

Impact of Covid-19 Pandemic on Indian Economy

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Abstract: The purpose of this study is to explore the impact of covid-19 pandemic on Indian economy during the lockdown period. The finding of the study reveals that the large people of the country lost their job for covid-19 pandemic. Moreover, the study also shows that the very significant impact on Indian economy under the lockdown period.

Keywords: Slow down of Demand and Supply, Major survey of the data which were published difference institutions.

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I. Introduction

At present time covid-19 pandemic is a very important for economic purpose of the world. Covid-19 is a virus that the intermediate source of origin and transfer to humans is not known but it is very rapidly transmitted human to human. It was easily spread between the different countries and world. Indian government was applying lockdown for this virus cannot spread easily within country from 24.03.2020 to 31.05.2020. That lockdown means almost total job of the country is closed. It almost total activity of the country was close thereby country's economic condition was very difficult. Because that country's economic condition is depends on various activity. That various activity means the production related all the total activity of country. The sense of economic the lockdown of the country as a result lost their job of the many people of the country (i.e. increasing unemployment). That means the lack of money of the people, so purchasing power is to be decreases. Therefore, the country is to lost economic condition. So covid-19 pandemic is important for contracting Indian economic condition. The present paper attempts to analyze the impact of covid-19 on Indian economy.

The remainder of this paper is constructed as follows: section II is explains the slowdown of demand and supply. Section III reviews the data which were published difference institutions. Section IV concluding remarks are presented.

II. Slow Down Of Demand And Supply

Covid-19 pandemic has a great impact on demand and supply chain in whole country like tourism, hospitality, and aviation sectors etc. The lockdown is apply for prevention of covid-19 as a result of closing of cinema hall, shopping mall and tourist areas etc. that has direct negative impact on retail sector of consumption of both essential and discretionary goods and services. The low of consumption of goods and services, it indicates to an impact on the workforce. It means all the retailers' shutdown their retail counter. It has direct impact on loss of job the employee.

Theoretically, \uparrow job losses \approx \downarrow supply of workers \approx \uparrow wages \approx \uparrow production cost \approx \uparrow cost of consumption \approx \downarrow economic growth.

The share market has to filled uncertainty for future course and repercussions due to covid-19. According to reports, approximately 10 million market capitalizations were demolished due to the fall of sensex in the second week of March 2020. The decline has continued to this day as investors switched to relentlessly selling amid growing covid-19 cases (ET & SEBI). Some sectors such as automobiles, pharmaceuticals, electronic products, chemicals, etc. were severely affected. According to Federation of Indian Chambers of Commerce and Industry (FICCI), the covid-19 has direct impact on the demand and supply of goods and services, all companies are face to declined trend of cash flow due to the slowdown in economic activities which is impacting all payments, including employee payments, interest, loans and taxes.

III. Major Survey Of Data Which Were Published Difference Institutions

According to the ministry of statistics, India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1%. This drop is mainly due to the covid-19 pandemic effect on Indian economy (chief economic adviser to the government of India).

World Bank said that the current pandemic has “magnified pre-existing risks to India’s economic outlook”. However, world bank and rating agencies had recently disclosed India’s growth for fiscal year 2021 is the lowest figures that cannot be seen in three decades since India’s economic liberalization in the 1991. According to the CRISIL this will perhaps be India’s worst recession since independence. State Bank of India research discloses that the 40% GDP is contraction over the fiscal year 2021. That’s contraction will not be uniform, rather it will differ between various parameters like state, sector etc.

Unemployment increases from 6.7% on 15 March to 26% on 19 April. After the lockdown, almost 14 crore (140 million) people lost their employment while salaries were cut for many others. The Indian economy was expected to lose over ₹32,000 crore (US\$4.5 billion) every day during the first 21-days of complete lockdown, which was declared following the corona virus outbreak. Under complete lockdown, less than a quarter of India’s \$2.8 trillion economic movement was functional. Up to 53% of businesses in the country were projected to be significantly affected. Supply chains have been put under stress with the lockdown restrictions in place; initially, there was a lack of clarity in streamlining what an “essential” is and what is not. Those in the informal sectors and daily wage groups have been at the most risk. A large number of farmers around the country who grow perishables also faced uncertainty.

Major companies in India such as Larsen & Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata Motors have temporarily suspended or significantly reduced operations. Young startups have been impacted as funding has fallen. Fast-moving consumer goods companies in the country have significantly reduced operations and are focusing on essentials. Stock markets in India posted their worst losses in history on 23 March 2020. However, on 25 March, one day after a complete 21-day lockdown was announced by the Prime Minister, SENSEX and NIFTY posted their biggest gains in 11 years.

The Government of India announced a variety of measures to tackle the situation, from food security and extra funds for healthcare and for the states, to sector related incentives and tax deadline extensions. On 26 March a number of economic relief measures for the poor were announced totaling over ₹170,000 crore (US\$24 billion). The next day the Reserve Bank of India also announced a number of measures which would make available ₹374,000 crore (US\$52 billion) to the country’s financial system. The World Bank and Bank approved support to India to tackle the corona virus pandemic.

The different phases of India’s lockdown up to the “first unlock” on 1 June had varying degrees of the opening of the economy. On 17 April, the RBI Governor announced more measures to counter the economic impact of the pandemic including ₹50,000 crore (US\$7.0 billion) special finance to NABARD, SIDBI, and NHB. On 18 April, to protect Indian companies during the pandemic, the government changed India’s foreign direct investment policy. The Department of Military Affairs put on hold all capital acquisitions for the beginning of the financial year. The Chief of Defence Staff has announced that India should minimize costly defense imports and give a chance to domestic production; also making sure not to “misrepresent operational requirements”.

On 12 May the Prime Minister announced an *overall* economic package worth ₹20 lakh crore (US\$280 billion), 10% of India’s GDP, with emphasis on India as a self-reliant nation. During the next five days the Finance Minister announced the details of the economic package. Two days later the Cabinet cleared a number of proposals in the economic package including a free food grains package. By 2 July 2020, a number of economic indicators showed signs of rebound and recovery. On 24 July the Finance Secretary of India said the economy is showing signs of recovery at a faster rate than anticipated, while the Economic Affairs Secretary said that he expects a v-shaped recovery for India. In July the Union Council of Ministers passed the National Educational Policy 2020 aimed at strengthening the economy.

IV. Concluding Remarks

This study explained the impact of covid-19 on Indian economy. From the above discussion it is shown that the very large portion of people lost their job and most of companies are constructed their operation. The GDP of the country is very quickly decreases during the lockdown period. Therefore, the covid-19 pandemic has a great impact on Indian economy. The government is taking necessary steps that will not damage the economy like all the economic activities should be started and continued which improved the demand and supply, providing financial support to the MSME/MFI etc.

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