

# Economy of India Affected by COVID-19

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## Abstract

The effect on the economy of the 2019 coronavirus disease (COVID-19) outbreak in India seems to have been primarily detrimental. India has been undergoing recession before the outbreak as stated by the World Bank, the new disease outbreak has “amplified already existing threats to India's economic situation”. To cope with the crisis, food production and supplementary funding for hospitals as well as for the regions to sectoral rewards and extensions of tax deadlines, the Indian government launched a host of steps. Fast-moving businesses in the world have limited their activities dramatically and concentrate on critical items. On 23 March 2020, Indian capital markets reported their worst record declines. The Indians have debated lives and livelihoods with the government declaring first that livelihoods were prioritized and then livelihood and life were given equal value. This paper summarizes the Indian economy in the pre-COVID-19 timeframe, the possible impacts of the shocks on different segments of the economy, the Central Government's and the Reserve Bank of India's policies announced so far to mitigate the economic catastrophe and puts forth a collection of policy proposals for some segments.

## Keywords

COVID-19 (Corona Virus Disease 2019), Fast Moving Consumer Goods, Food Security, Incentives, Pandemic, Tax Deadline Extensions.

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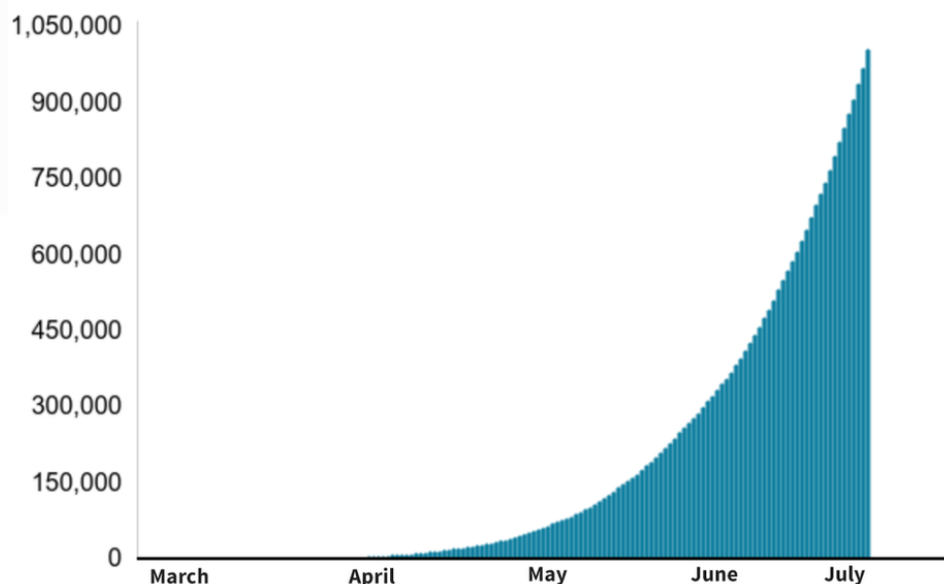
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## Introduction

