

IMPACT OF COVID-19 ON INDIAN ECONOMY

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Abstract

The Eruption of the novel corona virus, COVID-19, has been declared a pandemic by WHO on March 11, 2020. This outbreak was first evolved in Wuhan, Hubei, china, at the end of 2019. The network of social contact basically determines the spread of infection among people. Covid-19 affects different people in different ways. Symptoms of this virus include: fever, nasal congestion, runny nose and diarrhea. As mostly human beings are gregarious, intercommunication is very essential for them. So if there is truancy of such activities, it creates depression, mental disorder and many other problems which put impact on an individual and a society as a whole. Social distancing is only the way to protect the people from corona virus. To maintain the social distancing, all the Economic and productive activities has not been performed, which has directly impact on development of the economy and leads to recession in Indian economy. Our societies, our economy functioning, our communities have slow down their pace of growth due to this pandemic. Besides this, there are many preventive measures to be taken in order to rescue from this contaminated disease like wash hands often, keep a safe distance, don not touch your eyes, nose and mouth. This paper is based upon secondary information collected from various sources like published and unpublished articles and Newspapers.

Keywords: Economy, India, Pandemic, Sectors, Education, Strategy, GDP Growth rate.

INTRODUCTION

Impact of coronavirus with respect to economy of India has been proved a great troublesome. According to Ministry of statistics, in fiscal year of 2020 India's growth went down to 3.1%. This fall in growth rate is mainly due to coronavirus pandemic. Indian Business Resumption index says that productive activity of Indian economy fell from 82.9 to 44.7. In order to tackle this situation, government of India announced many measures like food security to poor people, extra funds for healthcare and extension in tax payment deadlines. On 26 march, 2020 many economic relief measures for poor were announced which amounts to Rs 170,000 crore. After this, central bank of India also announced a measures which amounts to Rs 374,000 crore to the country's financial system. International organisations like World Bank and Asian Development Bank approved support India to provide aid in this pandemic period. The virus outbreak has become one of the biggest threats to the Indian economy. The government of India as well as state governments handling and analysing the situation to control the coronavirus pandemic in effective manner. It is very important for every Indian to remain aware and alert. Coronavirus has proved much influential upon every aspect of Indian economy which is to be discussed under this paper.

COVID-19 AND MIGRANTS

The Covid-19 pandemic has highlighted conditions of internal migrant workers throughout India. The sudden announcement of lockdown in nation spread a panic among migrants about

their immediate shifting to their destination. In the absence of transport facility to get back home many migrants starts walking to reach their native places. It was very terrible condition of migrant which put bad impact on their mental and physical stability. It was much difficult time for those employees who work on daily base wages and carry no social security with their jobs, this time push these employees in worst category. Any strategies which were adopted to tackle situation of migrants were not at all in favour of migrants. Those migrants which got affected from this pandemic is beyond retrieval because of change in mind-set of many people.

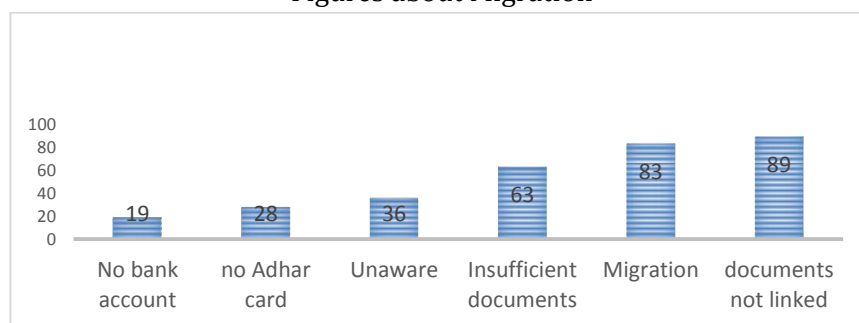
As per Economic Survey for 2020-21, Covid-19 pandemic give wings to gig economy. The survey explained that it is difficult to estimate how many migrants lost their jobs during this pandemic due to lack of availability of accurate data. In this period many people indulged themselves in online retail business which shows the growth of gig economy in India. Many employees do their jobs from their home i.e. “work from home”. This is also proved the positive thing that employees become more efficient in their jobs and it reduces overhead cost in the business. Many corporate houses get their work done from outsourcing and freelancers which reduce various cost and increase revenue of the companies.

