

INDIAN ECONOMY AFTER COVID CATASTROPHE

Sanya Jain

Assistant Professor, Sanatan Dharma College, Ambala Cantt, Haryana
sanyajain@sdcollegeambala.ac.in

Renu

Assistant Professor, Sanatan Dharma College, Ambala Cantt, Haryana
renu@sdcollegeambala.ac.in

Abstract

The ubiquitous influence of COVID 19 has been felt by the entire globe. In India, the outspread of corona virus disease proliferate the infectious people to a large extent. India was slowly recovering from the first COVID wave but the severe shocks of the second COVID wave shattered the economy. The stringent restrictions during lockdowns have brought the country to a screeching halt. Many adverse effects have been observed on the Indian economy. The perceptible effects like an economic slowdown and a sharp rise in unemployment have been caused due to which the central bank was forced to bring out changes in the monetary policy to support the Indian economy. After effects like sharp rise in inflation rate has been seen which may temporarily hamper the growth of the market. The agriculture sector also faced issues in production, harvest and even selling the produce. The economy has been pushed to high fiscal deficit. Growth is essential to combat repercussions of destructive disease. The impact of pandemic and the measures taken by the Government of India have been discussed in this paper.

Key Words: Economic slowdown, Unemployment, Inflation, Monetary Policy, Fiscal Policy, Production

Objectives

The objective of the study is to: 1) Discuss the impact of COVID-19 on the Indian Economy. 2) Emphasize on the steps taken by RBI to attenuate the impact of the disease. 3) Discuss the policies implemented by the Government of India to meet the effects fatal disease.

Introduction

Since December 2019, the outspread of the menacing corona virus disease has become a concern for the entire globe. It has turned out as a fatal disease that is defiling the human

minds and the economy as well. After many worse pandemics, COVID has been declared as a Black Swan event by many experts (Dev, S. M., et. al., 2020). In India, first case was observed in January. Since then, the number of cases and deaths started increasing. The Government of India imposed strict lockdown in March, 2020 to curb the unfurling of corona virus. The lockdown was imposed to protect the people of our country. It left a deep impact on many sectors of the economy like education, health, transportation and agriculture sector (Kaur, P., 2020). There are two sides to every coin. There has been a positive impact too. The people are now conversant with the technology as they have started using online payment system instead of traditional methods of payments. People are travelling less as they are working from home and adapting to the video-conferencing tools (Kumar Das, D., et. al, 2020). The economic slowdown caused by the first wave was now escalated. The second wave of corona virus created a devastating effect on the human health and the economy. Many people were caught by the disease and deaths kept on increasing. A number of cases were still unrecorded. It shattered the economy but the Government of India took immediate measures to fully support the public to fight with the pandemic.

Impact of COVID on Primary Sector

The pivotal sector of the Indian economy is the primary sector, which is largely dependent on the natural resources. The agriculture and allied sector has a great impact on the activities of secondary and tertiary sector. It contributes to the national income of the country and brings a rise in the employment level also.

It has gone through a lot of challenges during the lockdown period. Due to corona virus, the sector was adversely hit as there were many constraints while performing the activities during the lockdown. The major issue faced by the sector was the unavailability of the migrant labour (Arumugam, D. U., et. al., 2020). Due to this reason, there was no sufficient workforce for harvesting the crops. This had an influence on the production of the agricultural products. Apart from this, the allied sector was also under the impact of Covid-19. Due to this lethal disease, there was a fear among the public for consuming the non vegetarian food items. So, the demand for the poultry products saw a tremendous decline as the people were concerned for health in this fatal wave of corona virus (NABARD, August 2020). Due to lockdown, there was disruption in the supply chain which affected the demand of horticulture sub sector. There was a shutdown of many shops and cafes because of which there was a decrease in demand for the dairy products like milk and cheese (Arumugam, D. U., et. al., 2020). The people who own these shops were also affected.

FMCG Sector

The FMCG sector accounts for a large share in sales in India. The devastating effect of Covid-19 has been felt by the FMCG sector as the total shut down in the country was observed for a number of days. All the shops were kept closed and people were not allowed to move from one place to another. This created a halt in the economy. Still, the health care products like hand sanitizers and hand wash showed increase in demand during pandemic (Mahajan, Y., 2020). E-commerce was also a platform for the people to shop goods. People had prepared their buying lists for post lockdown period. Thus, the highly flourished sector grew at the rate of 9.4% in January-March 2021 (IBEF, May 2021).

Steps taken by RBI

The menacing disease has left a long term impact on the economy. The only sector that could attenuate the effect of corona virus disease is the financial sector. Even during the lockdowns, the credit supply was provided all over the economy.

Reserve Bank of India had reduced the repo rate so that the commercial banks could borrow more from them at low interest rates. This was done in order to increase liquidity in the economy. On March 27, 2020, the repo rate was reduced to 4.4% which was further reduced to 4% on May 22, 2020.

Cash Reserve Ratio (CRR) was reduced to 3% of NDTL for one year beginning from March 28, 2020. Even the minimum daily Cash Reserve Ratio to be maintained was reduced from 90% to 80% on March 28, 2021.

On March 27, 2020, the Reverse Repo Rate was lowered to 4%, further to 3.75% on April 17, 2020 and on May 22, 2020 to 3.35%. The reverse repo rate was being reduced so that the banks are encouraged to utilize the excess funds towards lending.

Source: <https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/13ANNEXI0090E AFC1E05453486885A8158BFD698.PDF>

On March 27, 2020, RBI announced that the financial system of the country would be provided US\$ 52 billion and on April 3, 2020, the Government of India provided more funds amounting to US\$ 4 billion to the states to control the spread of fatal disease (Kumar Das, D., et al., 2020).