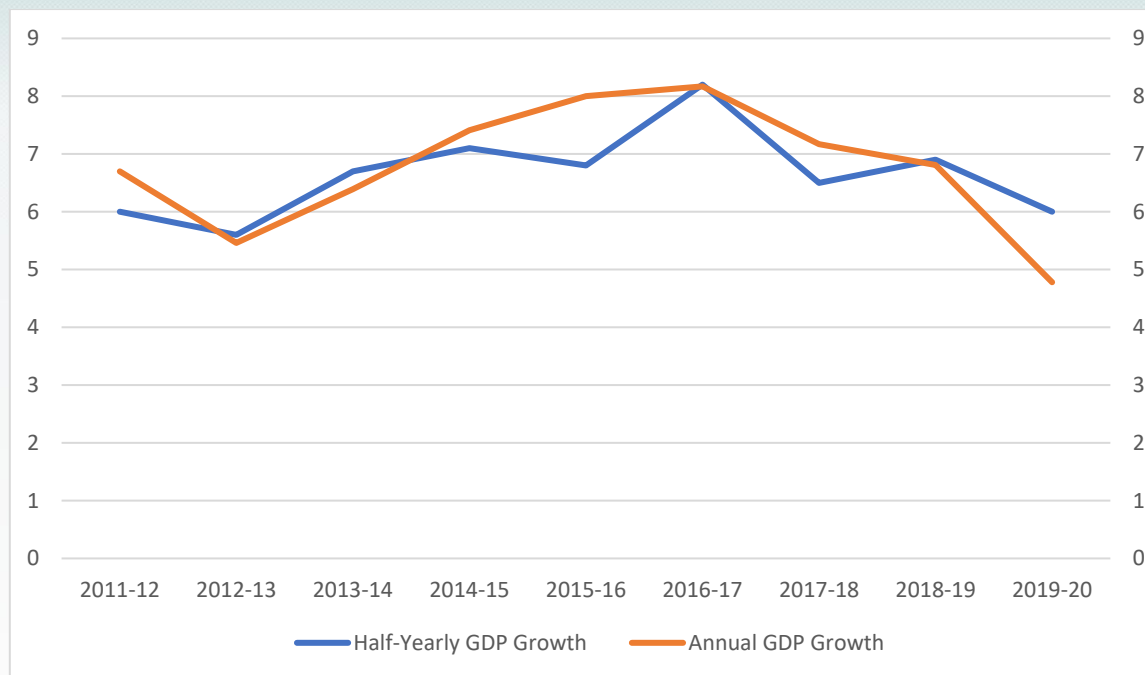
In the position of a worldwide COVID-19 pandemic, we are facing two sorts of crises: a medical and also an economic catastrophe. Given the extremely infectious existence of the disease, measures like public trying to distance implementation, homes segregation, the closing of hospitals and public buildings, restricting movement and even locking the whole nation must be included in ways that will limit the dissemination of the infected disorder. Such behaviour can have dire implications on economic sectors. In fact, the economics of a nation must interrupt its usual workings to control the epidemic effectively. This triggers the expectation of a worldwide downturn that is profound and protracted (Baruah, Dutta, & Guha, 2020). Diseases commonly found in India like pox, plague, polio etc. have been tackled in the past effectively. Both of these were very serious episodes separately. Nevertheless, COVID-9, emerging in China in December of 2019 as well as in the next few months, will prove to be the greatest health problem in our history in virtually all nations of the world. This case for the world economy already has been called by several analysts (Baruah et al., 2020).

To prevent the transmission of the infection, beginning on 25 March 2020, the Government of India declared a national lock-out that lasted approximately two months. In addition to certain inter-state transportation allowed to come back migrant workers, stuck tourists and scholars to their respective habitat in early June and early May, most non-essential facilities and companies like retail outlets, schools, sites of worshipping places, throughout the whole country remained locked and then all travel arrangements were suspended all over the nation. This was the greatest action taken by any country in reaction to the disease outbreak and, to date, maintains the greatest embargo against this outbreak in the world. Figure 1 is representing the number of cases reported in India until the end of July. Figure 2 represents the GDP of India from 2011-2012 and it can be noticed from the figure that the GDP of India is declining from the year 2016 and it has fallen to 4.78 (Cost-effectiveness, 2012).

The lock-down time was, whenever necessary, used to enhance testing, monitor connections, separate patients confirmed in specified quarantine facilities and set up care facilities like enhancement services. Fortunately, daily, the medical system remains, particularly under the worst affected countries, to be overcome by the growing majority of persons (Cost-effectiveness, 2012).



**Figure 1:** Positive cases of COVID-19 reported in by medical authorities in India till July' 2020



**Figure 2:** Indian GDP over the years

### Indian economy in the pre-COVID-19 period

India also saw a before the epidemic slowdown. Well before the coronavirus epidemic, the Country's economy was in its hardest period with growth of the GDP slipping from 4.2% in 2019-20 to 11-years low. In January-March 2019-20, the rate of economic growth was 3.1% relative to 5.7% a year before, which was the slower growth in at least 8 years (Baruah et al., 2020). In FY 2019-20, production has only risen by 0.03% in comparison to 5.7% in the prior year, as per statistics from the National Bureau Of statistics. The development of the construction industry, which has an impact on many other sectors, has also decreased to 1.3%. In FY 2019-20, the gross development of capital was also weak whereas the development of financial assets dropped to 7.9 percent contrasted with 10 percent in the previous fiscal period – suggesting low savings. Bank credit growth dropped more than half to 6.1 percent, which reflects a lower amount than the prior 13.3 percent, compared to the prior fiscal development.

