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Corona Virus (Covid-19): Impact on Indian Economy

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Keywords

Covid-19, Economic impacts, Benefits, pandemic, Economic downturn, Aggregate demand, Supply chain

ABSTRACT

The outbreak of the Covid-19 pandemic is an unprecedented shock to the Indian economy. The economy was already in a parlous state before Covid-19 struck. With the prolonged country-wide lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a protracted period of slowdown. The current pandemic circumstance has unfavorable profound effect on Indian business. Locally, the effect of the Covid pandemic COVID-19 could prompt log jam in homegrown interest. This will bring about disintegration of buying power because of occupation misfortunes or pay chops and hinder impact of conceded request will have a more drawn out enduring effect on various areas, particularly where request is optional in nature. India's genuine GDP exhausted to its base in more than six years during 2019-20. India's development for one year from now 2020-21 is gauge in the middle of 5.3% to 5.7%. The COVID-19, or Covid, pandemic has uncovered numerous shortcomings in the worldwide framework. In spite of our aggregated involvement with emergency the board, this infection has had the option to seclude us all in our homes. Corona virus has caused serious interruption for the Indian economy. The current Covid pandemic could prompt a four percent lasting misfortune to genuine Indian total national output (GDP). It is assessed for India's Gross Domestic Product (GDP) development rate to 1.9 percent for 2020-21. This will be the least after India recorded development rate at 1.1 percent in 1991-92. The COVID 19 has upset significant areas, it's unmistakably obvious that different areas the travel industry and avionics, telecom, auto area, transportation are most affected areas that are confronting negative repercussion of the current fiasco. In the given circumstance, with all the retail areas closing down their business the occupation of the laborers are at ideal danger. The Government of numerous nations has offered backing to the businesses to pay compensations to their workers. The current examination is attempted to contemplate the effect of COVID 19 in different areas considering the information which are auxiliary in nature, diverse proper factual apparatuses and procedures are applied for investigation and end. ”

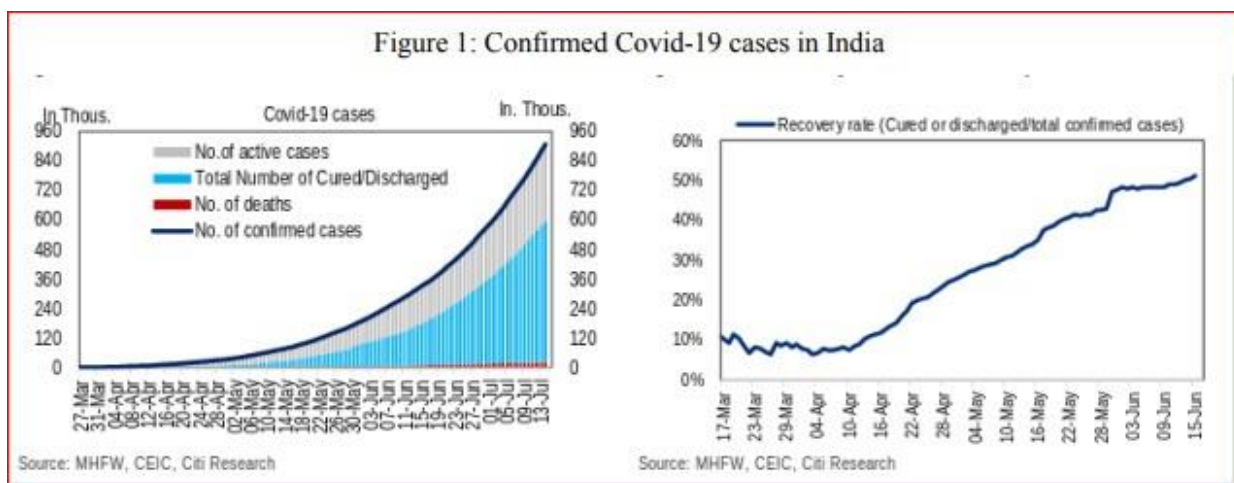
Introduction

Pandemics are large-scale flare-ups of irresistible illness that can enormously increase deariness and mortality throughout the world and cause critical financial, social” and political disturbance. “Facts recommends that the probability of pandemics has expanded over the past

