Vol. 8, Issue: 9, Sep.: 2020
(IJRSML) ISSN: 2321 - 2853

Impact of COVID 19 Pandemic on Indian Economy

PUSHPA CHAUDHARI

1. Introduction

India is the second highest populating country after China and it is said that up to 2030, the Indian population will overtake the China and become the highest populated country if we wouldn't have any concrete population control policy. It is very difficult to provide quality employment to this huge population. During COVID pandemic, India is largely disruptive influence in terms of Economy. A huge adverse effect had been seen in employment sector, a huge fall in GDP growth rate, production and distribution of goods and service and start-ups.

Many companies such as Tata Motors, Aditya Birla Group, Larsen & Turbo (L&T), Oil and Natural Gas Corporation (ONGC) have temporarily suspended many of their productions and other operations. The magnitude of the impact of social and economic shutdowns will be more severe than demonetization. Large results are being achieved due to the closure of transportation services. International migrants are forced to walk hundreds of miles from their place of employment to live with their families in their distant homes.

2. Unemployment before and after Lockdown

Unemployment has become a major issue due to a number of factors such as declining growth rate, advent of artificial intelligence and lack of creation of new jobs. Private sector growth has slowed as infrastructure development has slowed. The departure of foreign investors from India was quick in some of the tax measures included in the 2019 budget. The imposition of rich taxes led to an increase in industrial production. These measures were quickly withdrawn but the economy has suffered a lot.
Today the largest sector employer that is MSME is on the verge of collapse. The reality of the situation is that young people who pass out of vocational colleges are unable to get jobs similar to their education. Other officers are ineffective to provide. A report by the International Labor Organization (ILO) says that unemployment and unemployment are on the rise in India.

In a study by McKinsey in 2014, 56% of Indians fall under the "empowerment line". It is a line on which one has access to basic necessities - clean drinking water, education, electricity, food, healthcare, sanitation, decent housing and social security. According to The Economist, Indian labor laws are complex and restrictive. As of September, 1818, maintained by the Government of India, there are 31 million unemployed in India. However, data for less control goes out of the data net.

Life-threatening illness, unemployment is enough to bring the family below the poverty line at this stage. Unemployment is at its peak in urban India as compared to rural areas. India's unemployment rate has risen from 6.1% in May to 1.11% in March. In addition, according to figures from the Center for Monitoring Indian Economy (CMIE), in April 2020, about 27 million young people in the 20-30 age group lost their jobs. "They have to compete with new groups joining the labor force after them, for a few jobs," he resists.

Daily wage workers are very worried about their livelihood. "There is a food crisis and I'm afraid there could be starvation if we don't address it," Avik Saha said. He added, "Everyone is trying to help but the political system is broken and there is a desire to exploit it." Another vulnerable group is those working in the service industry such as house helpers, personal drivers, beauticians, tailors, event managers, caterers are also facing major crises and loss of income.

Many individuals are facing wage cuts. Assessments are being delayed, employees are worried and anxious about their future. Business Today estimates that more than 300 million informal workers may be vague and seek help.

Impact on GDP Growth Rate

The Economic Survey 2019-2020 provided preliminary estimates for real GDP growth during 2019-2020, compared to a growth rate of 6.8 percent in 2018–2019. The marginal GDP estimate for the year 2001–2050 is 4 204,400 billion, compared to the provisional estimate of 190 190,100 billion for the year 2001–201. per cent increase. On 28 February 2020, the National Statistics Office announced revised estimates of GDP growth, from 8% to 7.1% in the first quarter, from 7% to 6.2% in the second quarter, and from 6.6% to 5.6% in the third quarter. Goldman Sachs projected a GDP growth rate of 1.6 percent, falling by 400 basis points due to the 21-day lockdown (Goldman Sachs, 2020).

KPMG India estimates India's GDP growth to be in the range of 5.3 per cent to 5.7 per cent as the global COVID-19 epidemic accelerates by mid-May. In the second situation where India controls the spread of the virus but the global recession is significant, the growth is 4.5 per cent. can be between cent percent. In its report, KPMG India estimates that India's GDP growth rate will fall below 3% if the virus spreads further in India and sees a lockdown extension (KPMG, 2020).

