



What is the Impact of Coronavirus on Indian Economy? - A Review

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Abstract

In the paper work we analysed the coronavirus epidemic and the spill over to the global economy which triggered the global recession in the year of 2020. How come a health disaster converts to an economic emergency? The answers are (a) the spread of the virus encouraged social distancing which controlled to the shutdown of financial markets, corporate offices, businesses and events. (b) The exponential rate at which the virus was spreading and the sensitive uncertainty about in what way immoral the situation could get, led to flight to safety in consumption and investment among consumers, investors and international trade partners. Lawmakers in several countries reinforced an extended social distancing strategy, damning the consequences of social distancing on the economy. We focus on the period from the start of 2020 through May 2020 when the coronavirus began spreading into other countries and markets. We draw on real-world explanations in measuring the preventive measures, monetary policy measures, fiscal policy measures and the public health measures that were adopted during the period.

Keywords: Covid-19; Coronavirus; Financial Crisis; Global Recession; Public Health

Introduction [1-9]

Before understanding in detail about the impact, first, let us study about coronavirus. Coronavirus epidemic was first stated in Wuhan, China on December, 2019. Coronavirus (CoV) is a large family of viruses that causes illness. It ranges from the common cold to more severe diseases like Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). The novel coronavirus is a different strain of virus that has not been identified in human so far. The World Health Organisation (WHO) proposed calling the disease "2019-nCoV acute respiratory disease. The WHO has confirmed that the new corona-

virus outbreak is a public health emergency of international concern, officials announced on Thursday, 30th January 2020.

According to the survey, COVID-19 is having a 'deep impact' on Indian and global businesses, over the coming month's jobs are at high risk for the reason that firms are considering for some reduction in manpower. Further, it is added that already COVID-19 crisis has caused an unprecedented collapse in economic activities over the previous few months.

The extraordinary COVID-19 disaster arises with a terrible economic viewpoint. Not only India and Asia but entire world might

well experience its worst economic performance in the past 40 years, with at least 50% of the countries falling in a deep recession. The pandemic has roiled financial markets across the globe. As per the report from several sources including Office of the Chief Economist for the South Asia Region (SARCE) and the Macroeconomics, Trade and Investment (MTI) Global Practice and World Bank, the harsh reality of dissimilarity in South Asia region is that poor individuals are more likely to become infected with the coronavirus, because the social distancing is tough to implement for them. Majority of the people have less access to health care services and even soap or hand sanitizer. Majority of the people have lost their primary job, and are more vulnerable to spikes in food prices. South Asia including India has some of the highest population densities in the world, predominantly in urban regions. Almost all countries have sanctioned lockdown measures in the wake of the COVID-19 pandemic to defend their health systems and decrease the number of mortalities. The informal sector, despite being a vast sponsor to India's GDP, is frequently ignored when it comes to supportive policies particularly in periods of crises. One of the most dangerous national lockdown measures has been taken by the government of India, with over approximately 1.35 billion persons put under a strictly enforced lockdown on 24 March for an initial period of three weeks and worse thing was this lockdown take places with 4 hrs of notice period. Since 24 of March till 31 May 2020 there was no management of migrant workers. Millions of citizens in urban regions live in compactly packed informal settlements where social contact is likely to be very high, India's government announced a national lockdown ordering all citizens to stay at home since March 24, 2020.

The Government of India has taken the following steps to prevent the spread of COVID-19 across the country:

- On March 25, the government appealed the Disaster Management Act, 2005 and imposed a 21-day nationwide lockdown to avoid the spread of COVID-19 until April 14. On April 14, Prime Minister Narendra Modi prolonged the nationwide lockdown until May 3. All districts, localities, and states will be closely monitored till April 20 to understand how strictly lockdown guidelines have been executed. States who do not let hotspots increase could be permissible to let some significant activities restart and certain restrictions may be lessened.

- All international flights are adjourned, except for the ones that have been granted permission to evacuate foreign nationals. All existing visas, barring a few categories have been suspended till April 15.
- All national flights are suspended, except those carrying essential goods across the country.
- All bus, train, and metro services are suspended.
- State borders are sealed, inter-state movement within the country stopped.
- Several states have identified COVID-19 hotspots, and have taken measures to seal and sanitize such high-risk zones.
- Aarogya Setu App has been launched by the government to disseminate information related to COVID-19 and to provide a platform for the population to reach out to the government.