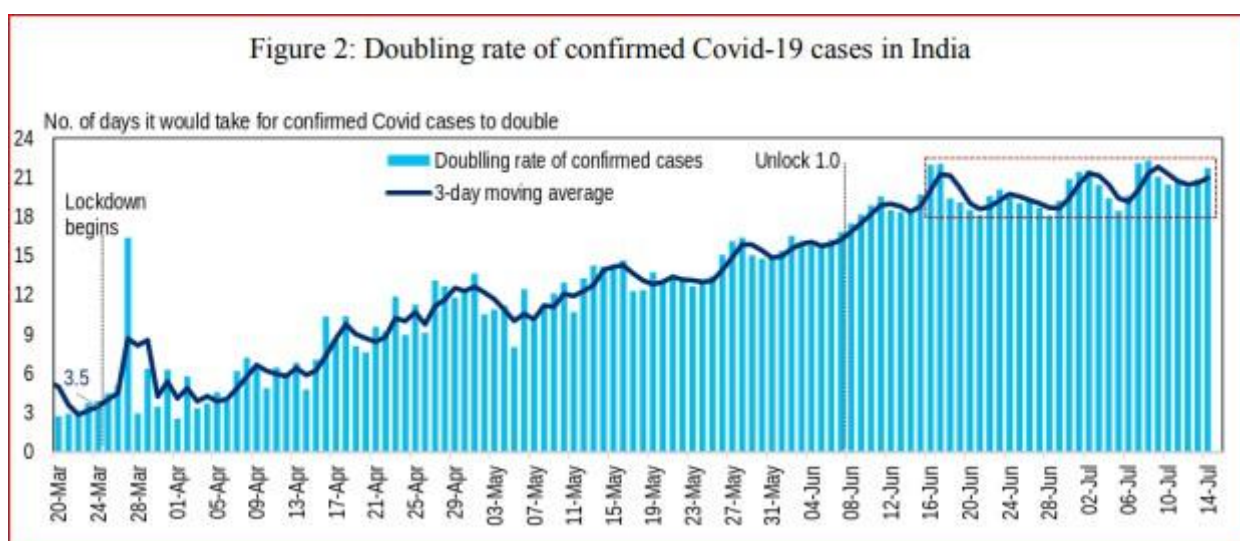
century since of expanded worldwide travel and integration, urbanization and noteworthy misuse of the common environment. (Jones and others 2008; Morse 1994). These patterns likely be proceed and escalating. Notable approach consideration has centered on to distinguish and restrain from development of flare-ups that might lead to pandemics. There is a need to grow and maintain attentiveness and well being capacity (Smolinsky, Hamburg and Lederberg, 2003). In spite of these changes, critical holes and challenges exist in worldwide widespread readiness. Progression toward assembling the IHR has been uneven, and numerous nations have found themselves incapable to meet essential necessities for compliance (Fischer and Katz, 2013" WHO 2014). Numerous episodes, eminently the West Africa Ebola plague (2014) have uncovered crevices related to the opportune discovery of malady, accessibility of essential care, following of contacts, isolate and confinement methods as well as worldwide coordination and reaction mobilization (Moon and others 2015; Pathmanathan and others 2014). These holes are particularly apparent in resource- limited settings and have postured challenges at local epidemic with desperate suggestions for what may happen amid a full-fledged worldwide widespread. The present-day pandemic spotlight on COVID-19 (coronavirus disease-2019) was earlier placed on Zika virus, H1N1, severe acute respiratory syndrome (SARS), chikangunya, Middle East respiratory syndrome (MERS), and Ebola. (Achon C, Laporte A, Gardam M A. 2005).

