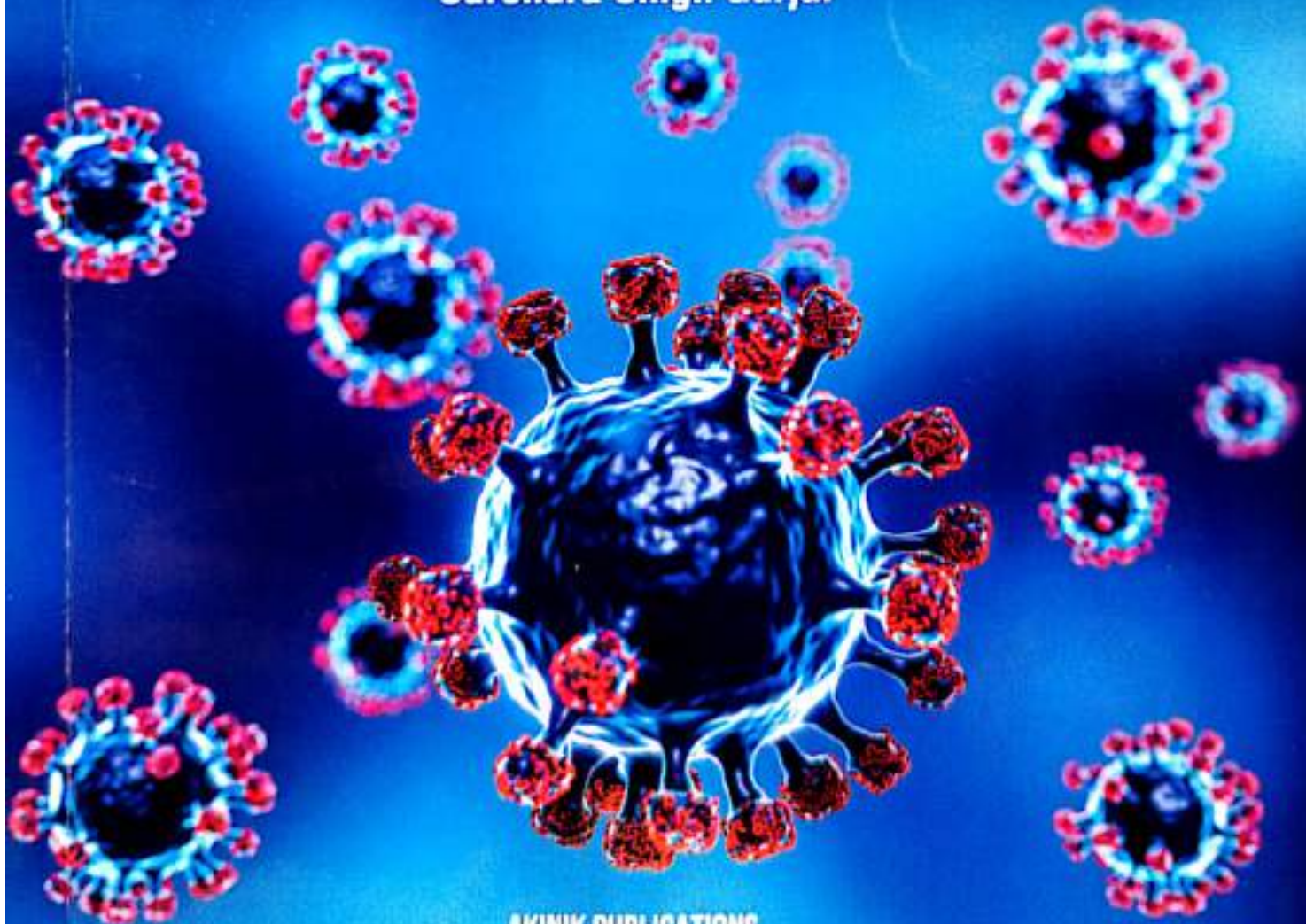


Impact of Current Epidemic (COVID-19) ON INDIAN SYSTEMS

Dr. Devraj Singh Chouhan, Swapnil Rahane
Surendra Singh Gurjar



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Chapter - 5

Impact of Covid-19 Pandemic on the Indian Economy and Its Overall New Challenges in Recent Times

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Chapter - 5

Impact of Covid-19 Pandemic on the Indian Economy and Its Overall New Challenges in Recent Times

