co-operation is to be Strengthened**

Expanded regional cooperation, along with other emerging opportunities, has made South Asia a unique lever of influence. South Asia is still one of the least economically integrated regions in the world, despite its many good features, such as the sharing of development initiatives by neighbouring countries with high structural and cultural cohesion, and regional cooperative institutional confederations. However, continued growth in trade development distribution has the potential to become an integrated economic region again with economic exchange initiatives such as infrastructure for the sharing of human and capital resources and cross-border movements.

Promoting cross-border trade, addressing labour market grievances, markets and consumption, strengthening the intra-regional economy, reforming regional institutions and agreements progressive initiatives to unlock existing economic opportunities. By re-allocating global supply chains, the region's supply chain can be significantly expanded. Regional economies can all work together to take full advantage of the *South Asian Free Trade Area (SAFTA)*. Developing economic integration requires a common and shared approach. This could facilitate industrial restructuring across the region.

#### **Policy Support is Needed**

Only 11 percent of companies in South Asia have public support programs. Such deficiency is due to the importance of insufficient information networks and inter-firm capital in times of crisis—*According to a world bank working paper- 2021*. South Asian regional governments should encourage increased linkages between smaller and more organized large enterprises. This will enable the creation of large business networks across information gaps. Policy support is one of the key requirements for companies operating in the South Asian region to grow healthy again and make a sustainable recovery. Make the policy support to be effective, robust support programs must be carefully customized.

Policies have been expanded to provide income support to low-income workers and vulnerable sectors. Companies from worse off have increased inequality in small and medium-sized enterprises since the pandemic. Some sectors of the economy are out in the shadow of the pandemic. And many are very backward who depend on government support for earning and livelihood. The Indian government has increased monetary reserve for the Rural Employment Guarantee Scheme in the latter half of 2021. The new financial year starting April 2022 has been reduced, though the allocation in the Union Budget has been increased. Forbearance measures have been phased out for most sectors in Sri Lanka and Nepal due to high debt burden. The operating restrictions imposed on the tourism sector are hampering the recovery of the tourism sector.

#### **Adopt New Service Economy**

Still stuck in the old ways will miss out on the historic opportunities that arise in the current crisis. The emergence of the new service economy is seen as one of the great opportunities for South Asian economies. Such a service economy has gained significant importance globally as digital technologies have been of great help during the pandemic. The directly generated services and through their spill over effects in different sectors play a key role in increasing the income of exporting countries, helping to increase productivity and creating new employment opportunities. Digital technologies such as *Fifth-Generation Technology, Robotics, Three Dimensional Printing* and *Virtual Reality* have made services more commercial, measurable, integrate and independent of proximity burdens. The pandemic has also boot up the region's e-commerce sector, a hallmark of South Asia's new digital path.

Covid-19 pandemic has boosted growth in South Asia through the new service economy. However, taking full advantage of this opportunity depends on institutional and regulatory reforms creating adequate infrastructure for digital technology and related change capacity and oversight. Modern market-oriented training programs will be a key tool for developing technical skills required by these sectors.

### **A Green Recovery is Needed to make Strong Competition**

The countries in South Asia have a unique chance to incorporate progressive initiatives such as green recovery and building green and sustainable cities into economic planning post-covid-19 pandemic. Continuing the green recovery will strengthen economic competitiveness in South Asia. Moreover it ensure an environmental friendly future. Green recovery planning will develop new collaborations between South Asian economies and strengthen public-private partnerships.

The recent COP-26 summit highlighted the urgent need for nations to tackle a changing climate environment. To reduce the impacts of climate, and the changes needed to decarbonise the world economy urgent necessity and quantitative, South Asia's contribution to the world will be crucial in meeting the current goals amid these consensuses. South Asian countries can take advantage of many opportunities for transnational cooperation, each country in their green transition. This includes sharing lessons learned, specialized exercises that build collective capacity, and strategies for reducing carbon emissions. Many regional economies are already at the forefront of climate change reduction and adaptation.