We are in the middle of a global Covid-19 pandemic, which is inflicting two kinds of shocks on countries: a health shock and an economic shock. Given the nature of the disease which is highly contagious, the ways to contain the spread include policy actions such as imposition of social distancing, self-isolation at home, closure of institutions, and public facilities, restrictions on mobility and even lock-down of an entire country. These actions can potentially lead to dire consequences for economies around the world. In other words, effective containment of the disease requires the economy of a country to stop its normal functioning. This has triggered fears of a deep and prolonged global recession. On April 9, the chief of International Monetary Fund, Kristalina Georgieva said that the year 2020 could see the worst global economic fallout since the Great Depression in the 1930s, with over 170 countries likely to experience negative per capita GDP growth due to the raging coronavirus pandemic.³⁴ The world has witnessed several epidemics such as the Spanish Flu of 1918, outbreak of HIV/AIDS, SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome) and Ebola. In the past, India has had to deal with diseases such as the small pox, plague and polio. All of these individually have been pretty severe episodes. However the Covid-19 which originated in China in December 2019 and over the next few months rapidly spread to almost all countries of the world can potentially turn out to be the biggest health crisis in our history. Many experts have already called this a Black Swan event for the global economy. Subsequently from end May early June onward the lock-down was gradually relaxed in a phased manner but continued in high-risk zones or „containment“ areas. This was required given the uneven” spread of the pandemic across the country with some states like Delhi, Gujarat, Maharashtra, Tamil Nadu, West Bengal etc reporting higher than average confirmed cases and also given the tremendous hardship that the nationwide lock-down had begun imposing on the overall economy. With the continued surge in cases, after an initial phase of relaxations in June, the nationwide lock-down was extended till July 31 albeit in a less strict manner compared to the lock-down of March 24. Measured relaxations have been permitted in areas outside the „containment or high-risk zones“ including opening of non-essential establishments, and businesses. Domestic flights have been allowed subject to the guidelines issued by the government to ensure safe travel of the passengers amidst the pandemic. However restrictions on educational institutions, places of public gathering such as shopping malls, gymnasiums, swimming pools, cinema theatres, entertainment parks, places of religious worship, operation of metro train services etc continue. While vehicular movement within states is allowed there remains in place a nightcurfew period in almost all states. The re-imposition of the lock-down has delayed any chance of economic recovery that was anticipated once the first phase of „unlocking“ had begun in June. The lock-down was primarily intended to buy time to prepare the health system and to put together a plan

of how to deal with the outbreak once the case-load started accelerating. India's public health system is relatively weaker than other countries. The government spends only 1.5% of the total GDP on public health as a result of which the system remains grossly under-prepared to deal with a health crisis such as this.



To the extent possible, the lock-down period was used to ramp up testing, contact-tracing, isolating confirmed patients in designated quarantine centres and setting up treatment facilities including makeshift hospitals. However the health care system continues to be overwhelmed by the rising number of patients every day especially in the worst affected states.”



The unprecedented lock-down has had a significant adverse effect on the economy. Millions of jobs and livelihoods are now at stake. As activity around the country came to a halt, with no job or income, more than 50 million migrant workers either returned to their native villages or shifted to camps inside the cities because state borders were sealed. While there are reports of some of them returning back to the cities now in search of jobs and livelihoods majority have not yet come back thereby imposing a massive strain on

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massive strain.

Objectives:

- “To Study the Impact of Covid-19 on India Economy”
- “To Study the Benefits by Covid-19 to India Economy”

Methodology:

The methodology is incredibly “needed to construct the analysis work equally qualitative and quantitative ways in which were used within the study. This text has required secondary data, secondary data has been collected from written offer, like varies periodicals, articles, reports, books, journals, and literatures, on the subject. For the aim of gathering the most recent updated information's on the topic e-sources to boot sharp-eyed.”

