

**IMPACT OF COVID-19 ON  
INDIAN ECONOMY**

**VOLUME II**

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**Bangalore-560090(INDIA)**

**Mob: + 91 9164362263**

**E-mail: archerselevators@gmail.com**

**Website: www.aeph.in**

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# **IMPACT OF COVID-19 ON THE GLOBAL & INDIAN ECONOMY:**

## **A CONTEMPORARY TREND ANALYSIS**

**Mr. Suraj Patel**

Research-scholar, Department of Commerce,  
Guru Ghasidas Vishwavidyalaya, Bilaspur (C.G.) 495009

**Dr. Amit Manglani**

Assistant Professor, Department of Commerce,  
Guru Ghasidas Vishwavidyalaya, Bilaspur (C.G.) 495 009

### **Abstract:**

The persistently scattering Covid-19 over the global economy may be the signal of a big economic crisis. Resonance macroeconomic policy and wise financial regulation has capable of most of the county to deal with and a significant economic pain cannot avoid in all countries. Countries must take care now – including there should urgent investment in healthcare capacity and targeted fiscal measure to mitigate some of the immediate impact. In a rapidly changing environment, it's very different to make a precise growth projection. Therefore, the report presents a baseline and lower case scenario. **The growth rate in India's real GDP during 2020-21 is estimated at 8 percent as compared to the growth rate of 4 percent in 2019-20<sup>6</sup>.** The world bank group is rolling out a \$ 14 billion fast-track package to strengthen Covid-19 response in developing countries and shorten the time to recovery and IFC has financing \$ 8 billion to help private companies as well as IBRD & IDA are providing an initial US \$ 6 billion for the health response<sup>7</sup>. This paper deals with a inclusive study on impact of Covid-19 on the growth of economy and draw different outcomes ,ideas and suggestions to tackle the current situation as well as future projection regarding growth and upliftment of economy.

**Key Words:** COVID-19, economic stimulus, Case fatality rate (CFR), Infection Fatality Rate.

### **❖ Introduction:**

Form the several decades whole world facing the problem different types of disaster or crises whether it's a financial crisis of economic like financial crisis 2008, SERS, Ebola, H1N1 etc. but situation was never panic like covid-19. A novel corona virus (covid-19) was identified in Dec.2019 in Wuhan, China. Corona virus are a large family of viruses that are known to cause illness ranging from the common cold to more severe diseases such as middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS-COV-2).

The virus is mainly spread during close contact and by small droplets produced when those infected cough, sneeze or talk. People may also become infected by touching a contaminated surface and then their face. The virus can service on surface for up to 72 hours. Recommended measures to prevent infection include frequent hand washing, social distancing.

There is recommendation for use mask by the general public. Currently government has started vaccination process for above the age of 45 year. Management engages supportive care, treatment of symptoms, isolation quarantine.

The world health Organisation announced the official name of the disease in **Feb.2020 that's Covid-19**. The chief of WHO **Tedros Adhanom Ghebreyesus** explained that CO stands for Corona, VI for virus and D for disease while 19 is for when the outbreak was first identified: 31 Dec. 2019.

After introduction of Covid-19, the whole world is in anxiety and economy is surrounded by economic crisis and lockdown/ shutdown of intra and international border seized the whole transaction, therefore there is converse impact on the growth of the economy. As the proposed growth rate in developing countries to 2.1% in the baseline and negative 0.5 in the lower case scenario in 2020 , from an estimated 5.8% in 2019. Growth of china is projected to decline to 2.3% in baseline and 0.1% in 2019. The covid-19's shock will also have a severe impact on poverty. As per centre for monitoring Indian economy, the rate of unemployment in India now higher than 23% this is also negative indication for economy. The global amazement at this time particularly improper for India, as the economy was already on a very sliding path since the turn of FY 2018-19. More specifically on a quarterly basis, India's growth rate fell from around 8.5% in Q4FY 2018 to a new low of 4.5 % in Q2 FY 2020<sup>8</sup>. As per the professional point of view, in upliftment of different economy, particularly US will take 3 years and may face the condition of recession for long time and in case of other countries may be same except China and India. And if we see on the other side its an opportunity for India for progression of 'Make in India' mission and produce the different product in the home by using own resources and this massive level of production in the realm will lead to employment creation for the public and by this growth rate of the country will rise fastly. But at present it becomes more important to trounce this alarm phase as we can see the cases of Covid-19 in India which is very much under control as compared to other countries and this is because of proficient, sensible and on time lockdown verdict of the Indian government which is definitely excellent. Like COVID19 pandemic situation comes rarely and it brings opportunities also with itself. Some sectors facing problem but some sector also getting benefits like pharmaceutical. In the paper we are trying to proper appraisal of effect of COVID-19, consequences and suggestions regarding upliftment, transformation, growth and development of the economy.