Motilal Oswal research suggests that one day of a complete lockdown could achieve 14 to 19 basis points of annual growth (Oswal, 2020). Barclays reports that the cost of a joint shutdown is approximately US 120 120 billion, or 4% of GDP (Barclays, 2020). Former Finance Minister of India Shri Yashwant Sinha has estimated the cost of 21 days of nationwide lockdown at 1 per cent of GDP. The global recession and future uncertainty will make it possible to reduce the growth rate (2020-22021) by 2% points.

Implications of Capital Market

Fear of coronavirus has sent shock waves through global financial markets. Indian capital markets are imagining the inflow of funds into the western capital markets, due to the downturn and decline in stock markets around the world. According to NSDL data, foreign portfolio investors (FPIs) withdrew 24 247.76 billion from equity markets in India and ₹ 140.50 billion from debt markets from March 1 to 13. There will be a lot of volatility in the capital markets in the next 6 months due to the rapid flow of capital from one market to another in the world.

Impact on Start-Ups and Small Enterprises

Micro, small and medium enterprises, which have created more than 0 per cent employment in India, employing more than 14 11 million people and contributing per cent of GDP (Radhika Pandey, 2020), are at risk of serious cash crunch. Shortage if the down is extended to 8 weeks. Many of these MSMEs have loan obligations and monthly EMIs to repay. Their cash cycle is disrupted due to the downturn, in which case many of them may disappear if certain expenses are incurred on them.They need to defer for loan repayment.

The RBI has released funds to non-banking financial corporations, some of which provide money to MSMEs. In addition, the movement of perishable goods is hampered and thus, these businesses suffer huge losses. MSME Without a developed region, India cannot have real and sustainable development. The COVID-19 crisis will also test the resilience of start-ups in India.

Start-ups have to rely on cross-border fundraising. Some founders are seeing their businesses shut down. Recipients feel dizzy and have to take painstaking measures to reduce costs in their ventures.

The government will have to provide funding in this area, as it will take some time for venture capital companies to come and support due to the restriction of global capital inflows.

Political Influence

In such a catastrophic situation, India's political parties show a level of maturity, which rarely comes. Everyone needs to have a productive conversation with those who are able to respond to it, as the long 40 plus day many downtimes have forced many people out of jobs. Social harmony, which is considered the basis for economic development, needs the special attention of all political parties in government. Suppose the national leadership is to persuade the nation for conditions of peace and harmony not only by words, but by deeds.

The number of states appeared to be temporary on relieving down conditions i.e., Delhi, Orissa, Gujarat, Karnataka. There is reluctance to start economic activity in the districts of the red zone areas. Under different circumstances - Maharashtra, Punjab, Telangana, West Bengal, Bihar and Tamil Nadu are in a complete lockdown till May 31, which reduces employment opportunities for its residents, resulting in loss of cash flow and much more.

Other Country's Outlook on Collapsing Financial System

It is important to note that countries that have performed relatively well in dealing with the corona virus epidemic have avoided imposing a nationwide, curfew. These include Singapore, Taiwan, Germany and Turkey. Even China, where all this started, kept only Hubei province under lock and key.

In U.S., unemployment has risen sharply, with factories, stores, offices and other businesses shutting down, with 26 million workers admitted to the jobless bucket. Trump is keen to reopen the economy as soon as possible, ignoring the advice given by his own experts. But Trump knows the consequences of the reopening could lead to greater numbers, but he is keen to ensure that the economy does not sink further. In U.K., the Bank of England has surpassed its biggest annual economic decline estimate of 10%. The bank is offering cheap loans to commercial banks to ease the strain of the corona virus.

Views of Economists on Crippling Economy

Leading institutional researcher Christopher Woods says, "The chaotic closure in India is fueling FII sentiment." The social and political agenda seems to be the priority of the leading government than the economy. Former RBI governor Raghuram Rajan is also set to go public and measure the fiscal deficit and be monitored by the government. The economy should be concerned about saving and spending wisely.

President of the Indian Statistical Institute C. Rangarajan said, "The impact of the lockdown will be felt by a number of channels, with weak local demand, supply chain and disruption in the financial markets. All of this will result in declining productivity and employee relaxation. Former Prime Minister of India Dr. Manmohan Singh reacts with similar views. Investors, businessmen and entrepreneurs who are not willing to take risks. Lack of investment means lack of consumption and demand in the economy. Lack of demand will only put more pressure on private investments. This is the vicious cycle in which our economy is stuck.