Limited policy space:

Given the state of the economy and especially the state of the financial institutions, the policy levers available to the government to deal with the economic crisis are limited. When the effects of 2008 Global Financial Crisis (GFC) were felt in India, the domestic economy was in a better shape having experienced a credit boom and a high growth rate for the preceding years and the government was also in a position to implement both monetary and fiscal stimulus measures. More importantly, the financial institutions were not so badly damaged. In contrast, the fiscal deficit of the government was already high in the pre-Covid-19 period and had breached the target as specified in the FRBM Act (Fiscal Responsibility and Budget Management Act). The fiscal deficit of the central government in 2019-20 was 4.6% of GDP against the target of 3.5% of GDP. This has been the highest fiscal deficit since 2012-13. The Finance Minister in her Budget Speech of February 1, 2020 had pegged the target for FY2021 to 3.5% (table 1) which will be breached by a wide margin. The FM had already used the escape clause provided under the FRBM Act to allow the relaxation of target for 2019- 20. The clause allows the government to relax the fiscal deficit target for up to 50 basis points or 0.5%. This shows that the government now has very little fiscal room. As the crisis unfolds, falling tax collections, declining revenues of public sector enterprises and rise in health sector expenses will further hamper the ability of the government to support the economy. Even without any additional expenditure, the deficit would go up substantially because of the decline in tax revenues and disinvestment receipts. Net tax revenues in April 2020 fell by a staggering 70% compared to April 2019. If state-level deficits are added, then the overall fiscal deficit in 2020-21 could very well exceed 10% of GDP, even without taking into account the off-balance sheet items. Financing such high levels of deficit poses a serious challenge.

Table 1: Key Fiscal Indicators – Central Government Finances

Indicator	Per cent to GDP		
	2019-20 (BE)	2019-20 (RE)	2020-21 (BE)
1. Revenue Receipts	9.3	9.1	9.0
<i>a. Tax Revenue (Net)</i>	7.8	7.4	7.3
<i>b. Non-Tax Revenue</i>	1.5	1.7	1.7
2. Non-Debt Capital Receipts	0.6	0.4	1.0
3. Revenue Expenditure	11.6	11.5	11.7
4. Capital Expenditure	1.6	1.7	1.8
5. Total Expenditure	13.2	13.2	13.5
6. Gross Fiscal Deficit	3.3	3.8	3.5
7. Revenue Deficit	2.3	2.4	2.7
8. Primary Deficit	0.2	0.7	0.4

Source: RBI (2020)

Monetary policy has its limitations too which had become apparent in the run-up to this crisis. In response to the growth slowdown, the Reserve Bank of India (RBI) embarked on a path of monetary expansion. Between October 2018 and December 2019, it freed up around Rs. 4 trillion of liquidity through open market operations¹⁵, and reduced the repo rate¹⁶ by 135 basis points to 5.15% – the lowest since March 2010. Yet, credit growth did not pick up, primarily due to the heightened risk aversion in the banking sector, as discussed earlier, and low credit demand from the stressed private corporate sector. Monetary policy transmission in India has been weak owing to structural deficiencies such as illiquid bond market, large sections of the population left out of the formal financial system etc. In addition, an impaired banking system and lacklustre investment demand from the private corporate sector, will further hamper the transmission of a policy rate cut to aggregate demand and hence growth. In other words, the combination of demand and supply shocks are hitting the Indian economy at a time when the tools to deal with the crisis are mostly ineffective, namely fiscal, monetary and financial. Over and above this, the external sector of the economy has been weakening as well. The nominal value of exports of goods and services – another important driver of growth – witnessed a decline by 8.49% in Q4, 2019-20.

Impact of COVID-19:

The global impact of COVID-19 has already been started unmasking its monstrous. Avatar on the Indian economy. The financial sector is the first to get a dent. The Indian rupee is touching to an all-time low on every next day against USD. The free flow of downward rupee is bringing an unprecedented situation to the Indian organization to settle their dues in USD. On Internal front, India is already struggling with low demands in almost each sectors i.e. Manufacturing, Production, Construction, Services, Logistics, Transportation, Tourism, Hospitality etc. the lock downs and other measures to contain the pandemic have further cornered the demand especially to recreation goods/services. The recent fall in oil prices brings some relief but that is not enough to curve the bad impact of the situation. India declared self-imposed „Jaanta curfew“ on March 22 which was hugely respected by the citizen of the country. Now all States & Union Territories (30) have declared lockdown and implementing it seriously along with other measures. This will have a long-lasting effect on the Industries. The Industries and workers of the informal sector will enormously be affected for fairly a long period. The lockdown somehow is holding the speed of spread of the virus (if compare it with the other countries) however anticipation of its comeback cannot be ruled out once the lockdown is removed. Mr Vivian Balakrishnan, the hon“ble Foreign Minister of Singapore recently has said that COVID-19 is “an acid test of every single country“s quality of health care, standard of governance and social capital. If anyone of this tripod is weak, it will be exposed, and exposed quite unmercifully by this epidemic.

