



ECONOMIC IMPACT OF COVID-19 PANDEMIC IN INDIA

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Abstract

Corona virus has not only worsened the condition of the economy of India but also of the world. According to the latest report of the World Bank, due to Corona virus, India's economy is going to have a big impact. There will be a huge decline in the economic growth rate of India due to Corona. According to the estimates of the World Bank, the growth rate of the Indian economy will come down to only 5% in the financial year 2019-20. It has been said in the report that this epidemic has come at a time when the Indian economy was already suffering due to pressure on the financial sector. Due to Corona virus, more pressure has increased on it.

Actually there is a nationwide lockdown due to Corona virus. All factories, offices, malls, businesses etc. are all closed. Due to the impact of domestic supply and demand, the economic growth rate has been affected. At the same time, due to increasing risk, there is a possibility of delay in improving domestic investment. In such a situation, the economy can reach difficult times. In the report, the government has been advised to emphasize the need for fiscal and monetary policy support. To deal with the challenge, India will have to take more effective steps as soon as possible to prevent the spread of this epidemic. Along with this, attention will also have to be given to temporary employment generation programs at the local level. The World Bank has warned that due to this epidemic, not only India but the entire South Asia can lose the benefits of poverty alleviation. The International Labor Organization had said that the corona virus is not only a global health crisis, but it has also become a major labor market and economic crisis that will affect people on a large scale. In this section, we attempt to discuss how India dealt with, and is likely to deal with, the major issues of economy and human life during Covid-19.

Keywords: Corona virus, World Bank, Indian economy, Poverty, Human life



Introduction

Trillions of dollars accumulated in the form of savings and revenue around the world have been destroyed. Every day a decrease is being recorded in the global GDP. Millions of people have lost their jobs International Monetary Fund has told that 90 countries are asking for help from it. According to the ILO, 25 million jobs are at risk worldwide due to the corona virus. Concerns have been raised in terms of local and external supply chains due to the impact of imports from China due to COVID-19. Lockdown and social distancing measures by the government to contain the spread of COVID-19 have affected industrial production has influenced. Unemployment has increased due to the lockdown, due to which there has been a huge cut in public expenditure. The lockdown has affected the availability of raw materials, production and the distribution chain of finished products, which may take some time to restart. For example, migration of laborers has increased due to suspension of production, in such a situation it will be a big challenge for the companies to start production with full capacity by appointing skilled laborers again. The effect of which can be seen in the slow progress of the economy. The decline in other primary or secondary sectors such as mining and manufacturing has also affected service sector companies. The sectors which will be most affected by this bad phase, the jobs will also be at greatest risk. The news of reducing the salary by 50 percent in the aviation sector has already come. Restaurants are closed, people are not going out for sightseeing, they are not buying new goods, but companies have to pay rent, salary and other expenses. The companies facing these losses will not be able to bear the burden for long and this will directly affect the jobs. Although the government has appealed to the companies not to fire them, but it will not have much effect. Hans Timmer, the chief economist of the World Bank, said that the outlook for India is not good. Timmer said that if the lockdown in India continues for a long time, the economic consequences here could be worse than the World Bank estimates. He said that to deal with this challenge, India will first have to stop this epidemic from spreading further and also ensure that everyone can get food. The biggest impact of the lockdown will be on the informal sector and 50 percent of the GDP of our economy comes from the informal sector only. This area may not work during the lockdown. They cannot buy the raw material, cannot sell the finished goods in the market, then their earnings will stop.



Tactics and actions in dealing with Covid-19

International financial institution IMF has formed a task force. The objective of this task force is how to bring the deteriorating economy back on track. Former RBI governor Raghuram Rajan is also in this task force. Raghunath Rajan has been with IMF before and he is a capable economic expert. India should also form a committee of talented economists in India to handle the economy, in which there are professionals and according to Indian challenges to bring the country's economy back on track, put policy solutions in front of the government in a phased manner. If we look at last year's economic index, there was sluggishness in all unorganized sectors including automobile sector, real estate, and small scale industry.