Kausar Ansari

Abstract

The Covid-19 pandemic has badly affected the economic condition of India. The economy of the entire country has collapsed due to the nationwide complete lockdown that was imposed across the country to prevent the coronavirus pandemic. The lockdown stalled the country's economic activities and millions of people have lost their jobs. It has affected almost every sector of the economy. The unprecedented coronavirus pandemic shut down trade, industry, factories, services and companies which had a very negative and profound impact on Indian economy. We can say that India is currently facing an economic crisis as well as a health crisis. This crisis is now becoming a threat for India during the second wave of pandemic because millions of people have lost their lives and are still dying. At present, India is one of the most affected countries in the world. The country's economy completely collapsed. It can be estimated from the fact that India's GDP has become negative in the current financial year. However, the Indian economy was declining long before the onset of the pandemic. But we cannot just blame the pandemic for the current situation, to a large extent, the policies and schemes of the government are also responsible for this. It would not be wrong to say that the economic condition of India has become very serious and worrisome.

Keywords: pandemic, lockdown, economy, affected

Introduction

Covid-19 is an infectious disease that has never been seen before. It is a family of viruses that causes many diseases in humans. It is a fatal disease with the common symptoms such as common cold, cough, fever and shortness of breath. It is a virus that cannot be seen with naked eyes. Its more severe form is SARS (Severe Acute Respiratory Syndrome), which is life threatening (CSS, 2021). This coronavirus made it difficult for everyone to live because it

is spreading rapidly all over the world. It has never been seen before. In this world, humans have faced many times the terrible epidemic, but this is the first time a coronavirus like pandemic has been encountered, which has now engulfed the whole world. To avoid infection with this virus, we have to wear masks and wash hands regularly and maintain physical distance.

To prevent the infection of the virus from spreading, the governments of all countries put a lockdown measures in their own country so that people do not get out of their homes because the virus spreads very fast by coming into contact with each other. The first Covid-19 case in India was registered in the state of Kerala on 30th January, 2020 in a student who returned from Wuhan city in China (NDTV, 2020). Since then, the number of people infected with the coronavirus gradually increased in India. In order to save people from the infection of the virus, India also adopted the policy of lockdown measures. Our Honorable Prime-Minister, Sri Narendra Modi, announced a nationwide complete lockdown on 24th March, 2020 (Scroll, 2020). This was the first phase of lockdown. In view of the transmission of the coronavirus, the lockdown was further extended, which was the largest and strict lockdown in the world. After this, the phase of lockdown started which is continuing till now. However, a lot of relaxation has been given in the lockdown right now. The nationwide complete lockdown imposed across India was the largest in the world, forcing 1.3 billion people to stay indoors. This is the first time in the history of mankind where all the people have been advised to stay at home under section 144 in the country. This was done so that people could be protected from infection of the coronavirus. All services in the country except emergency services were stopped. All the factories, companies, industries, shopping malls, cinema halls, theaters were completely closed during the period of lockdown. All the transport system, bus, railway, domestic and international flights were stopped. Even schools, colleges, universities and offices were closed during this period. This made people's lives very difficult. It felt like the country's progress was stalled for some time. The hasty lockdown caused loss of millions of jobs and a huge migration of migrant workers from urban areas to rural areas. This hampered economic activities in the country. All these factors had a devastating effect on the Indian economy, which was already slowing down before the outbreak of the coronavirus. Though, despite the lockdown in India, neither the spread of the coronavirus could be stopped nor could it be controlled. Rather, it has caused a huge loss to the country financially, which will take a long time to recover. The pandemic made it more severe and serious. It has affected every economic sector causing massive job losses across the country. Job losses and rising unemployment since the pandemic started are a matter of grave concern for

India. At present, India has the highest number of people infected with the coronavirus and the risk of infection of the virus is still increasing. Along with this, the danger of a third wave of Covid-19 is also looming.