❖ **Statement of Problem:** Following are some challenges before the economy-

1. Instantaneously declining the growth rate.
2. Conservation of natural resources.
3. Changes in financial system.
4. Contrast the level of export.

❖ **Scope for study:** As we know the Covid-19 is just like a new economic crisis but quietly new occurrence. And there is no proper research conducted from this preview. This research deals with proper study of impact on covid-19 on the growth of economy and suggestion for upliftment of economy and reform in the economy.

❖ **Objective of the study:**

**Primary Objective-** the objective of the study is to measure the impact of Covid-19 on the growth and development of economy and in support of this there are some **secondary objectives:**

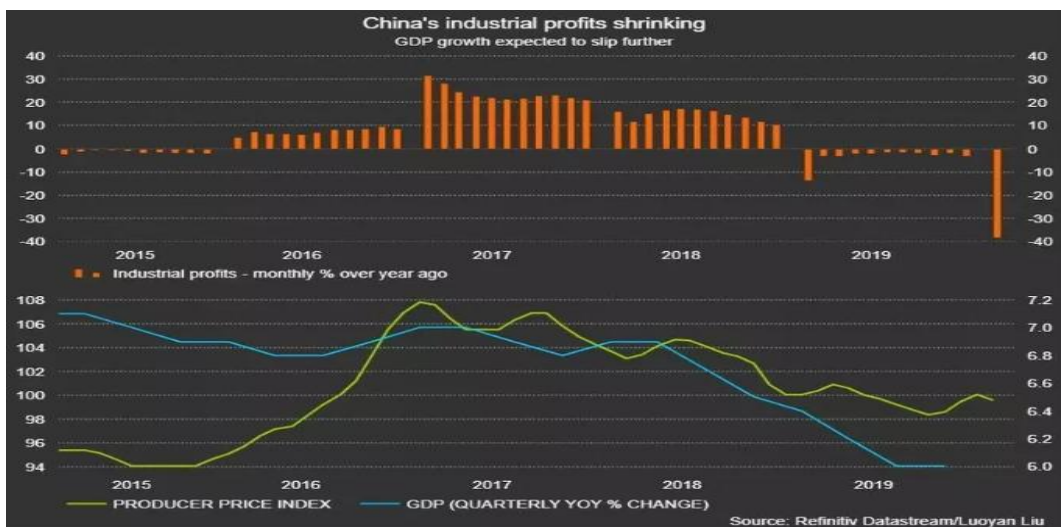
1. To improve the level of export.
2. To determine the level of demand.
3. To change the models for new India.
4. To enumerate the changes in Policy.

❖ **Significance of the Study:** the study will be supportive for the government as well as for business entities and general public with regard to take decision during this panic situation and post Covid-19 pandemic. And the economy could achieve again in the condition of sustainable growth and development with high rate.

❖ **Impact of COVID-19:** The continuously embryonic Covid-19 pandemic has cast a long shadow on the global economy. We can see the impact both global as well as impact on Indian economy from the following –

