

Impact of Novel Corona-virus (nCOVID-19) on Indian Economy

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ABSTRACT

Every nation's economy is being afflicted by a new illness known as COVID-19. In an economy as a whole, it has an impact on every aspect of human life. serious disease-causing viruses, such as those that cause Severe Acute Respiratory Syndrome (SARS – COV). A person affected by COVID-19 can recover in 16 days, according to a doctor's report. This disease has fairly typical symptoms like fever, coughing, and breathing difficulties. The government cannot control the spread of the corona virus on its own. In this situation public needs to take necessary precautions i.e. keeping a physical distance, wearing a mask in public places, washing hands frequently, avoiding touching the face, and adhering to the lockdown. The pandemic and related lockdown have had an impact on a number of economic sectors, including micro, small, and medium-sized companies (MSMEs), agriculture, banking, transportation, tourism- hospitality, and allied industries. India's growth rate is predicted by the World Bank to increase by 1.5% to 2.8%, however the International Monetary Fund (IMF) predicted 1.9% GDP growth for India in 2020 due to the influence of COVID-19 on the world economy. In India, major manufacturing sector has stopped, creating a significant increase in unemployment. The unemployment rate was already at a 45-year high, and from January 2020 (7.16%) to March 2020 (8.74%), overall unemployment grew in India. With the aid of this study, an effort is made to understand how COVID-19 has affected various economic sectors. Secondary data have been gathered to accomplish this goal via various government websites, research papers, articles, newspapers, etc.

Keywords: Coronavirus, MSMEs, Health Emergency, Epidemic, Unemployment, IMF, Lockdown.

I. INTRODUCTION

Director General of WHO, Tedros Adhanom Ghebreyesus accepted the recommendation of Emergency Committee (EC) and declared the Novel Corona-virus outbreak (2019 – nCOV) a Public Health Emergency of International Concern (PHEIC) on Thursday 30th January, 2020 and a pandemic on 11th March 2020. First corona-virus case was found in Wuhan, China on 31st December 2019 and since it has spread globally. As on 30th January, 2020 WHO reported total 7818 confirmed case world-wide, major cases in China. Outside China 18 countries reported with 82 COVID-19 cases. India's first case was also reported on 30th January, 2020 emerged from China.

Corona-virus disease (COVID-19) is an infectious disease caused by a newly discovered corona-virus. ICTA announced on 11th February 2020 the official name of this virus as "severe acute respiratory syndrome corona-virus 2 (SARS-CoV-2)". On 15 May 2020, more than 4527029 cases have been reported globally, resulting in approximate 303413 deaths and 1705804 recoveries. In India corona-virus cases count came at 82103 and over 2649 people died from Covid-19 infection so far, according to Worldometer data. The situation of the economy due to COVID-19 is worst than world economic crisis 2008-09. At the time of, World Financial Crisis in 2008-09 there was an enormous demand shock but the workers were able to go to work for their livelihood. Former Reserve Bank of India's Governor Mr. Raghuram Rajan stated that, "India is facing today with perhaps its greatest emergency since independence" in reference to the current economic scenario. While Moody slashes India GDP growth from 5.3%, to 2.5% in 2020 and Goldman Sachs has reduced India's FY21 real GDP from 3.3%. to 1.6%

IMPACT OF nCOVID-19

COVID-19, the virus is not mere a threat to human life but also to the world economy as a whole. Each sector of the world economy is adversely affected, because it has broken down the supply chain that connects every one. Indian economy, was anticipated to lose over US\$4.5 billion every day during the first 21 days of lockdown. Farmers are facing high degree of uncertainty regarding the sale of their perishable goods (green vegetables, fruits, milk, etc.) and it became very difficult for fast moving consumer goods to sustain. Big companies are reducing their size of operations, young startups are not in a position to collect online funds through crowd funding, hotels and airlines are cutting the salaries of their employees. The study has been divided into two parts – 1-Impact on World Economy and 2- Impact on Indian Economy:-