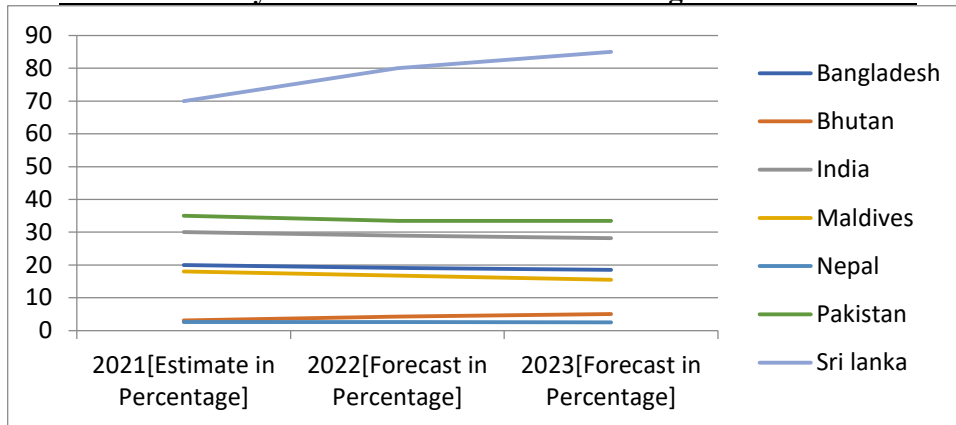
The Indian government recently announced the launch of a national hydrogen drive. 'Panchamirtam' commitment to phase out carbon emissions completely by 2070 is one of India's most ambitious announcements. Bangladesh is the first country in the world to introduce a domestic investment program to tackle climate change. It has also emerged as a leader in developing coastal resilience. Planting more than 10,000 million trees in Tsunami and Protected Areas to create massive forests has reduced Pakistan's carbon emissions by 9 percent and thus has a major role in climate change mitigation. Pakistan has committed to ending coal imports by 2030 with initiatives such as 60 percent renewable energy and 30 percent electric vehicle use. Nepal's community forest conservation and management programs have halted urbanization and reduced deforestation by 40 percent. Bhutan has become the first carbon negative country in the world.

To integrate and implement green and resilient covid-19 recovery plans while advancing development projects, Countries need to identify concrete and sustainable opportunities. Actions such as long-term policy changes to implement well-researched decisions at the national level, adoption of national development programs and promotion of private sector participation will pave the way for a strong green recovery. However, major reforms are needed for South Asia to restore the environment safely and sustainable development. These solutions include green infrastructure fuel subsidies and reform measures in energy prices, risk-based sustainable infrastructure reform, transport projects and local community participation. Through inter-nation co-operation and assistance, South Asian countries can also contribute to global climate change by spearheading new investments for environmental change in their own countries.

### **Tightness in External Financial Conditions**

After the bad effect of pandemic, the ongoing war in Ukraine has left South Asian nations highly vulnerable to the effects of a volatile external environment. Central banks in the South Asian region have tightened their monetary policy following monetary tightening in other advanced economies. This will further threaten financial institutions and governments, which have financial assistance through short-term loans at lower interests globally. It will also increase future refinancing costs and have significant financial implications. Already more than 25 percent of India's total revenue, above 35 percent of Pakistan's and over 75 percent of Sri Lanka's debt are owed on interest payments - **Figure- [6].**