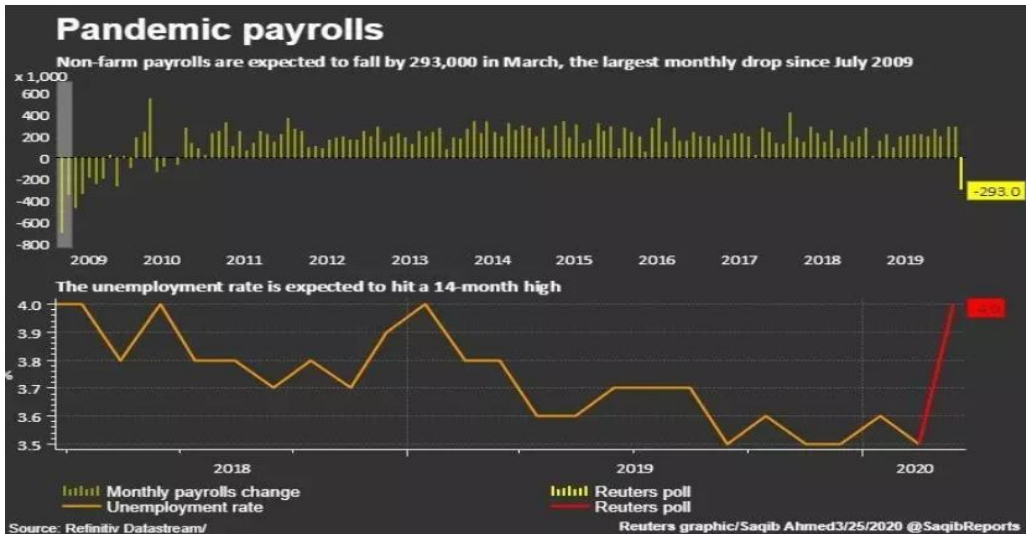
➤ **Global impact-**

**1. Counteract victory of China<sup>9</sup>-** The world’s factory is re-opening, but the market is closed and the shoppers are gone. China’s social segregation policies appear to have enclosed the corona virus at home, allowing work and travel to recommence. But main economic scratch may be yet to come. With infections hiking exponentially in the United States, Europe and the other markets China exports to, and with supply chains in panic, China is getting neither the imported components it needs nor demand for its products. Expectations are now for the economy to contract this quarter but many economists visualize 2020 growth will be around 2% - a third of the “around 6%” authorities’ target.



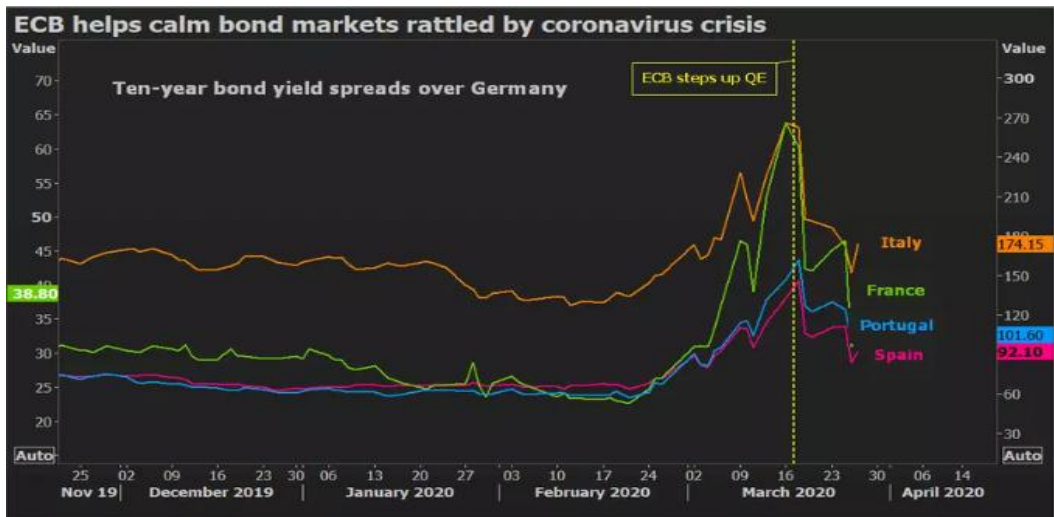
**Source:** World Economic Forum

**2. Epidemic Payrolls**<sup>1</sup>- throughout the years of constantly low economic growth and inflation, the brightest stain was the U.S labour market, with employment getting half –century lows. Corona virus may have made that explosion. With infections surging, lockdown in cities, business shuttered down and most journey on standby, staff layoffs are likely to thrive. In America there is large number of filling regarding unemployment benefit claims which reach to a record of more than 3 million. The government amazing \$ 2 trillion fiscal extension package includes a \$ 500 billion fund to help hard-hit industries and a companionable amount to fund direct payment of up to \$ 3000 respectively to U.S families. Economists anticipate the payroll data to show a loss f 2, 93, 00 jobs-the largest monthly drop since July2009.



**Source:** World Economic Forum

**3. Collectively participate, right now**<sup>2</sup>-The European Central Bank has done its bit to tackle the virus damage, having massively expanded asset purchases, agreed to more flexibility on the share of bonds it buys from each country and buffered borrowing costs for weaker euro zone states such as Italy. Now it's up to European Union leaders to come together. The ECB's insistent action gives them some breathing space but, as of now, politicians are squabbling over setting up a credit line worth some 2% of annual output from the euro area bailout fund. Many European governments insist on the issuance of a joint debt instrument to face the emergency which Goldman Sachs economists estimate may shrivel the euro economy by 9% this year.