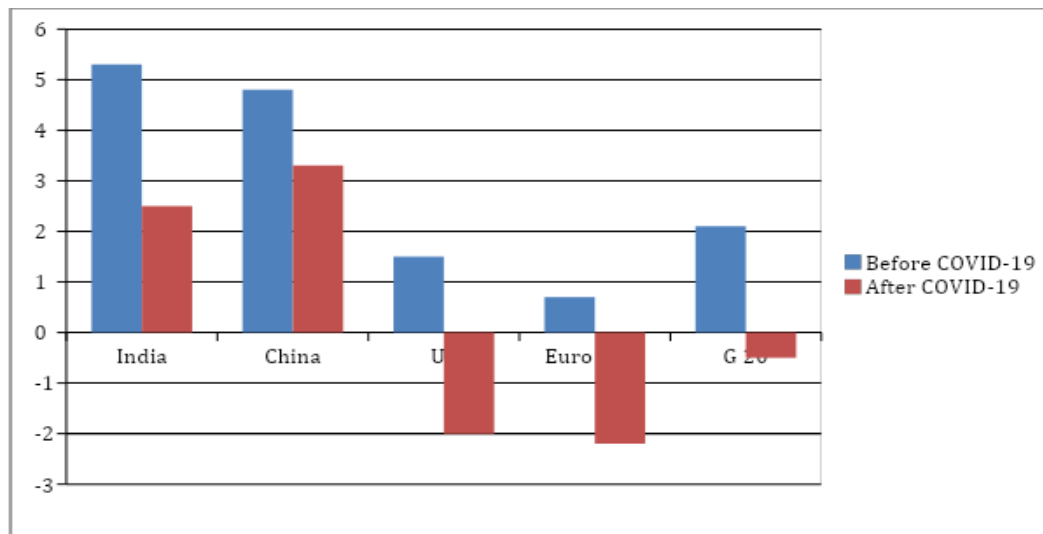
1- IMPACT ON WORLD ECONOMY

Covid-19 pandemic has adverse repercussions on the economy globally, disturbing the Political, Social, Economic, Religious and Financial structure, experiencing the most difficult economic situation in the whole world. The spread of Covid-19 epidemic is accelerating and causing more financial disturbance. With lockdowns imposed in several countries, transportation such as road and air travel has been largely restricted. The historic decline in the price of crude oil indicates the global reduction in economic activity, reduced demand for goods and services, as a result decline in global trade. According to UNCTAD “The most affected sector includes precisely investments in machinery, automotive and communication equipment”

The IMF published a report on April 14, 2020 and concluded that the world economy would see its toughest situation after the world depression, phenomenal that was seen during the world economic crisis a decade ago. In addition, IMF reported that the world economy could reduce by 3.0% in 2020, before growing up by 5.8% in 2021. It is estimated that global business will reduced by 11% in 2020 and there is reduction in the price of oil by 42%.

Moody’s Estimated GDP Growth 2020		
COUNTRY	BEFORE Covid-19	AFTER Covid-19
INDIA	5.3	2.5
CHINA	4.8	3.3
US	1.5	-2
EUROPE	0.7	-2.2
G20	2.1	-0.5

Source: Moody’s Investors Service



COVID-19 resulted in a large number of unemployment all over the world and thus an alarming increase in poverty stricken population, by a drop in the income by 20% across the world.

II. IMPACT ON INDIAN ECONOMY

Indian economy is also largely affected by this deadly Covid-19 pandemic. It has largely affected the chain of demand and supply of goods and services in the country. As the World Bank and Credit rating agencies have downgraded the Indian growth rate for the financial year 2021 with the lowest figure India has seen in last three decades.

According to CMIE, overall unemployment has increased from 7.16% in January 2020 to 8.74% March 2020.

Unemployment Rate (%)	January 2020	February 2020	March 2020
INDIA	7.16	7.78	8.74
URBAN	9.70	8.65	9.35
RURAL	5.97	7.37	8.45

As a safeguard against the spread of corona-virus outbreak in India a countrywide lockdown for 21 days was ordered by Indian Prime Minister Narendra Modi on 24th March, 2020.

The lockdown was in 3 Phases:-

- Phase 1 : 25 March 2020 – 14 April 2020 (21 days)
- Phase 2 : 15 April 2020 – 3 May 2020 (19 days)

- Phase 3 : 4 May 2020 – 17 May 2020.

Prime Minister Narendra Modi while addressing the nation stated that “From the economy’s point of view, the lockdown undoubtedly looks costly right now, but compared to the lives of Indian citizens, it is nothing”.

Lockdown influenced number of sectors in an economy such as:

A-IMPACT ON BANKING AND FINANCIAL SECTOR

Due to economic depression as a consequence of Covid-19 in the country banks are likely to face a rise in the ratio of their non-performing assets by 1.9% and credit cost ratio by 130 basis points in 2020. There will be rise in customer loan default because of high unemployment and household leverage. Covid-19 is a “Black Swan” event for the stock market which occurred despite seeming impossible. The stock market has fallen 30% in less than three months since the pandemic started spreading in the West. The Reserve Bank of India has taken a number of decisions regarding the safeguard of an economy from the impact of COVID-19. These decisions are:

- ✓ Decreasing Repo Rate by 75 basis point from 5.15% to 4.4%
- ✓ Cash Reserve Ratio of all banks to be reduced by 100 basis points to 3%
- ✓ Reserve Repo Rate has reduced by 100 basis points to 3%
- ✓ There is reduction in the Marginal Standing Facility Rate and Bank Rate Stand to 4.65% from 5.40%
- ✓ Three months moratorium on all terms loans outstanding as on March 1, 2020.
- ✓ RBI announced to inject ₹3.74 lakh crore of liquidity to the banks.

B- IMPACT ON AGRICULTURE

Agriculture and supply chain has been largely affected by Covid-19. As this is the time to harvest Rabi crops when Covid-19 struck the country which affects the harvest and supply of Rabi crops in the market yards. Non availability of migrant labourers at the workplace due to lockdown, interrupted the harvesting activities of wheat and pulses. There is also some delay in sowing and harvesting of crops due to the unavailability of agricultural products such as seeds, tractors, ancillary support, fertilizers and medicines for crop protection. The small and medium enterprises running with raw material from the agriculture sector also need to be looked after, so that the economy doesn’t collapse. There is lack of food security management and food supply disruptions in India. It should be noted that there were 2 to 3 million deaths in Bengal famine in 1943 due to food supply disruption not because of lack of food in India.