**Figure- [6]**  
**The Interest Payments of South Asia in Percentage of Total Revenue**



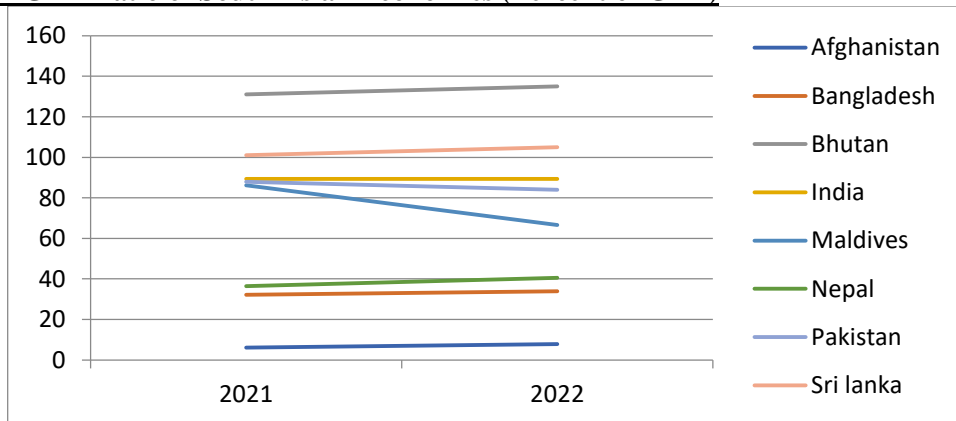
Source: World Bank Macro Poverty Outlook

In Afghanistan, the poverty rate has exceeded 95 percent after covid-19 pandemic added with political crisis, while 56 percent are trying to leave the country due to a drop in daily earning. In addition, crore of Afghan people are stuck in the grip of hunger as the country is mired in a humanitarian difficulty. Overlapping debt and food crisis have serious consequences in the country - First India (2022) [15]. As of 2020, the Afghan government has a debt burden of 7.8 percent of the country's GDP which was 6.1 percent in 2019. According to World Bank, the current value of Afghanistan's external debt in 2020 was reported to be USD 200 million.

Particularly this is concern to nations with high external debt such as Sri Lanka, Pakistan and Maldives. Hence high volatility in attracting foreign investment is seen amid heightened geopolitical uncertainty. Especially in Maldives and Sri Lanka, external debt is a huge share of the GDP of the countries - **Figure- [7]**.

**Figure- [7]**  
**The Government Debt of South Asian Countries**

**Debt –to – GDP Ratio of South Asian Economies (Percent of GDP)**



Source: tradingeconomics.com

The scenario is worrying in Sri Lanka, where the financial regression has increased external risks which led to a continuous sovereign credit downgrading, and hence make impossible to market-based refinancing. Sri Lanka has to spend more than 80 percent of its total government revenue on interest for its debt alone. In this scenario, the country is left with insufficient revenue to reinvest or meet government expenditure. The economic disaster in Sri Lanka has made foreign investors reluctant to invest in the country. After Sri Lanka, Pakistan has to pay 35 percent of its total revenue as interest. India also spends 30 percent of its income as interest on debt. Only if this rate comes down significantly take countries to the path of development.

The financial sector is facing many new challenges as credit support measures have been suspended almost all South Asian economies. By 2021 end, South Asian nations were completed all the projects except for special projects for the tourism sector of Bhutan, Sri Lanka and Nepal. Banks

stopped classifying non-performing loans that were deferred or under restructuring due to delay in **Non Performing Assets (NPA)** approval of moratorium and restructuring plans - Fitch Ratings (2021) [16]. Especially there is a lack of strong regulatory structural works and banking interference. In the scenario of an increase in non performing of existing loans, the financing companies will need to recapitalize to ensure they have enough for full recognition credit losses that can be depress on capital resources. The effect can be particularly strong for banks with low profitability and low capital buffers and in slower sectors economic recovery.

Inflation rates fell due to policy measures and the collapse of the private sector was prevented. NPA rates are declared as a result of these measures. Countries such as India, Bangladesh, the Maldives and Nepal experienced a decline in the NPA rate during the pandemic. Lending to private companies at low interest rates led to healthy growth. Private sector credit growth in India and Bangladesh has been reduced to 5 to 10 percent per annum. Loan growth has arose since the start of 2021 in Nepal and Pakistan.