- **Impacts of Covid-19 on Indian Economy crunching the cash:**

The whole way across the nation, over 45% of the families have revealed crude pay drops in contrast with a year ago's numbers. The utilized ones are not wealthy either, as there have been various reports of compensation cuts the whole way across different associations in India. During the lockdown, the nation's economy was required to lose an expected USD 4.5 billion each and every day it stayed shut. Out of the USD 2.8 trillion economies being run in the country, under 25% of the whole framework was scarcely practical and enrolling such a development in the business sectors. Gracefully chains are under trouble because of the lockdown, because of the underlying absence of clearness among fundamentals and unnecessary items. The most gambled gathering of individuals in the economy are casual area and every day wage laborers, as they have consistently been. Ranchers that had put resources into short-lived nourishments before the unexpected conditions being confronted today are additionally confronting vulnerability the whole way across India. Most significant associations the country over have either briefly suspended or altogether diminished their activities in such a period. New and up and coming new businesses have accepted a profound fall as the pandemic has

influenced their financing levels. Securities exchanges in India recorded the most exceedingly awful misfortunes looked by different organizations throughout the entire existence of India on the 23rd of March, 2020.

- **Homegrown monetary issues:**

As of June 8, India was on John Hopkins University's dashboard, setting seventh on the rundown of nations with most diseases – at that point, it had recorded an enormous 258,090 positive cases, with 7,263 recorded passings. In the nation's most recent financial projections, India's GDP is relied upon to shrink by 6.8% in its present monetary year, more terrible than its slowest-in-11-years climb the last quarter. An inexact 84% of Indian families are confronting pay diminishes since the start of the lockdown, as indicated by an investigation distributed by the Universities of Pennsylvania and Chicago, and Center for Monitoring the India Economy, Mumbai. They had likewise reasoned that the pandemic had caused a sharp and wide negative effect on family unit pay, as 33%, everything being equal, will be unable to get by past seven days without extra help.

- **Sectorial Impact Eateries Services:**

The National Restaurant Association of India (NRAI), which speaks to 500,000 or more eateries the nation over, has exhorted its individuals to close down eat in activities beginning Wednesday till March 31, 2020. This will affect activities of thousands of eat in eateries, bars, bars and bistros. By augmentation, food conveyance stages, for example, Swiggy and Zomato that are without anyone else working - have additionally endured a hotshot. Requests on Swiggy and Zomato have dropped 60% in the midst of the pandemic. Food and Agriculture: The food and horticulture area contributes the most noteworthy in GDP for example 16.5% and 43% to the business area. The significant part of the food handling area manages” dairy (29%), consumable oil (32%), and grains (10%). India likewise stands number one in dairy and flavors items at a worldwide situation (send out).

- **The gracefully of the food and Agri:**

The item will be influenced in the coming seasons because of low planting of the up and coming occasional harvests which will influence the mandi activities as said by the Ministry of Agriculture. The organizations which manage Agro-synthetic rely upon send out for completed merchandise and import of crude materials. The food retail with the Central government and State governments permitting free development of products of the soil the Bricks and Mortar staple retail chains are working typically however with the deficiency of staff is affecting activity. It is normal that with delayed lockdown the interest for the food supplies will increment. The online food staple, then again, endures an enormous misfortune because of the limitation of conveyance vehicles. With the deficiency of work, the food preparing units are confronting a hunch in typical capacity yet the administration is attempting to back out the circumstance until that the production lines need to acclimate to working with low work check. A significant objective in the catch of Coronavirus for the following barely any months the Indian fare is affected because of low purchaser request the fare arranged products like fish, mangoes, grapes are smashing this will affect the future harvest accessibility.