C- IMPACT ON BUSINESS AND TRADE

There is a high impact of Covid-19 on Indian businesses, businesses are going to cut manpower resulting in job loss for millions of people. A survey which was collectively held by the Voice of India’s industry FICCI and tax consultancy Dhruva Advisors where they took feedback from 380 companies from different sectors and concluded that businesses are combating with a high rate of uncertainty regarding future events. The focus of the government is on meeting the demand of essential goods like FMCG, drugs and medicines while non-essential businesses like Apparel & Textile, Auto sector, Building & Construction are adversely affected due to pandemic. Chief Economic Advisor K.V. Subramanian said “COVID has a significant deflationary impact because demand especially for non-essential or discretionary goods and services will go down significantly. Therefore, it is unlikely that there would be too much inflationary impact through fiscal deficit or stimulus package”. Two of every five companies of BSE 500 informed either to losses or 20% decrease in March Quarter profit. The United Nation Conference on Trade and Development (UNCTAD) stated that, the outbreak of Covid-19 and slowdown of production in China is disrupting world trade. India is also among the 15 most affected economies with a trade impact of \$348 million.

UNCTAD ESTIMATED TRADE IMPACT IN INDIA	
Chemical Sector	\$129 Million
Textile & Apparel	\$64 Million
Automotive sector	\$34 Million
Electrical Machinery	\$12 Million
Metal & Metal Products	\$27 Million
Wood Products & Furniture	\$15 Million

Engineering Export Promotion Council chairman Ravi Sehgal said, during Financial Year 2020, India’s export contracted by 4.8% to \$314.3 billion while import by 9.1% to \$467.2 billion, leaving a trade deficit of \$152.9 billion.

MEASURES TAKEN BY THE GOVERNMENT TO CONTROL THE IMPACT OF COVID-19

Finance Minister announced ₹1.7 lakh crore stimulus to poor for three months to ease the impact of nationwide lockdown. As per the announcement made by government 20.4 crore women having Jan Dhan Bank Account will get cash for ₹500 for three months. While 80 crore poor ration card holders will get 5kg per month of wheat or rice and 1kg per month of pulses free of cost each for three months. In order to save resources, the Union Cabinet approved 30% deduction in salary and allowances of Members of Parliament for 1 year. Central government has announced ₹20 lakh crore to fight against the COVID-19 in India that is equivalent to 10.0% of GDP.

Name of Country	% of GDP
Japan	21.1%
USA	13.0%
Sweden	12.0%
Germany	10.7%
India	10.0%
France	9.30%
Spain	7.30%

Source: Statista

CASES UPDATED BY GOVERNMENT ON 04th MAY 2020 at 5:00PM

STATE	CASES	ACTIVE	RECOVERY	DEATHS
Maharashtra	12974	10311	2115	548
Gujarat	5428	4096	1042	290
Delhi	4549	3125	1362	64
Tamil Nadu	3023	1614	1379	30
Madhya Pradesh	2942	1979	798	165
Rajasthan	2886	1459	1356	71
Uttar Pradesh	2742	1939	758	45
Andhra Pradesh	1650	1090	524	36
Punjab	1102	964	117	21
Telangana	1082	563	490	29
West Bengal	963	777	151	35
Jammu & Kashmir	701	406	287	8
Karnataka	642	312	304	26
Bihar	517	388	125	4
Kerala	500	95	401	4
Haryana	442	192	245	5
Odisha	163	102	60	1
Jharkhand	115	90	22	3
Chandigarh	94	75	19	0
Uttarakhand	60	20	39	1
Chattisgarh	57	21	36	0
Assam	43	10	32	1
Ladakh	41	24	17	0
Himachal Pradesh	40	5	34	1
Andaman and Nicobar Island	33	1	32	0
Tripura	16	14	2	0
Meghalaya	12	11	0	1
Puduchery	18	3	5	0
Goa	7	0	7	0
Manipur	2	0	2	0
Arunachal Pradesh	1	0	1	0
Mizoram	1	1	0	0

Sources: <http://www.mohfw.gov.in>

III. CONCLUSION

After the COVID-19, there is a great opportunity for India's economic growth at the global level because many countries are shifting their manufacturing bases from China. So it largely depends on the recovery strategy of the Indian Economy post COVID-19. In terms of trade, China has a big share in the world market. It is the largest exporter in the world (13% of world exports) and second largest importer (11%) in the world. India imports 45% of electronic products from China, one third of machinery, almost two-fifths of organic chemicals from China. Approx 90% of cell phones come from China to India. Now is the right time for India to be self dependent and the Indian government should encourage its own businesses or entrepreneurs by imposing restrictions on imports of goods from any other countries. The Indian economy could far better than other economies because India is less dependent on export which means the country won't suffer if globalization is

put on a reverse gear and new trade barriers are imposed. Economy pundits are expecting a V-shaped economy recovery where a short decline will be followed by a sharp price.

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