Adverse Effect of Covid-19 on the Indian Economy and Its Challenges

Just as the outbreak of the Covid-19 has affected the global economy, similarly, it has also badly affected the Indian economy. However, it is also true that the Indian economy was already staggering before the pandemic and India's GDP growth rate had been declining for four consecutive years. In these situations, the outbreak of the coronavirus severely affected the Indian economy. To combat the spread of infection of the coronavirus, the government imposed a nationwide lockdown in late March, 2020. Its direct effect can be seen in India's GDP growth rate. At such a time, nationwide lockdown unprecedentedly closed down the trade, industry, factory, shopping malls, cinema halls, theaters and all services. From manufacturing to Real Estate and hospitality to mining, it has had an impact as the economy is registering the fastest decline in 41 years. According to the Indian Statistics Ministry, India's growth rate in the fourth quarter fell to 3.1% in the fiscal year of 2020-2021. India's unemployment rate has worsened as coronavirus cases have increased. The International Labor Organization (ILO) predicted that about 400 million workers would fall below the poverty line due to the pandemic (Times T. E., 2020). With the closure of all factories, industries and companies, millions of migrant workers became jobless and they had to face food shortage and uncertainty. It is estimated that 14 crore Indians became jobless during the period of lockdown. According to a survey conducted by the Centre for Monitoring Indian Economy (CMIE), unemployment rate in India has increased from 8.4% to 23.4% in the Mid-March, 2020. It reached 27.1% in the month of May which is the highest ever. According to a report of National Statistics Offices, India's unemployment rate rose to 6.1% in the financial year of 2017-18, which is the highest in forty-five years in the history of India since independence (Standard, 2019). Mahesh Vyas, the Chief Executive Officer of the CMIE, told Al Jazeera, "The long-run impact of the pandemic is really severe and will take an extended time to fix." From this, it can be estimated that the unemployment rate in India has now become worse. Thus, the outbreak of the coronavirus had a major impact on the unemployment rate in India within a very short period of time. The lockdown caused major damage to the food supply chain in the country. It significantly affected the production, demand and supply of goods. There has been a substantial increase in unemployment, poverty and starvation in the country. All these factors have an adverse effect on the Indian economy.

World Bank and Credit Rating Agencies have downgraded India's growth rate for the fiscal year of 2020-21. The World Bank estimated India's GDP growth rate at 9.6% for the financial year of 2020-21 (Wire, 2020). Shakti Kant Das, Governor of Reserve Bank of India, has also said that GDP growth rate will be negative in the fiscal year of 2020-21. The Confederation of Indian Industry (CII) has placed the GDP growth rate of India between 0.9% to 1.5% for the fiscal year of 2020-21. The International Monetary Fund (IMF) has also stated that India's projected growth rate has been lowered to a mere 6.1% to 4.8% in 2019 (Today, 2020). The Rating Agency has stated that this is India's fourth recession, first after liberalization and perhaps the worst date since independence. CRISIL (Credit Rating Information Services of India Limited) has estimated that India's GDP growth rate will decline to 5% during the fiscal year of 2020-21. According to data released by MoSPI (Ministry of Statistics and Programme Implementation), India's GDP growth rate declined by 23.9% and GVA (Gross Value Added) by 22.81% in the April-June quarter of fiscal year 2020-21. According to Trading Economics, this is the biggest contraction on the economy due to the coronavirus crisis. Moody slashed India's GDP growth rate to 2.5% from 5.3% in 2020 (Times T. H., 2020). According to a Rating agency, Fitch, India's estimated GDP growth rate is 8% in 2020. The Asian Development Bank stated that India's economy will contract by 9% for 2020-21. Yasuyuki Sawada, Chief Economist of Asian Development Bank (ADB), said, "India imposed strict lockdown measures to contain the spread of the pandemic and this has had a severe impact on economic activity." Goldman Sachs has cut India's financial real GDP to 1.6% from 3.3% (Line, 2020). The Reserve Bank of India has also stated in a survey that GDP can fall by 1.5% in the fiscal year of 2020-21. India's economy is facing a severe recession due to the stalled coronavirus pandemic.

The nationwide lockdown caused great financial loss to the country and severely affected every sector of the economy. It led to an unprecedented increase in unemployment rates in India. The daily wage workers suffered from the biggest loss. With the closure of all factories, businesses and companies, these people lost their livelihood, thousands became homeless and millions became unemployed. Companies started retrenchment of their employees. There are 41 million interstate migrants' workers in India who migrate to other states due to the lack of work in their home states as per record of the Census of 2011 (Office of the Registrar General & Census Commissioner, 2011). The largest number of these migrants sets off from the states of Bihar, Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Jharkhand, West Bengal and Assam.