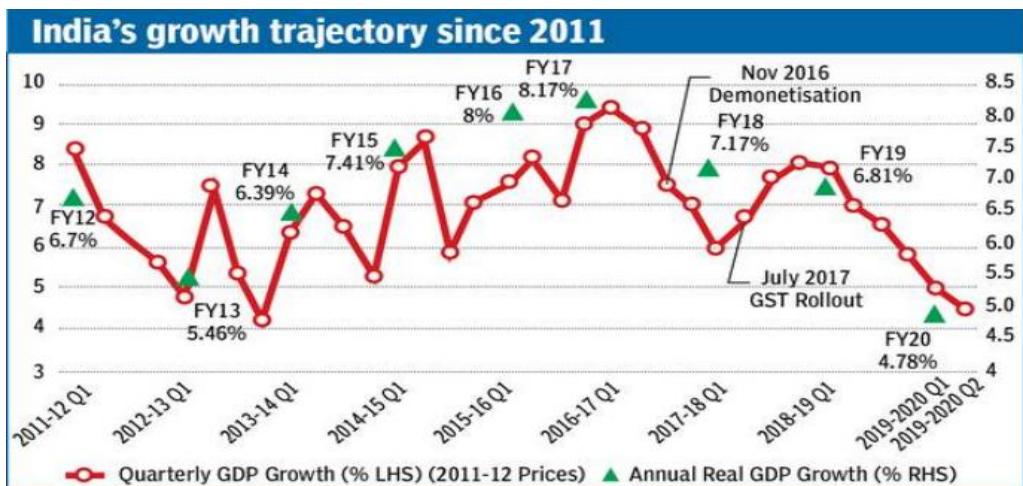


Source: World Economic Forum

**4. Take no quarter<sup>10</sup>**- Few will be repentant the end of the first 2020 quarter; the word economy slimming down over Jan-Mar 2020 was 12%. The quarter depicted the most brutal global equity collapse since the great depression, exacerbated by a 60% oil price crash. April may not bring much relief, still corona virus spreading over the countries and large part of global economy shuttered. There are much **more turbulence in financial market**. G-20 government have promised a **\$ 5 trillion revival effort**, major central bank have silted rates and restarted asset purchases.

➤ **Impact of Covid-19 on Indian economy:**

Enlargement of demand-side shocks due to lockdown and uncertainties domestically and increasing financial shock and U.S dollar credit crunch and this global shock particularly inappropriate for India. The economy was already on a very downward path since the turn of FY 2018-19 and due to Covid-19, it further declined. Further we can better understand by chart.



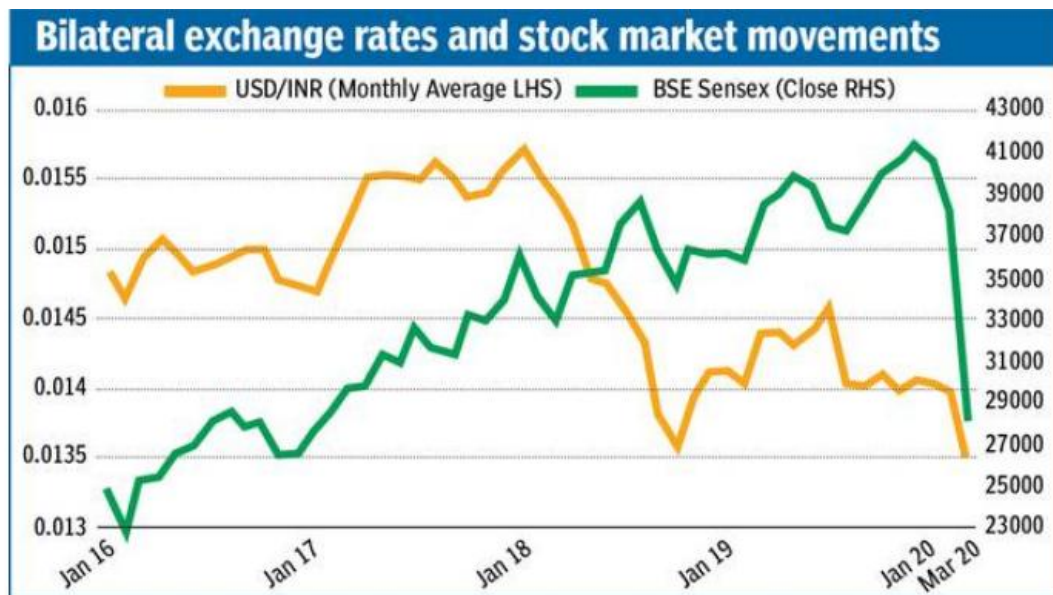
Source: The Hindustan business line.