Central government did not take immediate measures for providing relief to migrants returning from foreign countries. Numerous international migrants have lost their jobs and livelihoods in abroad and they provoked to come back to India especially from gulf nations. It is to be expected that about 10 to 15 lakh people out of 100 lakh came back to India. We are aware that migrants play a vital role in the development of economy with remittances. According to World Bank report, Indian migrants had contributed worth \$83 billion in remittances in 2019. When these migrants came back to their nation they were empty handed and nation were discussed about many issues like rehabilitation, remigration and reintegration into society which were actually a cause of mental illness for these people.

Government started many plans and schemes to provide assistance to migrants who have lost their jobs. But many migrants were not able to take advantage of amenities provided by government due to no bank account, no adhar card, unawareness about launching of schemes, lackness in proper documents which help them to avail assistance; many of them documents were not linked. This information is shown in following figure:

Figure reflects that 19% migrants had not their own bank account in which government can transfer funds. 28% migrants were not having their adhar cards. 36% of migrants were not aware about any plans. 63% migrants were not having sufficient documents. And 89% of migrant’s documents were not linked.

Figures about Migration



Source: Economic survey 2019.

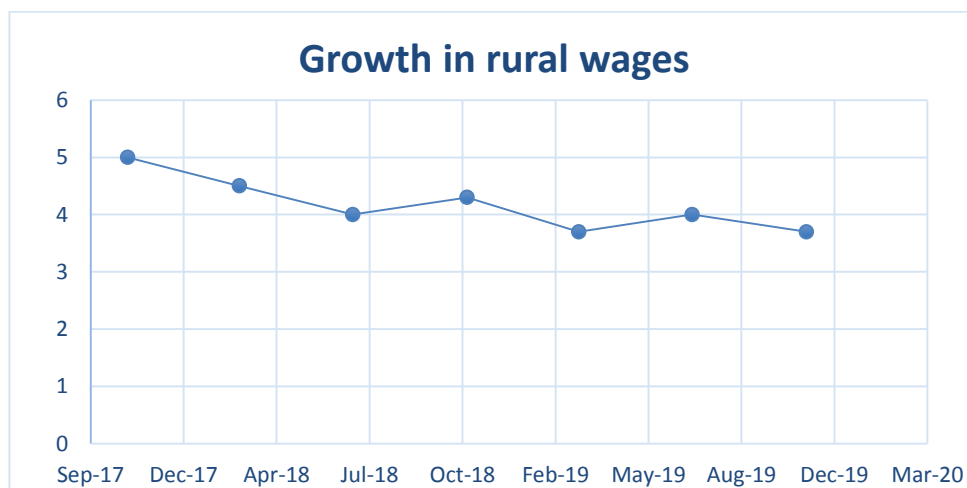
COVID-19 AND CIRCULAR FLOW OF INCOME

Circular flow of income signifies that how money moves through society. The key of circular flow is the movement itself. Without movement no any variable can be interactive with each other. When there is no flow of goods and services this leads to stagnation in the economy. In this way economy functioning breaks down and this exactly happened during period of pandemic. Our societies, our economy functioning, our communities have slow down their pace of growth. Economy depends upon movement or flow of four large categories i.e. people, good, information and money. This is describes in detailed manner as below:

- **Flow of people:** It includes travelling, airlines, tourism, gyms, amusement parks and events etc.
- **Flow of information:** It includes calls, text, communication, news, media, and documents etc.
- **Flow of goods:** It includes production of goods, groceries, food, farming, retail houses and electronics etc.
- **Flow of Money:** It includes trading, lending activities, investment, stocks, bonds, and payments etc.