Economic impact [4,6-10]

The IMF's estimate of the global economy growing at -3 per cent in 2020 is an outcome "far worse" than the 2009 global financial crises. Economies such as the US, Japan, the UK, Germany, France, Italy and Spain are expected to contract this year by 5.9, 5.2, 6.5, 7, 7.2, 9.1 and 8 per cent respectively (Table 1: Economic outlook of selected countries and figure 1: The economic impact of COVID-19 in 2020). China's GDP dropped by 36.6 per cent in the first quarter of 2020, while South Korea's output fell by 5.5 per cent, since the country didn't impose a lockdown but followed a strategy of aggressive testing, contact tracing and quarantining. In Europe, the GDPs of France, Spain and Italy fell by 21.3, 19.2 and 17.5 per cent respectively.

In India, Finance Minister Nirmala Sitharaman has announced some details of the Atmanirbhar Bharat Abhiyan package, to provide relief to Medium, Small and Micro Enterprises (MSMEs) in the form of an increase in credit guarantees (Table 1).

The Indian economy was, as it is, working through a slow-moving phase ever since demonetization and GST was implemented. GDP estimate for 2019-20 was revised downwards from an optimistic seven percent to 5.4 percent (Figure 3 India's economy growth rate since 2011). In sight of this, the government had announced deep tax cuts for businesses in August 2019 to bring the economy back on track. The impact of these initiatives was seen in an uptick in the Purchase Managers Index (PMI) and Manufacturing Index for January and February 2020 (Figure 1-4).

Real y-o-y growth (%)	'79	'20	'27
Gross domestic product			
World	2.9	1.6	3.2
US	2.3	0.7	0.9
Eurozone	1.2	-0.1	1.2
Germany	0.6	-0.3	1.1
France	1.3	0.3	1.4
Italy	0.2	-1.6	0.7
Spain	2.0	0.7	1.1
United Kingdom	1.4	0.3	-0.3
China	6.1	2.4	5.9
Japan	0.8	-0.4	1.3
Brasil	1.2	1.8	2.4
India	5.3	5.3	6.4
Australia	1.8	1.2	2.3

Table 1: Economic outlook of selected countries (Source: Macrobond, IMF, Rabo Research).

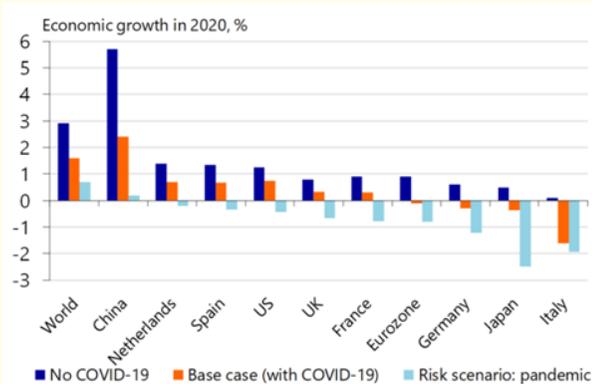


Figure 1: The economic impact of COVID-19 in 2020 (Source: RaboResearch, IMF, Macrobond).

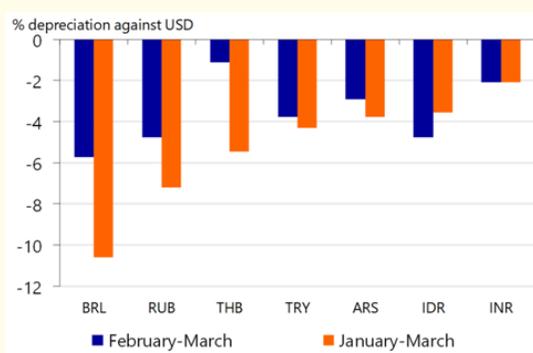


Figure 2: EM currencies have depreciated heavily against USD (Source: Macrobond)

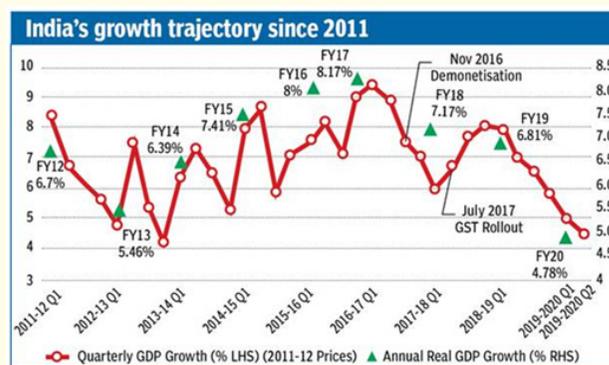


Figure 3: India's economy growth rate since 2011.



Figure 4: Indian unemployment rate.