As a result of the 2.8% investment decline and 3.6% exports decline, the actual GDP growth in 2019-20 has declined to 4.2%, the lowest in 2008-2009 at 3.1%. On the demand side, the production and development sector, as well as the two heavyweight related industries—industry, hotels etc and financial and immobile services, have fallen primarily," stated D.K. Srivastava, Chief Policy Officer of EY India. Therefore, India is faced with a decline in savings and investment crisis, and an acute COVID lockout problem. Financial development, as a percentage of GDP, declined to 29.7% of GDP at current prices in 2019-20. The saving rate in 2019-20 is therefore projected at 28.7%. Around the same time, the economic potential of the Central Government to address such threats would be undermined by strong fiscal revenue. In 2020-21, the outcomes of growth would rely on the relation between the optimistic total agricultural output, government and security infrastructure to the depressed output of the production, building and two heavy services industries.

The 2016 demonization of India's banknotes and the introduction of a goods and services tax in 2017 resulted in a massive disturbance in the economic system. Besides, several banking crises like licensing construction and investment banking catastrophes have been experienced, and botched-up programs like 'Make in India' occurred. In the year before the quarantine, the various socio-economic segments also had a substantial "revenue crunch".



## Impact of the crisis

### Key indicators

#### Estimated impact of COVID-19 on GDP of India in the Year 2020

Between April and June 2020, India's semi-annual GDP was found to reduce by more than 9 percent. The reduction was compared to a 5% increase in early 2020. The nation locked down the world's biggest, 1.3 billion individuals on 25 March 2020. This has been stretched to 3 May 2020. The Indian government considered its economic, property and professional services industry to be the most seriously affected during the lock-out timespan (Baruah et al., 2020).

#### Estimated cost due to COVID-19 on the economy in India 2020

Setbacks on the Economic system: The quarantine occurred at a time of difficult economic conditions. It has been approximated that trade all over industries will be affected. The purchase of necessities such as testing equipment was thus directly impacted. In addition to the export industry, the tourism sector also earned another major income generator. The dominantly unorganized retail industry in India has been another loss as quarantine has increased the pressure on the consumer stores. But the position seemed to have profited moderately from organizations making electronic page facilities like PayTM and Google Pay (Kumar Das & Patnaik, 2020).

Indian health care services: although one issue was affected by the economic system, lives were threatened and medical care became a priority. Regardless of the disease outbreak, the availability of medical healthcare services was the main problem in India. As of 2018, investment in population health was estimated at almost 1.6 trillion Rupees. And for the bulk of the public, public hospitals were the cheaper option. Rooms in government hospitals in urban rather than rural communities were relatively higher. Many other governments and private test laboratories were expanded and assigned to battle the viral infection (Saha, Barman, & Chouhan, 2020).

#### Impact from COVID-19 on India's imports 2020 by commodity

In the country's export industry, the imported goods of electrical items into India were also the least affected, with a 34% decrease in June 2020 in comparison with that same couple of days of the preceding period. The downturn in gold was more than 77 percent this month. Mica, coal and other goods had a decrease of around 1.13 percent in comparison to that of the same month in the prior year in export markets from India. Iron ore experienced 63 percent of the highest expansion in the month. On March 25, 2020, the world's biggest quarantine of 1.3 billion people, has been stretched to May 3, 2020 (Saha et al., 2020).

#### Estimated quarterly inflation in India FY 2020-2021 by sector

The indices of deflation and the corresponding decline in economic growth have been projected to decrease during the economic quarters of 2021. On the other side, it was predicted that CPIs, except for food, drinks, cigarettes and fuel/light, would be much more consistent in the same period with approximately 4 percent.