#### **Adequate Reforms are Needed**

Authorities must adopt strong and coordinated policies tailored to their respective country circumstances to mitigate pressures on growth and manage difficult short-term trade-offs. Effective economic reforms can boost long-term growth. It is one of the most significance for emerging economies in South Asia. Because here the scars of the contagion have not yet faded. To restore economic growth, production must increase. This requires non-tariff barriers in the manufacturing sector and changes in many areas such as production and markets. Adequate reforms in education are necessary to address the long-term effects of out-of-school in developing countries in South Asia. Slower growth combined with challenges in commodity price contagion and tighter fiscal conditions will enhance the difficult policy trade-off between supporting economic recovery and curbing inflation and debt.

#### **Digital Penetration is Inevitable**

Although South Asian region is one of the poorest in the world it has the second largest online trading market globally. The widening digital divide continues along the lines of access and affordability within and between countries. South Asian companies lag behind the rest of the world in responding with digital solutions. Only 25 percent of companies in the region have switched to digital technologies. Hospitality companies in particular have lagged far behind in increasing the use of digital platforms.

Covid-19 has pushed South Asian countries into a forced digitization phase. Even small countries like Nepal also have recorded an increase of broadband internet users by 11 percent for needs such as education and remote work due to high internet penetration. Digitalisation of health services is a pivotal moment in the South Asian region, which has a very limited health infrastructure and it offered new solutions to public health crises. Digital transformation is driven by the global adoption of latest technologies such as **Artificial Intelligence, Cloud Computing, The Internet of Things, and Big Data**. This is the real significance of total victory. From banking to production and retail, the part of digital technology is crucial. Because every country is advancing their development by embracing the digital revolution. In terms of India's revenue growth, Indian e-commerce is projected to emerge as the third largest market in the next decade, overtaking the UK and South Korea which are the developed markets globally starting post-pandemic - Neha Dewan (2021) [17].

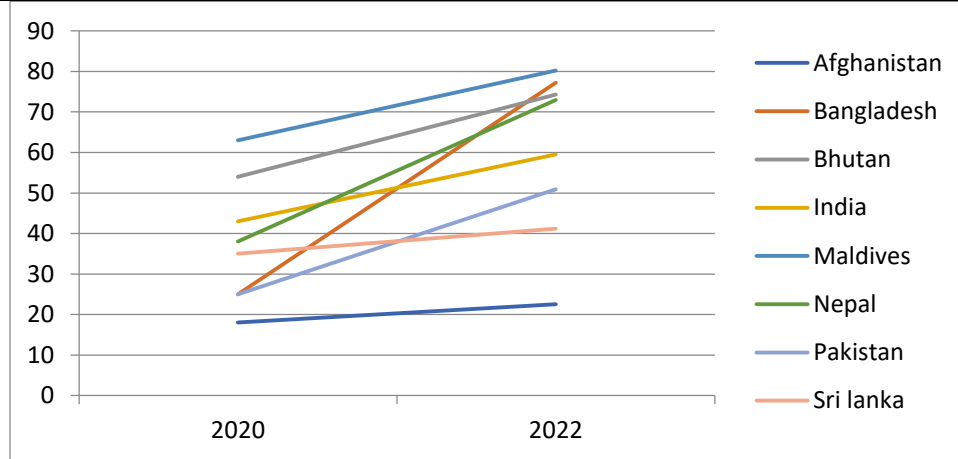
Countries such as Japan, Singapore, and South Korea are recognized as global technology hubs at the forefront of Asian digitization. South Asian countries have also seen significant progress in adopting digital technologies. **Bangladesh Vision -2021** has been implemented with the aim of changing Bangladesh into a digital rich society. Meanwhile, The biometric identification systems in India is aim to improve the ability in economic assistance programs through digital innovation. However, the region still has a lengthy path to go.

E-commerce has boosted post-pandemic growth in South Asia. As far as India is concerned, e-commerce will create ten lakh jobs by 2030 and it is predicted to be worth more than 200 billion dollars by 2026. The key internet economies namely **e-tail, e-health, Food Tech, Online Mobility, Bill Pay and Recharge** experienced a reverse spiral at the time of covid, but emerged again with more strong and give a shock with a commendable post-covid recovery. An expanding and mature user base that is much satisfied with online services further drives the growth of online stores - Peerzada Abrar (2022) [18].