The Covid-19 pandemic and the subsequent lockdown measures initiative had a devastating effect on the tourism and hospitality sector. Upto 53% of business in the country will be affected due to the outbreak of the coronavirus. The pandemic has hit the revenue of the organized, semi-organized and unorganized sectors of the Indian hospitality. This led to employment problems in front of the people associated with tourism and the hotel industry. According to the Federation of Associations in Indian Tourism and Hospitality (FAITH), about

3.8 crore people in the country suffered unemployment due to the pandemic (MSN, 2021). The rapid spread of Covid-19 has halted domestic and trade activities and severely affected the economy of many countries by disrupting their regular activities. According to KPMG (Klynveld Peat Marwick Goerdeler), the lockdown in India could lead to the loss of 38 million jobs in the travel and tourism industry (Scroll.in, 2020). It is estimated that the large tourism industry in India contributes about 10% of the GDP. Therefore, the Indian GDP may also have to suffer heavy losses due to the loss of tourism and the hospitality industry. According to ICRA (Investment Information and Credit Rating Agency), the growing credit impact may force many hotels to permanently close their business. In this way, this pandemic and lockdown in the country have also caused great damage to the Indian economy. Due to the closure of big factories and companies, they have to bear terrible losses. Small businessmen are also suffering from it. India is expected to suffer losses of upto \$ 100 billion. It has suffered almost all sectors of the Indian economy which may take a long time to recover. Raghuram Rajan, former Governor of Reserve Bank of India, has rightly said that "Economically speaking, India is faced today with perhaps its greatest emergency since independence."

Most of the Economists believe that it is important for the Government to intervene and take necessary actions to revive the economy. Although the Government took several steps and announced economic packages to revive the economy, but it was not very effective. The annual figures have not yet come but most of the Economists believe that when they are released, conditions are going to be worse than this. The fact is that things have never been so bad for the Indian economy ever since the country's independence. Therefore, we cannot blame only covid-19 pandemic for this. It is the decision of the Government that is making matters worse. The economic condition of the country today is largely disruptive because of the prior decisions taken by the Government. For example, Demonetization, GST (Goods and Services Tax) and terrible economic policies as well as bank frauds. Many economists suggest a bailout for small industries. While some suggest that funding in

schemes like NREGA (National Rural Employment Guarantee Act) should be further increased. So that money is given in the hands of the people and a downward spiral like situation is not created. Most of the Economists believe that the Government should focus on demand. Serious efforts are needed to restore employment in the retail business, hotel industry and manufacturing industry. Some suggest that the Government should provide both loans and subsidies to small enterprises and people engaged in self-employment. There is a need for fiscal stimulus measures to re-regulate production, demand and supply of the goods. Exports also need to be encouraged. The Government should also make arrangements for needy banks, NBFCs and other financial institutions to revive the economy.

Conclusion

We know that the world is facing the biggest pandemic of the century and Indian Economy is going through its worst phase. It is becoming a challenging threat for the whole world which has affected the global economy quite badly. India is currently facing a double crisis. The Covid-19 pandemic is affecting Indian Economy along with a health crisis. It is true that the subsequent lockdown measure initiative caused great financial loss to the country and severely affected all sectors of the economy. It is increasing poverty and inequality in the society. However, the Indian Economy is facing a slowdown before the outbreak of the pandemic. But we cannot just blame the pandemic for the current situation. Because the failure of the Government was clearly visible in the second wave of the Covid-19 pandemic. Despite the lockdown, the infection is increasing and people are losing their lives. The reason is not solely 'Act of God' or 'Act of Covid-19' but also an 'Act of Fraud.' It is the decision of the Government that made the situation worse. It is true that preventing and preparing to tackle the possible spread of coronavirus within the country is a burden on the Indian Economy, especially at the time of economic slowdown. The economic impact of Covid-19 is very disturbing. No one remained untouched by its side effects. The economic slowdown can increase malnutrition. The pandemic has effectively halted normal life in India. No one can deny the fact that its economic impact can be quite devastating in the long-term. Its economic far-reaching consequences will be very frightening in the coming days. We are not safe till now. Still the threat of the third wave of Covid-19 is hovering. We hope that everyone will get the vaccine in time and get control over the disease. The Government should also try to find out the solutions, so that India's falling economy can be fixed. To deal with these situations, all individuals, governments and health organizations need to make collective efforts by planning together. Lastly, it remains to be seen what decision will be taken by the Government of India.

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