- **MSME:**

This area contributes 30% to 35% of the GDP, indicating a bifurcation of miniature (99%), little (0.52%) and medium (0.01%) undertaking. On the off chance that we see the sectorial dissemination of MSMEs, it shows 49% from country and 51 % from the semi-metropolitan and metropolitan zones. Maharashtra, Uttar Pradesh, Bihar, Tamil Nadu, and Madhya Pradesh have the most noteworthy number of enlisted MSMEs, an investigation by the AIMO assessed that about a fourth of more than 75 million is confronting conclusion if the conclusion goes past about a month and if the lockdown actually expands the circumstance would compound influencing the work of 114 million individuals influencing the GDP. Purchaser products,

pieces of clothing, coordinations are confronting a sharp drop in the business and the MSMEs occupied with the administration area are as yet working, be that as it may, is probably going to seclude due to plunging liquidity compels and buying limit. Areas which relies upon import, for example, gadgets, pharma, shopper durables and so on are confronting a ruin causing a tremendous joy over the worth chain. As a sprinkle of help came the RBI declaration of a three-month ban on reimbursements of credit and decrease in the repo rate as the greater part of the MSMEs relies upon the advance financing from the legislature.

- **Online Business/Internet Business area:**

The online business in the present economy assumes a significant part in the economy with a piece of the overall industry of USD 950 billion. It contributes 10% to the Indian GDP and demonstrated an extraordinary in the work area in the FY19 viz 8%. Its significant” portions are the “family and individual consideration items (50 %), medical care fragment (31%) and the food and drink area (19%). At fog the social removing because of danger of Corona virus the propensity of the customers to overload on basic item and wares viz rice, flour and lentils. This gave ascend in the deals of the FMCG organizations which it saw fall in the stir in exchange because of twisted flexibly chain .the internet business area saw a dunk in development with tension on the gracefully chain conveyances and the desires for the buyers on the organizations to think of more up to date circulation channels zeroing in on direct to client courses. In this taking off climate the overseeing and anticipating of interest will assume an imperative function in the client connection area. Ordering the wares into part for example fundamental products and unimportant items demonstrated various reactions in the market.

Conclusion and Suggestions:

India is already falling short in meeting its growth expectations in the last two FY. The GST collection is also not at par. The situation of COVID-19 is aggravating the financial health of the country even more worsen. As per the UN report, India will be impacted by \$348 mn on its trade due to Corona Virus. The figure shall increased even further depending on the period of lockdown, locally & globally. Hence, Null Hypothesis has been proved successfully that there is a significant relationship between the happening of COVID-19 and fall of Indian Economy. It is expected that in the short term the price of logistics, transportation, freight and many other services will rise. The Government is taking all possible measures to handle it efficiently however the exact impact shall only be known once the corona period is over. The economy is expecting no. of financial packages (5% to 10% of GDP) to overcome this historical slowdown. The Government till date has announced two financial stimulus (INR 1.7 lack crore and approx. 1 lakh crore along with 17000 crores to the state governments) to boost the sentiment of the Industries and the people. More stimulies are expected and believe to be in pipeline. Apart to this, the Government should also consider few more steps as under:

1. To cut various fiscal rates such as repo rate.
2. The tax rebate in the export should be continued.
3. The tax collection may also be considered to be rationalized hence industries will look for relaxation in the GST as per the need of the hour.
4. DBTs (Direct Benefit Transfer} should be exercised more effectively.
5. Availability of Working Capital and Loan facilities shall require to be more friendly”s.
6. The expenses on Govt. Machinery must be brought down especially on transportation, salaries, comfort, events, etc.
7. There should be a good coordination & belief situation between Central Government and the State Governments.

On positive side, India can also consider this situation as an opportunity to increase its export to the various part of the world. Overall it is expected that India will be able to curb this pandemic even more efficiently than its counterparts hence shall display speedy recovery on economic parameter too. The Government is required to give priorities to the economic measures to boost the economy along with obvious social & political agenda.

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