#### COVID-19 impact on household income in India 2020

The lock-down of the coronavirus (COVID-19) in India had dramatically affected family income from 12 April 2020. The proportion of households' earnings decreased substantially from around 8 percent by February to an incredible 45.7 percent in mid-April. The contrasting trend showed a rise in revenue that indicates similar findings; 31 to 10.6 percent on 12 April 2020 (McKibbin & Fernando, 2020).

## Employment

### COVID-19 impact on unemployment rate in India 2020

A financial consequence as huge as that of India was inevitable because of a full lock-down. On 17 May 2020, the unemployment rate rose to 24%. This may have been a result of a drop in the price as well as a disturbance in the number of workers facing businesses. Moreover, the Economic growth in the month resulted in a GVA loss of even more than nine percent. The downward trend: The majority of the population that saw a decrease in revenues jumped up to roughly 46 percent around February and April 2020. Services and goods, like food and power, are projected to raise the rate of inflation late this year. Social isolation triggered work losses, in particular those of the poor financial structures of Indian society. A majority of houses have finished domestic assistance – basically a weekly, unorganized task. Most Indians spent quite a bit of period in house jobs, making it the most common lock-in operation.

Assistance from Pradhan Mantri Garib Kalyan Yojana: Extremely impoverished groups with poor access to affordable health care as well as other support were the most affected due to this disease and locking. This led to the introduction of numerous government initiatives and campaigns to benefit such households. 312 billion Indian rupees were added and given, among them women, maintenance workers, peasants and elderly people, by about 331 million recipients, within the Pradhan Mantri Garib Kalyan Yojana. More funding for small companies during the recession was revealed in mid-May (Mahajan & Kaushal, 2020).

### COVID-19 impact on labour participation rate in India 2020

Coronavirus (COVID-19) in India, which fell to approximately 35% in April 2020, most affected employees, as many lost their jobs at this time. On 24 May 2020, though, the country's employment rate climbed steadily to 38.7 percent and the jobless rate stabilized.

### COVID-19 impact on the number of people employed in India 2019-2020

Coronavirus (COVID-19) locks in India, which accounted for about 280 million people in April 2020, affected the number of workers mostly. The number of workers working in the country was approximate 396 million relative to the prior month of March. In May 2020, the unemployment rose by nearly 23%, but it was 21 million higher than the prior period.

## Business

### Impact of COVID-19 on future of start-ups and SMEs India 2020

In April 2020 a large proportion of participants said they wanted to abolish or escalate their operations in the next 6 months, as per the surveys of the potential of start-ups and SMEs, leading to the effects of the COVID-19 crises in India. Company growth is projected at only around 13% (Harsha et al., 2020).

### Size of organized market India FY 2019 by sector

In the India organized industry, which is commonly known as India Inc., the building industry in the financial year was estimated at 8.7 trillion rupees. This same year followed businesses like IT, gems and jewels, steel and readymade textiles. These sectors are known after studies and suffer from significant interruptions as a result of the disease outbreak and resulting closures triggered by the coronavirus (COVID-19).

## **Future strategy of equity investors due to loss by COVID-19 outbreak in India 2020**

From the early 2020 poll, which analyzed the effect on Indian investors of the coronaviral disease outbreak, it was calculated that 53% of respondents expected to steadily purchase capital whereas 15% proposed more actively purchase equity. This is because the buyers are confident and the reason that they will benefit more by acquiring shares at a cheaper price.

## **Retail and Consumption**

### ***People engaged in panic buying due to COVID-19 India 2020***

As per Rakuten Insight's study of panicked buyers following an epidemic of coronavirus, 61 percent of Indians indicated that panic buys had not been involved in the disease outbreak. In the very same study, several anxiety purchasers suggested that dry foods like grain, pasta, noodles and meal were kept.

### **Retail and recreation mobility changes during COVID-19 in India 2020 by state**

Becoming a huge decrease for retail and leisure flexibility around the country was accomplished by steps to curtail the outbreak of coronavirus (COVID-19) in India. In July, Goa has seen a decline of 90% in comparison with the January and February 2020 baseline estimates. In comparison to baseline values, Jammu and Kashmir saw a 124% rise. This will result in a region's reorganization from a particular status in October 2019 to a union zone and lock-down regulations, such as an internet and Phone blackout.