Fintech will achieve significant growth by creating financial inclusion, and this can reduce poverty. By setting up faster payment gateways, lower costs and faster licensing, Pakistan's digital finance sector can boost total GDP by up to 7 percent. A timely, inclusive and sustainable digital conversion can increase productivity, growth and bridge some of the socio-economic divides in the South Asian region - Vepica Corporate (2022) [19]. **Figure- [8]** illustrate the internet using population in South Asia during the year 2020 and 2022.

**Figure- [8]**  
**Internet Using Population in South Asia during 2020 and 2022 (In Percentage)**



Source: <https://data.worldbank.org>

While analysing the data, among South Asian nations Maldives is in the top rank at 80.2 percent, followed by Bangladesh at 77.2 percent, Bhutan at 74.3 percent and Nepal at 73 percent in the usage of internet. While looking overall data, about 60 percent population in this region using internet as on July- 2022. But in Afghanistan, only 22.9 percent population are accessed to internet which is the lowest in South Asia. However between 2020 and 2022, South Asian region achieved a growth rate in internet penetration of about 21 percent.

### **Self Dependency is Essential**

Many countries in South Asia having very little economic resources. In general, it is more important for such countries to avoid economic shocks than to face them. South Asian countries like other countries were heavily dependent on Chinese products before the covid-19 pandemic. Because China owns one-third of the world's production. However, the pandemic worsened global supply chains and increased containerized export prices - Keith Bradsher (2022) [20].

There has been a decline in trade between South Asian countries and China, evidence for that has now been found. However, the rate of decline varies between countries. China's export trade with South Asian countries are now recovering. However, developing countries like India have started adopting self-reliance weapons to avoid such dependence. Such initiatives have been adopted as policies to increase local production and provide incentives to manufacturers and workers by providing special packages. Similarly, other South Asian countries like Pakistan and Bangladesh should focus on self-reliance - Khanindra Ch.Das (2021) [21].

Developing economies were the hardest hit by the global financial crises of 2008 and 2009. This is the result of over-dependence on international economic institutions - Edwin M.Truman (2009) [22]. This is the second time since then that the South Asian economies has suffered heavy losses due to its heavy reliance on international financial markets. However, since trade is considered to be a fundamental factor in economic growth, it is never possible for any country to completely stop trade relations with other countries in the long run. But it is important to adjust the extent of import and export dependence to avoid sudden shocks hitting the economy. In short, dependence of more than 50 percent of trade in manufacturing and services on a single country should definitely be avoided.

### **Green Taxation**

Countries should move away from un necessary fuel subsidies that only benefit the super rich and drain public resources. Also, a higher tax system should be gradually introduced on products that are harmful to the environment. Through this, countries should travel towards green economy. The

introduction of green taxation will provide many benefits to South Asian countries such as environmental protection gains, improved energy security, and fiscal revenue. The excess revenue generated from this can be used to strengthen social protection systems against climate-related disasters.

**It is Necessary to Increase the Regional Trade**

To avoid such dependence, South Asian countries should self-assess their strengths and weaknesses in manufacturing and services. And still these countries have comparative advantage in business process and tourism. A comparison of the tourism sector's contribution to its GDP before and after the pandemic did not show a significant decline. The contribution of Pakistan's tourism sector to the country's GDP declined from 5.7 percent in 2019 to 4.4 percent in 2020. As far as India is concerned, the contribution of tourism to GDP in 2019 has declined from 6.9 percent to 4.7 percent in 2020 – *World Tourism and Travel Council- 2021*.

It is also important to expand the trade and industry sector by investing more in *Information and Technology (IT)* and *Research and Development (R&D)*. Countries like India are exemplary in such activities. All economies have faced the need for digital remote services during the pandemic. India exported software services worth USD 133.7 billion in 2020-21. This represents a growth of 4 percent over 2019-20 exports. Moreover regional integration can strike a balance between economic isolation and dependence on developed economies. But due to man-made disparities, the share of inter-regional trade of South Asia is worthless while compared with rest of the region globally. But the estimation of World Bank says that South Asian economies could triple their trade volume from USD 23 billion to USD 67 billion by increasing regional trade.