**1. Macroeconomic Policy<sup>11</sup>**- Although an appropriate fiscal policy is imperative to uplift the economy at this time. The burden has fall on the RBI to do more heavy lifting in this time of growing economic distress. The central bank has also taken same step to ease the dollar credit crunch via-long-term repo operations (LTRO) and offered a \$2 billion swap for sex month to reduce the pressure on the rupee, bit this will not be sufficient, central bank may take even more aggressive measures to counter the heightened volatility and adverse economic fallout from Covid-19. India's Foreign Trade Policy (FTP) is in a spot. Late last year, almost all export incentive schemes under the FTP were ruled World Trade Organisation (WTO) non-compliant by the global trade regulator. And while the government has appealed against the ruling, it knows that India must do away with a subsidies-based policy.

**2. Raw materials and spare parts**- India imports electronics nearly 55% from China and this already down to 40% due to corona virus outbreak and lockdown. This leads to indigenous production in a bid to minimize the single market dependency. In addition to this, India's third largest export partner for exporting raw material like mineral fuels, chemicals, cotton, etc. and lockdown lead to considerable trade deficit for India.

**3. Navigation**- After raising the case of corona virus in India, government of India indefinitely suspended tourist visas. And on becoming the terror situation nearly 600 international flights to and from India have been cancelled for different period as well as around 90 domestic flights, even on popular local routes also cancelled.

**4. Exchange rate and stock market**- The immediate covid-19 impact on India's financial market as well as rupee which hit a new low vis-à-vis the U.S dollar in march due to global sentiments.



**Source:** The Hindustan business line.



## **Findings:**

1. The growth rate in India's real GDP during 2020-21 is estimated at 8 percent as compared to the growth rate of 4 percent in 2019-20.
2. Growth in the developing East Asia and Pacific regions proposed to decline to 2.1% in the baseline and negative 0.5% in lower case scenario in 2020, from an estimated 5.8% in 2019. Growth in China is project to decline to 2.3% in baseline and 0.1% in the lower case scenario in 2020, from 6.1% in 2019.
3. The stimulus packages will be productive in such a way- fast improvement of existing climate solutions and manifestation of zero-carbon technologies, flexible net zero-carbon economy by 2050 at the latest. Now this is time for government and business to unlock further investment in climate solutions.
4. Present condition called the business for long term economic stimulus to be screened through the lens of climate and ensure that government policies and spending leads to a zero-carbon economy.
5. The US and Euro zone's economies could take until 2023 to recover from the impact of the COVID-19 corona virus crisis<sup>12</sup>.
6. The Asian Development Bank (ADB) sees India's economic growth slipping to four per cent in the current fiscal (April, 2020 to March, 2021), while S&P Global Ratings last week further slashed its GDP growth forecast for the country to 3.5 per cent from a previous downgrade of 5.2 per cent<sup>13</sup>.
7. The economic impact in the U.S could exceed anything experienced since the end of II world war.
8. According to Fitch Ratings, India may post a two-per cent GDP growth in 2020-21, the slowest since the economy was liberalised 30 years ago<sup>14</sup>.

## **❖ Conclusion:**

As we know every problem brings opportunities with itself. Form the study is found that China has closed 30 % of global export of electronics & its components and it immensely hurting the global economy. Cost of the companies move away from china and they are searching for new alternatives for production hub and this would triggered a new move of industrialisation. Now question is that where could the firm possibly go? Here India could be alternative of China in the scale of supply chain operation. But a doubt remains whether India has sufficient infrastructure available to replace China. in the respect of this, now we can see that India has not only calibre as China in terms of scale but have a rich pool of unskilled labour but also have booming service sector alternative. Now India has opportunities to take protective action- driving companies towards India. This will definitely enhance the employment level in the county by which the growth rate would be increased in upcoming years.

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