### **Impact of COVID-19 lockdown on grocery availability India 2020**

In the course of the survey era retail stores have continuously looked more trustworthy for customers to be able to obtain vital goods, as per a study of the effect of the coronavirus (COVID-19) on Indians around March and May 2020. In the days after lockdown with rebooking and broken services, online shopping retailers had an impact.

India carried out 21 days of lockout, declared on 24<sup>th</sup> March 2020. This was a so-called rehearsal lock-down following the "Janata Curfew" of 22<sup>nd</sup> March 2020. Market fear purchasing started days prior shutdown was declared, as in other nations.

### **COVID-19 impact on media consumption India 2020 by type of media**

Depending on the outcomes of a first-week study taken on coronavirus-related lockouts (COVID-19), the utilization of social media has increased by nearly 75% over the previous week. In general, people are spending too much time online, while radio and television usage outside of the domestic signboard had dropped dramatically over the time frame.

## **Relief and Financial Aid**

### **Impact of government aid to combat COVID-19 in India May 2020**

India's government touched more than 392 million people in the world by way of its relief package from 6<sup>th</sup> May 2020 to tackle the symptoms of coronavirus (COVID-19). Pradhan Mantri Jan Dhan Yojana's biggest part of the packaging goes to female customer accounts. The assistance package comes underneath the Pradhan Mantri Garib Kalyan Yojana program and is presently relieved by a contribution of approximately 1.7 trillion rupees.

## Number of people fed during COVID-19 lockdown in India 2020

By April 2020, over 2.96 million people who'd been trapped by a COVID-19 epidemic had been given free food in the Haryana. Many of them were migrants and vulnerable individuals, who were severely impacted by livelihood losses. Of these 2.96 million inhabitants, 75.15 percent were supplied by the State Government with rice, whereas the remainder were supplied by NGOs. In the second position was Delhi with 1.34 million. Together, Delhi and Haryana prepared about 51% of the food. Since the quarantine began, 8,42 thousand individuals throughout India have been made available with food since April 2020 (Roy & Ayalon, 2021).

## Government shelter homes during COVID-19 in India 2020 by state

Several government agencies in India have built shelters for coronavirus stuck in lock-downs that were introduced at the end of March 2020. In April, Kerala's southern state rallied at 15,141 shelters. This accounts for almost 70% of all government camps in the world. In the same time frame, Uttar Pradesh led 2,230 camps and Maharashtra ran eighth.

## Lifestyle

### COVID-19 lockdown activities in India 2020

The findings of an inquiry indicated a rise in the participation of household activities in the April 2020 Indian coronavirus lockdown (COVID-19). Movie viewing and Television programs streaming, exercise at homes and sending video conferencing to families/friends were other common hobbies.

### Fears and concerns concerning COVID-19 in India 2020

The findings of the survey highlighted the fact that the coronavirus (COVID-19) epidemic was not available in India in April 2020 for essential goods such as food and medical equipment. The most critical issues concerned the contraction of the infection and access to treatment and the behavioural health effect.

### Share of mobility changes during COVID-19 in India 2020, by location

Residential mobility in India declined by 3% compared to the corresponding period 2020 especially in comparison to April 2020 as a result of steps to curtail the outbreak of coronavirus (COVID-19). In June, retail and entertainment dropped by 67 percent and in July 59 percent in comparison with January and February baseline periods. The number of employers has grown by 20 percent as a result of loosening regulations since the end of May, while in July, mobility increased.

### Policy Packages for Informal Sector Worker

On 26 March 2020 the Minister of Finance declared a budget of Rs 1.7 lakh crore, aiming mainly at offering a support system for those impacted worst by the COVID-19 lockdown i.e. unorganized workers in the industries, especially daily skilled laborers and rural and urban workers. Low-income household strategies involve repurposing of old schemes, increasing delivery of current schemes and new initiatives (Rajaratnam, 2019):

- 3.1. Frontloading transactions of Rs. 160 billion Kisan Samman Nidhi (PM-KISAN) Yojana under the current Pradhan Mantri
- 3.2. Direct benefits transfer (DBT) into old age and widows of Rs. 470 billion under Ujjwala Yojana and Jan Dhan Yojana
- 3.3. Extension to migrant workers, as well as to integrated workforce MGNREGA (Mahatma Gandhi National Rural Job Guarantee Act).