In early April, Kerala's finance minister, Thomas Isaac, suggested that COVID bonds purchased by the RBI be presented to the state with an interest rate of less than 5% to pay off the mop-up. Expressing optimism that the situation has left all governments in a debt trap, he cited the example of the US Federal Reserve and the European Central Bank, saying that this is the way the whole world is.

Reopening Economy

India carefully reopened the business, but millions prefer to stay home so as not to become infected. The shortage of workers will make it difficult to revive construction and industrial activities as most of the migrant workers from different parts of the country have left their places of work and will not return. This is likely to lead to further delays in economic recovery along with challenges in the supply of goods.

After lockdown, Maruti Suzuki opened an office fee with 5% staff. Tata Consultancy Services (TCS) with less than 1%. Others like Panasonic India, Dabur, Whirlpool, Flipkart have started again with small class of employees. While Tanishq has announced plans to reopen its 328 stores across the country, stock brokers have struggled to serve customers. Small and medium-sized businesses are experiencing economic hardship from the epidemic and subsequent lockout. They account for about a third of gross domestic product and employ more than 110 million people. Some states allowed the sale of alcohol. Long queues were seen at the wine shop, which resulted in Karnataka earning Rs.45 CR higher on the first day itself, since then sales have been better organized and revenue has also seen a downward trend.

Unemployment in the Containment and Red Zones is likely to worsen as residents are also reluctant to set foot outside their homes.

Conclusion

Regardless of whether the virus enters our shores on a large scale, it is now clear that the economic impact of COVID-19 will be enormous. Still, the way back to growth depends on the range of drivers. Regardless of whether the virus enters our shores on a large scale, it is now clear that the economic impact of COVID-19 will be enormous. Still, the way back to growth depends on the range of drivers.
The risk of a global recession due to COVID-19 in 2020 and 2021 will be extremely high, as it has been observed globally that all economic activities, production, consumption and trade - to control the spread of COVID-19 are on the verge of closure. The form of shutdown is unique in the case of COVID-19 due to supply shock, demand shock and market shock. Recovery in the economy depends on the timing and intensity of government support as well as the level of corporate debt and how companies and markets cope with low demand. Government assistance to most needy people (mostly unorganized sector, migrants and the formation of marginalized communities) is an important step in saving the lives of many.

However, each crisis brings a unique opportunity to rethink the path taken for the development of human, community and society. The Covid-19 epidemic is a clear message to the Indian economy to adopt a sustainable development model, which is based on self-reliance, inclusive infrastructure and is environmentally friendly.

References

1. Barclays (2020). How will India lockdown play out for economy & markets: 4 scenarios. Economic Times. https://economictimes.indiatimes.com/markets/ stocks/news/how-will-india-lockdown-play-out-for-economy-markets-4-scenarios/articleshow/74804087.cms
2. Economic Survey (2020). Key indicators. Government of India.
3. JaganMohan, M. (2020). Travel and tourism industry in India, statistics and facts. https://www.statista.com/topics/2076/travel-and-tourism-industry-in-india/
4. Lee, J.-W., McKibbin., J. W. (2004). Estimating the global economic costs of SARS. In Knobler, S., Mahmoud, A., Lemon, S., Mack, A., Sivitz, L., Oberholtzer, K. (Eds.), Learning from SARS: Preparing for the next disease outbreak. Institute of Medicine (US) Forum on Microbial Threats. https://www.ncbi.nlm.nih.gov/books/NBK92473/

5. Oswal, M. (2020, March 26). With 75% economy under lockdown, analysts see sharp fall in GDP. Business Standard. https://www.business-standard.com/article/economy-policy/with-75-economy-under-lockdown-analysts-see-sharp-fall-in-gdp-120032600231_1.html
6. Radhika Pandey, A. P. (2020). Covid-19 and MSMEs: The ‘identification’ problem. Ideas for India for More Evidence Based Policy. https://www.ideasforindia.in/topics/macroeconomics/covid-19-and-the-msme-sector-the-identification-problem.html
7. The Hindu. (2019). Unemployment rate at 45-year high, confirms Labour Ministry data.
8. United Nations . (2020). Economic and social survey of Asia and the Pacific. Economic and Social Commission for Asia and the Pacific Decade of Action (ESCAP).