Though, COVID-19 has put paid to all expectations of renewal of the Economy in the close tenure:

- Around 400 million employees employed in the informal economy are at danger of falling deeper into deficiency during this disaster, as per a statement by International Labor Organization. According to the estimates by Centre for Monitoring Indian Economy (CMIE), unemployment has increased from 8.4 percent in the week that ended on March 22 to 23.4 percent as of the week that ended on April 5.
- BSE (Bombay Stock Exchange) Sensex fell from 40,363 points on February 24 to 25,981 points on March 23; it has now recovered to 31159 as on April 9. The assessments look attractive and unless another shock rattles the market, this is a good time to start making cautious and calibrated investments.

Sector wise impact [4,8,9,11-14]

As per several surveys including the SEWA followers and labours from 20 different trades across 11 states who were inter-

viewed about their awareness of COVID, how it was already impacting their income and their families, their access to clean water, and medical services. Few main insights are presented below.

Trade insights [3,5,8,9,11,13,15-17]

- Automotive: The sector was already witnessing a sluggish demand for the last one year. The present situation has further aggravated the problem and compounded the situation with an acute liquidity crunch. China accounts for 27 percent of India's automotive part imports. With Wuhan being a major auto hub, the supply chain of the automotive sector has been hit significantly.
- Pharmaceuticals industry: Despite being one of the top formulations of drug exporters in the world, the pharma industry of India relies heavily on import as of bulk drugs. Due to the coronavirus outbreak, it will also be impacted.
- Effect on poultry: The poultry industry in different parts of the country has been hit hard amid rumours that the novel coronavirus can be transmitted through consumption of chicken, the prices of which have fallen considerably as a result. About two crore people employed in the poultry industry across the country have been impacted. People were avoiding consumption of meat, fish, chicken, and egg etc. Due to the fall in demand, wholesale price of chicken had dropped by as much as 70 per cent.
- Native labours (Figure 4 - Indian Unemployment Rate) aren't anxious about a loss of income because they are still working to some of their client houses. Few owners have given paid leave, whereas others have declined paid leave so on average every local worker has at least one house she/he still needs to go to (all domestic workers surveyed were women). They are therefore worried about the risk to their health, but none of them feel like they have the freedom to take unpaid leave even, because they will need the employment once the pandemic has abated. Some domestic workers in Bihar however report that they have been placed on unpaid leave, due to hygiene issues raised by their employers and are concerned about making ends meet.
- Street vendors have been very severely hit across states. A market being shut down means no income and so they have taken to becoming mobile vendors. Moving around constantly to try and evade the police while finding a market or clients increases their exposure.
- Home-based workers are concerned about money and income effects. Some report that past payments aren't being fulfilled, and they don't have the capacity right now to meet contractors and bargain for more. Health is less of a concern for them.
- Weavers report similar concerns about past payments not being settled and a drop in work. Weavers also mentioned that their entire families were involved in the same trade (more so than other trades), and therefore the entire family has been very severely affected in one fell swoop.
- Textile: Production halts in China and lockdown in India have had an impact. Mainly because of dependence on China for textile raw materials including synthetic yarn, synthetic fabric, buttons, zippers, and hangers. India also exports cotton yarn to China in bulk quantity, and poor demand in China has caused cotton prices to come down in India.
- Beedi workers who work in groups in a tactile trade are very concerned about their own health and the income effects of the virus. They are unable to bring in products to make their beedis, or go out and sell what they have made. This is compounded by the impacts of the NRC protests earlier this year, which has resulted in a complete depletion of savings across the board.
- Tendu leave cultivators are unable to commute to markets to sell their produce due to lockdowns. Produce is going to Factory workers have been laid off. Auto rickshaw drivers are seeing a massive drop in demand. Daily wage labourers have stopped finding work.
- All construction work has stopped entirely. The Punjab government has proposed immediate relief but nothing is forthcoming in Jharkhand.
- Artisans in Lucknow are unable to collect payments for their previous sales. Additionally, this is when the yearly cycle of production work starts, so they are concerned that they are falling behind on work for the year.
- Those in the hospitality business are seeing a drastic drop in demand, be it a hotel in Delhi or homestay hosts in Uttarakhand. Catering services have seen a drop in demand for their tiffins as offices are shutting down so cafeterias aren't necessary.
- Agriculture: The nationwide lockdown has left farmers across the country bereft of agricultural labor just before the crucial harvesting season. Farmers also worry about government procurement and their ability to sell their crops, given that many agricultural markets are still closed, despite orders from the home ministry to exempt all farming activities from the shutdown. Unless the government acts soon, farmers in India will face a bleak future leading to bankruptcies and farmer suicides. This will severely dent India's ability to revive its economy since there will be a sharp decline in consumption in the rural sectors leading to impairment of the industrial activity.