COVID-19 AND AGRICULTURAL ACTIVITIES

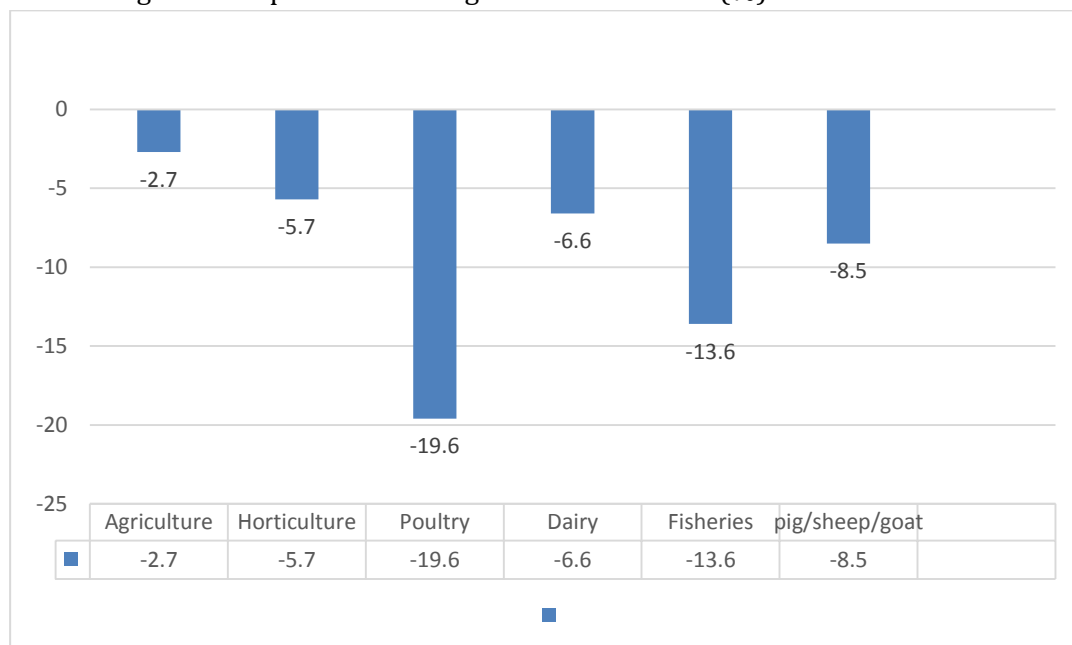
The agricultural sector being as critical as whole population is dependent upon yield of agriculture. Before COVID-19, agricultural GDP was experienced at growth rate of 3.3% per year in the five year period 2015-16 to 2019-20. The adverse impact on agriculture has been much less as compared to manufacturing and services. Agriculture affected when there were no transportation of produced product from one place to another. Which become hurdles in generation of wages for rural people who worked in fields. In this way in corona period growth of rural wages become declined which is explained by graphically below?



In order to analyses deeply, the whole agriculture activities is sub categorized as : agriculture, Horticulture, poultry , dairy, fisheries and pig/sheep/goat and an survey was conducted to assess the intensity of impact on these sub sectors of agriculture. The whole magnitude on these sub sectors are shown in following figure. As this figure makes clear all the sub-sectors had a decline magnitude. Among them, poultry farming showing highest fall of 19.6%. Poultry farming have been badly hit due to misinformation that carriers of corona virus are chickens. In many

states like Karnataka, Maharashtra, Orissa and Uttar Pradesh, many small holders of poultry farming faced a struggle of selling chicks. Which become major area of decline in agriculture. Fisheries had a decline of 13.6%. Crop yield has been least impacted with a decline of 2.7%.

Decrease in magnitude of production in Agri and allied sector (%)

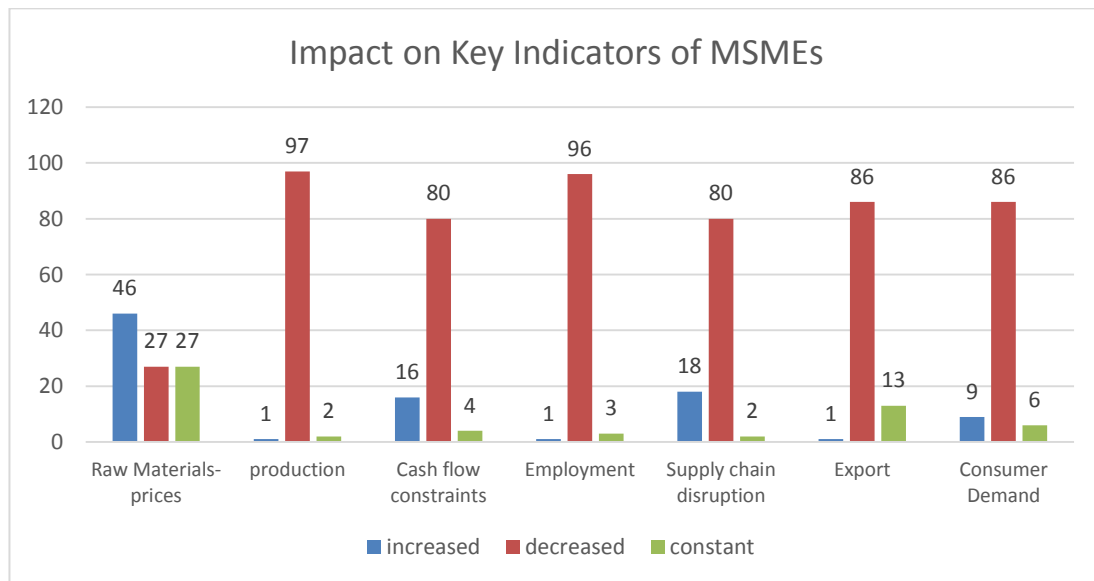


COVID-19 AND MSMEs

Micro, small and medium enterprises are considered as a backbone of Indian Economy, as it plays a vital role in providing employment at large scale. This sector provides employment to 120 million people. It contributes over 40% of the overall exports from India. About 97% of MSMEs can be classified as micro firms, and 94% remain unregistered with government. Many micro enterprises are small and house run businesses.