Policy Announcements to Alleviate the Impact of COVID-19

Larger sections of the society were adversely hit by the corona virus wave. It led to economic slowdown in the country. The Government of India took many initiatives to mitigate the negative impact towards the economy. Many policies were bought into force since the first

lockdown to help public overcome from the various problems faced by them.

On March 24, 2020, it was announced that relaxations regarding extension of filing income tax or GST returns will be provided. As there was complete lockdown in the country and stringent laws were made for the ones who did not follow it, so people started using more of digital platforms for various activities. The Government reduced the bank charges for the digital transactions made by the trade finance consumers. It was a phase of affliction, so the government changed the threshold limit from Rs.1 lakh to Rs.1 crore for the default under Section 4 of the Insolvency and Bankruptcy Code (IBC), to prevent insolvency proceedings against MSMEs.

On March 26, 2020, Pradhan Mantri Garib Kalyan Yojana was provided to all the poor to help them fulfil their basic needs during this pandemic. For this relief package, Rs. 1.70 crore was allocated. The provisions of this package were to provide 5kg of rice or wheat for every member as it is the basic need and also 1 kg of pulses per family per month for 3 months free of cost. Along with it, free gas cylinders were provided to the poor families for 3 months. The people who were working day and night against COVID-19, in the health care centres, by putting their lives at risk were provided medical insurance. Also wages were increased by Rs. 20 under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

On March 31, 2020, the Foreign Trade Policy 2015-2020 for the procedures of export and import was given relaxations and was also extended for a year. Relaxations were also given by the Taxation and Other Laws (Relaxations of Certain Provisions) Ordinance 2020 for the compliance and enforcement of economic laws.

On February 1, 2021, the Union Budget 2021-22 was presented which included the allotment of Rs. 35,000 crore for the COVID-19 vaccine manufacturing and development in India. Pradhan Mantri AatmaNirbhar Swasth Bharat Yojana, a centrally sponsored scheme was launched with an outlay of approximately Rs. 64,180 crore for over six years.

Source: <https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/14ANNEXII4D4F6A0395054956BEA919F5CD286395.PDF>

Conclusion

As the malignant disease continues to spread throughout the globe, the number of affected cases and deaths are also increasing. This disease is caused by severe acute respiratory syndrome corona virus 2 (SARS-COV-2). People who are within close proximity of the infected person, easily catches the infection. The main aim of imposing lockdowns in our

entire country was to minimize this proximity level among the people. The less the people are in contact with, the lesser number will get affected. Moreover economic slowdown was observed in the country due to these lockdowns, but still the Government of India did not want the people to be affected. From the very beginning of the lockdown period, our government started initiating with the schemes and policies to be launched in the country, so that people are able to fight this pandemic. The financial distress caused to people as well as the country could be recovered in the coming years but the lives of the people will not be sacrificed. Many exemptions are provided to the poor to recover their losses and their basic needs are fulfilled during these worst conditions. The Reserve Bank of India has brought about a lot of changes in the monetary as well as the fiscal policies to alleviate the economic slowdown caused by the pandemic.

References

- Dev, S. M., & Sengupta, R. (2020). Covid-19: Impact on the Indian economy. *Indira Gandhi Institute of Development Research, Mumbai April*
- Kaur, P. (2020). Impact of COVID-19 on Indian economy
- Kumar Das, D., & Patnaik, S. (2020). The Impact of COVID-19 in Indian Economy–An Empirical Study. *International Journal of Electrical Engineering and Technology, 11(3)*
- Arumugam, D. U., & Kanagavalli, D. G. (2020). COVID-19: impact of agriculture in India. *Aegaeum Journal, 8(5)*.
- Mahajan, Y. (2020). Impact of coronavirus pandemic on fast moving consumer goods (FMCG) sector in India. *Journal of Xi'an University of Architecture & Technology, 12*.
- Kumar Das, D., & Patnaik, S. (2020). The Impact of COVID-19 in Indian Economy–An Empirical Study. *International Journal of Electrical Engineering and Technology, 11(3)*.
- Sahoo, P., & Ashwani. (2020). COVID-19 and Indian economy: Impact on growth, manufacturing, trade and MSME sector. *Global Business Review, 21(5)*, 1159-1183.
- Mehta, K., & Jha, S. S. (2020). COVID-19: a nightmare for the Indian economy. *UGC Care Journal, 31(20)*.
- Kanitkar, T. (2020). The COVID-19 lockdown in India: Impacts on the economy and the power sector. *Global transitions, 2*, 150-156.
- Deshpande, A. (2020). *The Covid-19 pandemic and lockdown: First effects on*

gender gaps in employment and domestic work in India (No. 30).

- Saini, R. (2020). Impact of Corona Virus on Indian Economy. Available at SSRN 3595300.
- Ghosh, A., Nundy, S., & Mallick, T. K. (2020). How India is dealing with COVID-19 pandemic. *Sensors International*, 1, 100021.
- <https://www.nabard.org/auth/writereaddata/tender/1211203145Impact%20Assessment%20of%20COVID.pdf>
- https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/0RBIAR202021_F49F9833694E84C16AAD01BE48F53F6A2.PDF
- <https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/14ANNEXII4D4F6A0395054956BEA919F5CD286395.PDF>
- <https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/13ANNEXI0090EAF1E05453486885A8158BFD698.PDF>
- <https://www.ibef.org/industry/fmcg.aspx>