Banks are still dealing with the problem of NPA. Although, the government was trying to speed up the economy by giving relief and financial help through investment, but the government has not got much success. Meanwhile, the situation arising due to Corona virus has jammed the wheel of the economy. There is neither production nor demand anywhere, people are at home and tomorrow factories and shops are locked. The fight with Corona is now dual. Most of the countries are engaged in limiting the destruction of both health and economy. The exercise to prevent infection is gaining momentum in India, but India has lagged behind in economic relief.

Impact of Covid on GDP Growth Rate

The British government has brought a package of \$ 400 billion including tax concessions, cheap loans to businesses, various grants, which is equal to 15 percent of the country's GDP. Bank of England is infusing capital into the market by reducing interest rates. The government of Italy, badly devastated by Corona, has announced a package of \$ 28 billion, which includes the nationalization of the airline Alitalia. France's Corona relief package of Emmanuel Macron is about \$ 50 billion (2 percent of GDP). Spain's package is \$ 220 billion, Sweden \$ 30 billion, Australia \$ 66 billion and New Zealand's package is \$ 12 billion (4 percent of GDP). Singapore has brought a package of \$60 billion for its population of 5.6 million. Due to record deficit, shortfall in revenue, India's relief package is only 0.8 per cent of its GDP while other countries have brought packages equal to 4 to 11 per cent of their GDP. The Government of India's



package of about Rs 1.7 lakh crore is focused on symbolic help to the Corona affected. In which cheap grain is the main one. For which there is sufficient stock. New grains will come from the purchase of Rabi seeds, installments of Farmers Assistance Fund and other cash payment schemes will be released soon, for this allocation has been made in the budget. Subsidy payments to oil companies for free LPG cylinders to be stopped under Ujjwala, the collection of Provident Fund PF in India is about Rs 11 lakh crore, exemption from taking advance and deferment of employer's contribution in small companies by three months This fund will be put to full use. The Reserve Bank has shown more courage than the government. All banks have been asked to defer payment of installments for three months on all loans (including housing, car, and credit cards). There has been an unprecedented reduction in the interest rates and about 3.74 lakh crore capital has been increased in the financial system so that there is no shortage of loans. Like other countries, the Government of India has not been able to provide any new direct help to the laborers, small businessmen and those who have lost their jobs due to Corona. Only 15-16 percent of the establishments will get the benefits of the concessions from the provident fund.

Impact of COVID-19 Pandemic on Migratory Labour

The International Labour Organization describes the coronavirus pandemic as "the worst global crisis since World War II" in its report. Due to the virus's catastrophic consequences, approximately 400 million people (76.2% of the total workforce) in India are at risk of falling deeper into poverty. Because half of the world is in lockdown, 195 million full-time jobs, or 6.7% of global working hours, will be lost. Many work in low-wage, low-skilled jobs where a loss of income can be disastrous.

Seasonal migration of labour for work is a common occurrence in rural India. Millions of people migrate from rural areas to industries, urban markets, and farms. In India, major migration corridors run from Uttar Pradesh and Bihar to Punjab, Haryana, Maharashtra, and Gujarat. Newer corridors are being built from Odisha, West Bengal, and the North East to Karnataka and Andhra Pradesh, from Rajasthan to Gujarat, from MP to Gujarat and Maharashtra, and from Tamil Nadu to Kerala. Construction (40 million), domestic work (20 million), textile (11



million), brick kiln work (10 million), transportation, mining, and agriculture all employ migrant workers. During the lockdown, 92.5 percent of workers lost one to four weeks of work. According to a Jan Sahas survey of 3196 migrant workers conducted between 27 and 29 March in northern and central India, 80% of migrant workers fear that they will run out of food before the lockdown ends on 14 April and will not be able to return to work. According to the survey, 55% of migrant workers earn between \$200 and \$400 per day, and 39% earn between \$400 and 600 per day, both of which are below the minimum wage rate. Only 4% of workers earn \$600 or more, which is close to the minimum wage.