- Price of Key Raw Materials: Due to restriction on movement of goods from one place to other prices of raw material hiked by 46%.
- Production level: Production levels were reported to reduce in nearly 97% of some areas. Majority of enterprises faced a challenge of selling of goods due to restriction on movement of goods. This laid to reduction in access to credit, lower sales, less income etc.
- Cash flow: cash flow problems were reported in nearly 80% of the sample districts. As purchasing power of people reduced due to less income generation. Goods were not transported which also become major fall in cash flows.
- Employment: Employment was reported to be most affected in nearly 96%. When there were no sales, production stops due to uncertainty about future perspectives which laid to unemployment.
- Supply chain: Supply chain disrupts reported in nearly 80% due to lockdown restrictions.
- Exports: Exports were reported to have been adversely affected in nearly 86%. Reduced means of international transportation, lessen in foreign income and import substitution adopted by various nation which become causes in reduction of Exports.

- Consumer Demand: consumer demand was reported to reduce by 85%. Reduced employment, low earnings of individuals made consumer to less demanding.



COVID-19 AND EMPLOYMENT

The sudden emergence of the COVID-19 pandemic is dealing a severe blow to state economies, businesses and workers. An important point to be emphasized is that the employment and economic impact of the COVID crises in each country will in the medium-long term be much less determined by the strictness of the confinement than by structural and institutional differences such as labour market regulations.

Due to lockdown and spreading of coronavirus all productive activities were stopped. In this way rate of unemployment increases during the period of lockdown. Many production houses adjourned their activities due to non-availability of raw material as there were no transportation service. Following table shows the rate of unemployment during that period:

Time period	Rate of unemployment
January 2020	7.22%
February 2020	7.76%
March 2020	8.75%
April 2020	23.52%
May 2020	21.73%
June 2020	10.18%
July 2020	7.4%
August 2020	8.35%
September 2020	6.68%
October 2020	7.02%
November 2020	6.5%
December 2020	9.06%
January 2021	6.53%

SOURCE: Statista 2021.

From this table we can analyse that rate of unemployment increases so much due to COVID19. If unemployment increases it increases the problem of poverty which indicates the less development in the nation. On April and May rate of unemployment increased by 23.52% and

21.73% respectively. It becomes the highest rate of unemployment during the COVID 9 period. After this unemployment rate started decreasing. If we see on January 2021 the rate of unemployment is 6.53%.

COVID19 AND WORK FROM HOME

Work from home during COVID19 have some positive impact and some negative impact. Both aspects are to be discussed below:

Positive impact of work from home:

- Flexibility and agility: Home working enables more agility and flexibility in working arrangements. With employees no longer tied to an office.
- Improved employee retention: Home working can retain employees as the flexibility of home working can help them to fit themselves in their personal life.
- Attract new talent: Home working can be offered as incentive to come and work for you helping you to attract new talent to your business.
- Increased productivity: Working from home can be more productive due to less interruptions which would normally occur in an office environment.
- Increased staff motivation: working from home eliminates the need for a commute to work that can be stressful for employees.
- Financial benefits: savings on office space, office supplies, utility bills etc.

Negative impact of work from home during COVID19:

- Working from home doesn't suit everyone.
- Staff feeling isolated
- Difficulty in monitoring performance
- Home distractions
- Potential burnout
- Problems with staff development
- Information security risk
- Negative impact on mental health
- Not all jobs suit home working
- Poor broadband speeds.

CONCLUSION

COVID19 has posed an unprecedented challenge for India. Large populated country phased much trouble during this pandemic. The effect of this pandemic would remain in many coming years due to bad performance of various sectors. The federal system of country tackled this situation in a good way.

The eventual damage to the economy is likely to be significantly worse than the current estimates. On the demand side, the government needs to balance the income support required with the need to ensure the fiscal situation does not spin out of control. The balance struck so far seems to be a reasonable one but the government needs to find a greater scope for supporting the incomes of the poor.

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