


IMPACT OF COVID ON INDIAN ECONOMY

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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. 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 corona virus pandemic. In this chapter we analyze The pre Covid-19 period and assess the potential impact of the shock on various segments of the economy. We discuss the policies that have been announced so far to ameliorate the economic shock and finally end with some policy recommendations.

Keywords: Pandemic, Economic, , Self-Isolation, Consequences, Experience

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Introduction

The COVID-19 outbreak, which started in China in December 2019, has spread to 203 countries. Till date, over 1.5 million people had been affected by COVID -19 and about 80,000 people had died worldwide. The World Health Organization (WHO) declared the virus outbreak a pandemic in the second week of March 2020, four months after the novel virus first made headlines. We are in unprecedented times. The Covid -19 pandemic is spreading across the world and India is no exception.

Accordingly, industrial operations (excluding essential services) in the country have come to a standstill, which coupled with fears of the disease outbreak, are likely to have prolonged repercussions on several industries. The shutdown of nearly 130 crore people and a large number of companies is leading to disturbances and dislocations on an unimaginable scale. It has slammed the brakes on economic activity and caused huge human sufferings.

Impact of Covid-19 Pandemic

The outbreak has now presented Indian economy with new roadblocks, creating destructive impact on the world of work. The organizations have gone on a backfoot with such a crisis at the country. both markets and the economy have reacted sharply to the pandemic and its implications for businesses. Some are:

Since February 1, 2020 –

- India's gross domestic product (GDP) growth for fiscal 2021 was pegged at 6% by the Reserve Bank of India (RBI) on February 6 and by CRISIL at 5.2%. CRISIL has since revised it lower to 3.5%, while the RBI in its monetary policy meeting in March decided not to provide an outlook on GDP growth.
- In its South Asia Economic Update: Impact of Covid -19, the World Bank estimated the Indian economy to slow down to 5 percent in 2020 and projected a sharp growth deceleration in fiscal 2021 to 2.8 per cent in a baseline scenario.
- S&P BSE Sensex is down over 30%, and most global indices have crashed and seen sharp volatility.
- Crude oil is down 64%, while the rupee is trading 6% lower compared with the dollar.

- In India Up to 53% of businesses have specified a certain amount of impact of shutdowns caused due to COVID-19 on operations (FICCI survey).
- Various businesses such as hotels and airlines are cutting salaries and laying off employees. - Live events industry has seen an estimated loss of Rs 3,000 crore.
- A number of young startups have been impacted as funding has fallen.

Policy measures taken by Government and Regulators:

The government and various regulators have announced a series of measures to support corporates and individuals during the lockdown. At a glance, some of the initiatives include: (*Enclosed as Annexure 01*)

Challenges Ahead of COVID-19 Pandemic

We can expect the following challenges Indian economy may face resulted in the effect of COVID-19 pandemic: a) Domestic demand slowdown due to regulatory restrictions, lockdown and fear of contagion to impact certain sectors over the near-term, while purchasing power erosion due to job losses or pay cuts and trickle -down effect of demand deferral to have a longer-lasting impact on some other sectors, especially where demand is discretionary in nature. b) Global economic slowdown and lockouts to impact sectors with high dependence on global demand, especially that of key impacted markets like Europe, North America and South-East Asia. Undoubtedly, this Corona virus has put the world economy at a major risk. Corona virus ravages the economic foundations of world trade. Commentators have identified this outbreak as an outcome of hyper - www.ijcrt.org © 2020 IJCRT | Volume 8, Issue 6 June 2020 | ISSN: 2320-2882 IJCRT2006648 International Journal of Creative Research Thoughts (IJCRT) www.ijcrt.org 4740 globalization or starting of de -globalization. However, the world is going to face recession and the global losses. c) Commodity Price Impact: The disruptions in global demand have sent commodity prices crashing, which would offer respite on raw material price front of manufacturers, while squeezing margins of commodity-oriented sectors.

Objective

The objective of this paper is to assess the impact

Of COVID-19 on the Indian economy in the short term and the long term. The research question being addressed is What will be the impact of COVID-19 on the Indian economy in the short term and the long term? A decision-tree approach has been adopted for doing the projections that spell out the impact. Different scenarios have been considered for assessment of the economic impact. Since the Indian economy is a part of the global economy first a stock of the global impact has been taken. Before measuring the likely impact on the Indian economy, the methodology has been spelled out in the assessment part of the paper.

Methodology

Outline of the methodology is given below:

01. For each of the five economic indicators, ascertain the actual value as of year ended 2019–2020.
02. Consider three scenarios of level of pessimism—moderate, average and severe pessimistic situations of recovery in 2020–2021.
03. Assign estimated values for change in the year 2020–2021 for all the three situations.
04. Assigning equal probability of 0.33 each to all the three situations, calculate a single expected value for the year 2020–2021 as a weighted product of the probability and estimated values of changes in all the three situations.
05. Adjust the current value of the economic indicator (April 2020) for the expected value of the estimated change. The adjusted value will, thus, be the forecast for the year 2021–2021.

Conclusion

A COVID-19 outbreak affected not only India but the entire world, and was felt across industries. The economic impact of India's corona virus pandemic has been tremendously destructive. That will have an effect t on the Indian industry to a large extent. Its epidemic is declared by World Health Organization as a national emergency. India's real GDP decelerated to its lowest in over six years in 3Q 2019-20, and the outbreak of the COVID-19 posed fresh challenges. Steps taken to contain its spread, such as nationwide restrictions for 21 days and a complete lockdown of states, have brought economic activity to a standstill and could impact both consumption and investment.

There are several initiatives being announced by various agencies to contain the economic fallout of it. The measures from various government agencies and the central bank have provided some relief. While Indian businesses, barring a few sectors, can possibly insulate themselves from the global supply chain disruption caused by the outbreak due to relatively lower reliance on intermediate imports, their exports to COVID-19 infected nations could take a hit. The impact of COVID-19 would be felt across sectors such as logistics, auto, tourism, metals, d rugs and pharmaceuticals, electronic goods, MSMEs and retail among others. However, the extent of actual impact would depend on the severity and duration of the outbreak, which is still unknown.

Annexure

Annexure 01

<i>Ministry/Regulator</i>	<i>Measures taken</i>
<i>Ministry of Finance</i>	<i>Pradhan Mantri Garib Kalyan package to address liquidity needs of the poor, provide insurance to health workers, and ensure adequacy of necessary utilities such as pulses and gas cylinders</i>
<i>RBI</i>	<i>Loan moratorium of three months ending May 2020 • Banks may revise their working capital limits • Long-term repo operations extended to corporate debt securities</i>
<i>Securities and Exchange Board of India (SEBI)</i>	<i>Relaxation of default recognition norms for credit rating agencies (CRAs) during the moratorium period</i>

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