Impact on Start-Ups and Micro, Small and Medium Enterprises

Micro, Small, and Medium Enterprises (MSME), which have created more than 90% of jobs in India, employ over 114 million people, and contribute 30% of GDP, face a severe cash crunch if the lockdown is extended to 8 weeks. Many of these MSMEs must pay loan obligations and monthly EMIs. Many of them may simply vanish if their cash cycle is disrupted as a result of the lockdown, with fixed costs hanging over them. They require a loan repayment moratorium. The RBI has made funds available to non-banking financial corporations, some of which lend to MSMEs. Furthermore, the movement of perishable goods is hampered, threatening these businesses with massive losses. Without a thriving MSME sector, India cannot achieve real and sustainable growth. The COVID-19 crisis will also put Indian start-ups to the test. Startups must rely on cross-border funding. Several entrepreneurs have seen their businesses grind to a halt. Receivables are skyrocketing, forcing them to implement painful cost-cutting measures in their businesses. Because of the restricted global capital flows, the government will have to make funds available to this sector, as venture capital firms may take a little longer to come and support it.

Covid-19 and its impact on the Indian economy

The Indian economic growth rate was already not very commendable in 2017, as it saw a drop in the rate of growth from 8.2% in 2016-2017 to 6.8% in 2018-2019, and the statistics are more painful seeing India's economic growth rate at 5% in 2019-20 due to the Covid-19 crisis.



Tourism, healthcare, information and technology, and other sectors have been important contributors to the Indian economy, but as with all other sectors, there has been a significant negative impact on their growth. Covid-19 has had a devastating impact on the developing and fragile Indian economy; no one has escaped its wrath. When over a hundred developed economies have been wrecked and have turned to the International Monetary Fund (IMF) for financial assistance, India has a long way to go (www.ETBFSI.com, n.d.). Coronavirus had disrupted the entire routine and lifestyle of people whose lives were confined to their four walls.

Economists warned of the negative consequences of the lockdown and the cost that citizens would have to pay. Businesses in all forms were severely impacted; educational institutions were closed, as were numerous shops, offices, food joints, shopping malls, workshops, warehouses, and many more. Online businesses were hampered, and workers and labourers, particularly migrants, suffered the most. Many people lost their jobs, and some chose to work from home. Whether educated or uneducated, worker or farmer, upper/middle or lower class, the impact was severe. However, every threat creates an opportunity; the global perception of China may open up a new market for the Indian economy. Many veteran industrialists hope for and anticipate India becoming a new global manufacturing hub.

Conclusion

Informal sectors include hawkers, vendors, artists, small scale industries, and cross-border trade. The government does not get tax from this class, in this whole period of lockdown and corona virus, the maximum impact is going to be on aviation, tourism, hotel sector. This situation is challenging for the government, suddenly a huge problem has arisen in front of it. In the era of 2008, some companies were handled by giving financial help. But, if the government gives loan today, then everyone will have to give it. Production and purchases in every sector have been affected, the corona virus has affected the whole world. Big countries and strong economies like China and America have become helpless in front of it. This will also hurt the efforts to strengthen the economy through foreign investment in India. Even if foreign companies do not have money, they will not show interest in investing, however, experts say that the impact of



these conditions on the economy will depend on two things. One is that how serious the problem of corona virus is in India in the coming times and secondly, till when it is controlled.

The traumatic impact of this pandemic on people's lives will be difficult to forget. On the one hand, economic insecurity infused a lack of trust in institutional bodies, while on the other hand, it increased people's awareness of survival, health, and hygiene necessities. People's emotional setbacks will take time to recover from; we can call this a phase of losses, whether economic or relational. Some people have created economic opportunities for themselves and others during this difficult period. As a result, some people are still attempting to cope with their lives being disrupted by the crisis, while others have adjusted and moved on, accepting everything.

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