

IMPACT OF COVID ON INDIAN ECONOMY

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Abstract: *The outbreak of the Corona Virus (COVID-19) that has begun in December 2019 drastically affected the world. Endemic Coronavirus (COVID-19) is rapidly growing across the globe. SARS-CoV-2 is the virus name that causes a highly contagious and deadly disease COVID-19. It also entered India by the end of January 2020 and has significantly influenced .The outbreak has presented fresh challenges for the Indian economy now, causing severe disruptive impact on both demand and supply side elements which has the potential to derail India's growth story. this paper is an attempt to examine the impact of COVID on Indian economy with the help of secondary data.*

Keywords: *COVID, impact on indian economy*

Introduction:

The SARS-CoV-2 virus has affected the economy, environment, health, and social structure of the globalized world. The expenses associated with containment and treating this contagious disease are absurdly high, which is difficult to sustain even for the wealthiest and developed countries. The COVID-19 pandemic has seriously affected the bitumen, share market, gold, and materials, and approximately all the sectors of the international market. The Indian economy has been experiencing significant slowdown over the past few quarters. In the third quarter of the current fiscal, the economy grew at a six-year low rate of 4.7%. Investment and consumption demand had been languishing and a number of stimulus measures have been taken to bring back the economy on a growth path. There was a strong hope of recovery in the last quarter of the current fiscal. However, the new coronavirus epidemic has made the recovery extremely difficult in the near to medium term. India recorded the first case of the disease on January 30, 2020. Since then the cases have increased steadily to around 33610 total confirmed cases and around 1075 deaths (as on 30 April 2020). India has recorded lower number of cases compared to other countries, especially those in the developed world, which have been badly affected.

Objectives:

- To analyse the impact of COVID on indian GDP growth
- To analyse the impact of COVID on indian Agriculture and Rural Activities
- To analyse the impact of COVID on indian Informal sector
- To analyse the impact of COVID on indian Employment, Financial markets and institutions
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GDP Growth:

The International Monetary Fund (IMF) slashed India's growth estimate for FY21 to 1.9% from 5.8% estimated in January, warning that the "worst recession since the Great Depression" will dwarf the economic damage caused by the global financial crisis a decade back. It also said that India and China would be the only two major economies likely to register growth, with all others contracting. The Covid-19 pandemic will shrink world output by 3% in 2020, IMF said in the April update of its World Economic Outlook (WEO), the first after the magnitude of the outbreak became clear. Similarly, Domestic rating agency CRISIL cut its projections for India's economic growth rate to 1.8 per cent, from 3.5 per cent it had earlier predicted for 2020-21. Moody's Investors Service, also, slashed India growth forecast for calendar year 2020 to 0.2 per cent, from 2.5 per cent projected in March. For 2021, the rating agency expects India's growth to rebound to 6.2 per cent

Agriculture and Rural Activities:

The agriculture sector is critical as large number of workers and the entire country's population is dependent on this sector. With the outbreak of Covid-19 the situation in rural India is likely to worsen significantly. The lockdown and associated disruptions will affect agricultural activities and the necessary supply chains through several channels: input distribution, harvesting, procurement, transport hurdles, marketing and processing. Restrictions of movement and labour scarcity may impede farming and food processing (FAO, 2020). March-April is the peak season for the sale of the rabi produce but harvesting will get hampered due to the departure of thousands of migrant workers. Shortages of fertilizers, veterinary medicines and other inputs could also affect agricultural production. Closures of restaurants, transport bottlenecks can diminish demand for fresh produce, poultry and fisheries products, affecting producers and suppliers. A study by Sudha Narayanan (2020) of Indira Gandhi Institute of Development Research indicates that farmers are stuck with harvest as APMC (agricultural product market committee) mandis are closed in several states thereby disrupting food supply disruption from the production to the consumption centres. The above study indicates that the government should focus on postharvest activities, wholesale and retail marketing and initiate procurement operations. Some state governments have already taken initiatives.

Informal sector:

India has a very high share of informal employment in total employment. The share, which includes agricultural workers, has declined marginally from 94% in 2004-05 to 91% in 2017-18. Out of a total of 465 million workers, 422 million were informal workers in 2017-18. Even in non-farm sector (manufacturing and services), the share of informal workers was around 84% in the same year. The informal workers were already facing problems with low wages and incomes in the pre-Covid-19 period. Daily wage labourers and other informal workers are the worst hit during the lockdown period and will continue to be adversely affected even when the lockdown is relaxed. With almost no economic activity particularly in urban areas, the lockdown has led to large scale losses of jobs and incomes for these workers. There are about 40 to 50 million seasonal migrant workers in India. They help in the construction of urban buildings, roads, factory production and participate in several service

activities. There was a large scale exodus triggered by the lockdown. In the formal sector to the extent that firms do not close down, employees will still have their jobs and receive their salaries. The informal sector works differently. It depends crucially on people's daily demand. With a large chunk of the potential customers of the informal sector staying at home right now and withdrawing from non-essential expenditures, the survival of informal sector units will become questionable with every passing day, especially as the health crisis and the associated lockdown drags on. Many firms in the informal sector will be forced to shut down.

Employment:

The data from the Consumer Pyramid household level survey of the Centre for the Monitoring of Indian Economy (CMIE) shows that the unemployment rate in urban areas increased sharply to 30% in the week ending March 29, about 3.5 times the rate of 8.7% for the week ending March 22. For rural areas, the corresponding figures were 21% and 8.3%. The overall unemployment rate increased from 8.4% to 23.8%. The data for the week ending April 5 estimates the rate at 30.9% for urban areas, 20.2% for rural areas and 23.4% at the all-India level.

Financial markets and institutions :

With the country-wide lockdown extended, the risk aversion of the banking system gets significantly aggravated. As more and more firms struggle to stay afloat and are unable to repay their dues amidst the massive demand and supply disruptions, corporate delinquencies will go up and the level of NPAs in the already fragile banking system will increase precipitously. Moody's 8 Investors Service has already changed the outlook for the Indian banking system to negative from stable, as it expects deterioration in banks' asset quality due to disruption in economic activity.

Conclusion and recommendations:

Covid-19 has posed an unprecedented challenge for India. Given the large size of the population, the precarious situation of the economy, especially of the financial sector in the preCovid-19 period, and the economy's dependence on informal labour, lockdowns and other social distancing measures would be hugely disruptive. The central and state governments have recognized the challenge and have responded but this response should be just the beginning. Policy makers need to be prepared to scale up the response as the events unfold so as to minimise the impact of the shock on both the formal and informal sectors and pave the way for a V-shaped recovery

Financial aid in terms of reduction in airport charges, overflight fees, taxation on passengers on security, etc.

- Financial aid to deal with the higher expenses incurred to prevent the spread of the disease such as screening of passengers and disinfection.
- Suspend invoking of bankruptcy under IBC for companies in aviation sector.
- Bring ATF under the ambit of GST to provide long-term relief to airlines, as well as rebates on landing, parking and housing charges.

- Oil marketing companies be directed to extend unsecured interest-free credit terms to aviation sector.

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