Income insights [6,8,9,10,12,14-16,18]

- Many are being affected by the disruptions to the global supply chain - across artisans and the production sector. Many have pending payments and given global disruptions, this may not be resolved any time soon. Export orders have stopped as have local orders (China is the supplier of raw materials).
- Wholesale markets have shut down across states - this affects multiple trades and vendors across the supply chain.
- All MNREGA work in Kerala has stopped, thus plunging more families into economic uncertainty.
- Those workers that have savings and their family has savings, have chosen to return to their native place, thus starting paths of migration from urban hotspots to more isolated communities, potentially allowing for greater spread into vulnerable communities.
- In many families, the entire family is involved in the same business so families had no time to adjust with a staggered impact on their income
- There is a limited ability across the board to buy ration for more than a few days. Loans are also not forthcoming in these times, even from private moneylenders.
- Concerns about making it through the virus, and then finding work again after, are paramount. Health is being prioritised but at very significant costs to people's incomes, and ability to survive.

Education

- Major repetitive concern across all states and all trades was that children's education was getting affected due to school closures. Many workers expressed concern that they weren't sure if their children would be able to catch up, or even return to school after such a long absence.
- Social distancing in the absence of school and in limited living space is proving a challenge for most parents. Parents report struggling with keeping children at home and clean, as well as being unable to keep up with home schooling demands due to their own limited educational qualifications.

Health and sanitation

- Access to water is complicated across the board. Direct government supply exists for about half of all respondents, but for the rest, they are collecting water from communal spots (which increases exposure), or using spring water. One respondent reported a small fight breaking out at a water spot in her community.

- In Uttarakhand, water access is primarily linked to spring water. Unable to comment at this time on the implications of that for the spread of the virus (can the virus stay alive in spring water and move downstream? Spring water is typically better since it is running water but this virus manifests in unique ways).
- Primary health care facilities were available nearer for all - upto 5 km away. These would become the first place these respondents visited if they experienced any illness. Specific symptoms of this virus weren't very clear for all respondents.
- Uttarakhand has a significant problem with hospital access as do Bihar and Jharkhand. This is not the problem in Delhi. Hospitals are anywhere between 10-50 km away for respondents. A few respondents in Bengal only stated that the hospital was 8 hours away.
- Most respondents knew about the preventive measures (not all - those who didn't, were told by the team calling them), but very few knew about the symptoms.
- Families with one person working in a private formal sector job are the only ones who are keeping panic and stress at bay. Others have discussed a rapid deterioration of mental health caused by compounding stressors in their surrounding environment.
- Finally, a concern about domestic violence may be entering the narrative as women have to spend an increasing amount of time locked at home with unemployed and frustrated abusers. Some workers report discussing the issue with their employers, to prevent it happening in their neighbourhoods. No instance was directly reported, this is word of mouth as of now.

In India lockdown patterns was quite different followed an initial policy of a 14-hour voluntary public curfew started on 22 March, and after maximum Indian state governments had announced parallel lockdowns in their individual jurisdictions. As a consequence of the lockdown, public transport, train, buses and domestic and international air travel were suspended. There were 500 cases when the lockdown was announced.

Effects in other countries [1,5,9,11,14-19]

The special effects are less in other countries where the outbreak is as yet partial. The main impact here is due to the economic shock from China, but there are also effects within these countries. The widespread uncertainty and fear of the virus is for example also causing public to delay their vacation and avoid places where large numbers of people assemble. Businesses are withdrawing events and keeping out travel for their personnel (Figure 2: EM currencies have depreciated heavily against USD). The sectors

most affected by the virus are therefore tourism and related sectors such as transport, air travel and hospitality. In the meantime, huge economies in the EU such as France, Germany and Spain, where a little over 500,000 people infected at the time of writing, are facing the same problems.

Conclusion [9,11,13,15,19-22]

COVID-19 epidemic has allocated a blow to the global economy but as the state stands, it appears like the course of economic recovery for India will be faster than several other advanced economies. It is likely that India will come out as a viable and dependable destination for foreign investors. The downturn that followed, which various countries experienced, was a reflection of the difficult choice that policy makers had to make in choosing whether to save the economy before saving the people or to save the people before saving the economy; many countries chose the latter. There were criticisms that the policies were too fast, premature or insufficient, and that the policies contradicted one another in some areas, for instance, the accommodative monetary policy encouraged economic agents to engage in economic activities while the lockdowns and social-distancing (stay-at-home) policy prevented economic activities from taking place. Our study has some limitations. The key constraint of this paper work is the tiny period of analysis by reason of limited dataset. A lengthier study period may capture the socioeconomic consequences of government policies during the coronavirus crisis.

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