3.4. A Rs. 310 billion fund for construction workers

3.5. Direct sale of food utilizing supplies in the amount of Rs. 35 billion accessible to Indian Food Corporation (FCI).

### Policy recommendations

In the above-mentioned limitations, certain steps can be taken by leaders as they brace themselves to handle the economic crisis. The State and Central governments must make a concerted effort.

#### Agriculture:

- Protection of producers: farmers, farm employees and supply chain workers must be secured against health shock.
- Supply chains: during and after the lockdown, the emphasis needs to be on reliable service, output marketing, distribution, manufacturing, storage and transport.
- Acquisition measures: Continuous markets for farmers are significant. Farmers need assistance when faced with further issues with perishable goods.
- Food protection for farms and farm workers: while farmers participate in crop processing, they are often faced with food-related problems. Food protection for farm families and farm workers: farmers are interested in vegetable processing, but often face issues associated with food production.
- Agricultural amendments: the reforms concerning the Vital Commodities Act, farm marketing and contract farming will allow farmers to raise their medium-term incomes.

#### Informal sector:

The safety of informal employees who have been seriously impacted and who already make no savings to cope with the shock is highly necessary now. In addition to the fiscal package already announced by the central government, more relief steps will be taken by informal workers before economic development and jobs increase (Breitkreuz et al., 2017).

- Crop and food safety: India has almost 56 million tonnes, according to normal standards, of surplus grain and cereal stocks.
- In the face and confusion of when the situation may become normal, informal workers will require cash income help given the widespread lack of employment and incomes. Cash transfers.
- The Mahatma Gandhi National Gherat Act on the Promise of Rural Employment (MGNREGA) acts to some degree as an automatic stabilizer because people who need jobs can apply simply.
- Migrant workers: the most serious lockdowns are the migrant workers and in the next few months they will continue.
- MSME and MFI: Because most MSMEs work solely in currency, adverse events demand urgent liquidity.
- State-level initiatives: numerous government agencies have implemented ground breaking programs to support informal workers and the poor unemployed.

#### Banking sector:

The banking sector has to step up to provide businesses and homes with the necessary credit in the absence of a liquid and well-functioning bonds market because of the exceptional existence of the crisis and the Indian economy's reliance on banking. If not, so many businesses will be lost and there is a dramatic surge in unemployment.



## Discussion

As one of the worst in history, the COVID-19 crisis will be penned. Independence is perhaps India's biggest economic emergency today since the pandemic sneezed into the Indian territory; it has taken thousands of lives around the region, putting nearly a million people into lock-down on the world economy. This pandemic is going to kill us financially as an economy and a country with the thousands of deaths and problems faced by a badly prepared medical system. The government would also have the highest priority to curb this disease and save human lives. On the consumer side, the government must balance the income support necessary and ensure that the fiscal situation stays in order. The balance so far seems fair, but the government needs to see a greater incentive to boost the wages of the people. State and local bodies' presence will also be vital as more budgetary measures are successfully carried out. Policymakers must be equipped to increase reaction as changes progress so that the effects on both official and informal sectors of the shock can be reduced and the path to a sustainable recovery can be paved. To prevent longer-term disruption to the economy, they must ensure that their answers are enshrined in a legal system and restrict independence.

## Conclusion

For India, COVID-19 has been a special challenge. Due to the massive community, the fragile environment and, in particular, the finance sector during the pre-COVID-19 era, and the reliance of the market on informal workers, lock-outs and other steps of social distancing, are highly destructive. The central and the state governments consider and adapt to the dilemma, but it must be just the start. The eventual economic harm is potentially much worse than the latest forecasts. In places like India, such a lockout triggers more human misery in youth demographics than COVID-19 alone. Regrettably, this relentless lockout renders it even more unavoidable for India to endure a commercial loan period. We must deal with this infection and find a way to make sure, as we do so, we look back and conclude that we have done what we can to escape death and sickness.

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