**Lending Support Measures**

Countries introduced support measures such as regulatory tolerance, interest reductions on loans early in the covid-19 pandemic. Extension of such supports followed the spread of different waves of coronavirus. Most of these policies were carefully framed to support borrowers. It includes several policies including fixing or waiving of interest, loan repayment period extension, NPA moratorium period, loan restructuring and changes in repayment schedule- **Table- [9]**.

**Table- [9]**  
**Measures to Support Lending in South Asian Region During Covid-19 Pandemic**

Country	Loan Repayment Moratorium	NPA Moratorium or Relaxation of NPL Treatment	Encourage Re-Structuring (e.g. with public guarantee)	Interest or Waiver	Cap
<b>Bangladesh</b>	✓	✓	✓	✓	
<b>Bhutan</b>	✓			✓	
<b>India</b>	✓	✓	✓	✓	
<b>Maldives</b>	✓				
<b>Nepal</b>	✓		✓	✓	
<b>Pakistan</b>	✓	✓	✓		
<b>Sri lanka</b>	✓	✓	✓	✓	

*Source: Covid-19 Finance sector related policy responses database, country central banks, and world bank financial sector economists.*

These credit support measures, which took the form of programs such as government guarantee of loans and increased capital investment in the financial sector, enabled the fiscal sector to continue to provide adequate credit opportunities to borrowers in distress without financial resources. Such a moratorium policy will reduce loan defaults. This will protect the capital and creditworthiness of the banks. Rescheduling loans with public guarantees eased the burden on banks to cover losses on loans. And incentives were given to banks that encouraged companies to increase liquidity during the pandemic.

Factors like non-performing loan ban and non-performing loan relief allow banks to delay or prohibit the recognition of non-performing loans. As far as India is concerned, no loans have been

classified as non-performing during the one-year period from March 2020 to March 2021. In Bangladesh, Pakistan and Sri Lanka, failure rule mitigation has been implemented. In the case of Bangladesh, if borrowers pay only 15 percent of the total loan amount due by 2021, they will not be included in the list of defaulters. Pakistan has extended the loan repayment period. It is only after that time that the loan is deemed to have defaulted. Sri Lanka has withdrawn its requirement to classify all credit facilities provided by banks as default when the total amount of outstanding loans exceeds 30 percent of total credit resources

### Conclusion

The crisis of covid-19 has undermined the livelihoods of people in the South Asian region and years of progress towards achieving the Sustainable Development Goals (SDGs) framed by United Nation. South Asia will have to contend with greater inequality and its consequences in the future. However, the pandemic has provided a better chance to find a fair path to an impartial and strong recovery. For this, governing authorities should showcase hard work together in policy development for economic development measures such as protecting informal workers, increasing cooperation between countries in the region, curbing price hikes of essential food commodities, and removing trade restrictions where necessary and at the right time. Overcoming these challenges and identifying the issues and taking appropriate policy measures is an urgent need of the moment. South Asia has a scarce opportunity not only to find solution for a short period public health issue, but additionally to become a key axis of power and influence in the new global order. The World Economic Forum is a partner to the location, supporting to reshape the definitions of a new global order with a better, brighter and more sustainable future for everyone. Given these challenges, governments must plan monetary and financial policies very carefully to resist external shocks and save the vulnerable while laying the foundations for green and resilient growth. Countries should throw away the inefficient fuel grants which is very useful for wealthy populations and hence drain public resources that is common for all, and move towards a green economy by levying taxes on substances that degrade the environment. The green taxation plan can have immeasurable benefits for South Asia, including more energy security, environmental success and also boost tax revenue. Countries in the South Asian region are faced the worst economic disaster as far as the post pandemic economic recovery is concerned. Although these recovery efforts have faced obstacles in many ways, (high food inflation, unemployment, political instability, global economic recession and war in Ukraine) they have crossed all of them and they are travelling on a balanced development path now.

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