

Economic Impact of the Covid-19 : A Chronological Analysis

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ABSTRACT

The COVID-19 pandemic in India is part of the worldwide pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). On 12 January 2020, the WHO confirmed that a novel coronavirus was the cause of a respiratory illness in a cluster of people in Wuhan, Hubei, China, which was reported to the WHO on 31 December 2019. On 30 January, India reported its first case of COVID-19 in Kerala, which rose to three cases by 3 February; all were students returning from Wuhan. This research paper chronologically study of COVID-19 and its impact on India.

Keyword: Covid-19, Lock-down, Coronavirus, Pandemic, Pre-existing risks

Introduction

The economic impact of the 2020 coronavirus pandemic in India has been largely disruptive on large scale. According to the Ministry of Statistics, India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% The Chief Economic Adviser to the Government of India said that this fall is mainly due to the coronavirus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

The World Bank and rating agencies had initially revised India's growth for FY2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However, after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more too negative figures, signalling a deep recession. (The ratings of over 30 countries have been downgraded during this

period.) On 26 May, CRISIL announced that this will perhaps be India's worst recession since independence. State Bank of India research estimates a contraction of over 40% in the GDP in first quarter (Q1). The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. On 1 September 2020, the Ministry of Statistics released the GDP figures for Q1 (April to June) FY21, which showed a contraction of 24% as compared to the same period the year before.

Objectives of Study:

1. Chronological Study of Covid-19
2. To examine the impact of Covid-19 on Indian Economy

Research Methodology

This research article is based on secondary data collected by contemporary Newspaper, and research article published in different New Bullpen and Newspapers, and government reports. We

have also taken information from different we site to know the information of Lockdown and unlock.

Result & Discussion:

Chorological Survey of Covid-19 in India

1. On 19 March the formation of the COVID-19 Economic Response Task Force was announced by Prime Minister Narendra Modi during his live address to the nation. The task force was led by the finance minister Nirmala Sitharaman. Though not formally constituted or no official date for relief packages being made, the consultation process with concerned parties had begun immediately. The Ministry of Finance immediately started consultations with the RBI and ministries to take stock of most affected sectors like aviation, hospitality, and MSMEs.

2. On 21 March 2020, the Union cabinet approved incentives worth Rs.40, 995 crore (US\$5.7 billion) for electronic manufacturing.

3 Various state governments announced financial assistance for the poor in the unorganised sector. On 21 March the Uttar Pradesh government decided to give a direct money transfer of Rs.1,000 to all daily wage labourers in the state and the following day Punjab announced Rs.3,000 each for all registered construction workers in the state. On 23 March it was announced that Haryana labourers, street vendors and rickshaw pullers will be provided an assistance of Rs.1,000 per week directly deposited into their bank accounts. Below Poverty Line families would be provided rations free of cost for the month of April.

4. On 24 March 2020 in his address to the nation, the Prime Minister announced an Rs.15,000 crore (US\$2.1 billion) fund for the healthcare sector. On 24 March 2020 the Finance Minister made a number of announcements related to the economy such as extending last dates for filing GST returns and income tax returns. The due dates for the Sabra Vishwas (Legacy Dispute Resolution) Scheme 2019, customs clearances and

for compliance matters under the Customs Act and associated laws were extended to June 2020.

Lockdown Phase 1 (25 March – 14 April)

1. On 25 March the Modi government announced the world's largest food security scheme for 800 million people across the country. Cabinet Minister Prakash Javadekar made the announcement in a press conference that the ration would be 7 kg every month.

2. On 25 March 2020 the Uttar Pradesh government banned the manufacture and sale of pan masala, stating in the order that "spitting pan masala can help in spreading Covid-19". Following this, other states such as Andhra Pradesh, Rajasthan and Gujarat also banned spitting in public places.

3. On 27 March 2020 the Rajasthan government decided to deduct the salaries of all its officers and employees from one to five days, with the money going into the Chief Ministers Fund.

4. On 28 March 2020 the Prime Minister launched a new fund called PM CARES fund for combating coronavirus-like situations.

5. On 30 March 2020 it was announced that the UP government would transfer Rs.611 crore (US\$86 million) to 2,715,000 workers under MNREGA scheme.

6. On 1 April 2020 the RBI announced more measures to deal with the economic fallout of COVID-19. WMA and short-term liquidity was increased to provide relief to state governments; exporters have also been granted some relief in the form of relaxed repatriation limits.

7. On 8 April the Department of Expenditure, Finance Ministry, allowed states net market borrowings of Rs. 320,481 crore between April to December. Rs.3, 000 crore of funds under the PM Garib Kalyan Yojana were given to over 20 million workers engaged in construction work by the various states and UTs. To provide relief to tax payers amid the

COVID-19 crisis, the government decided to release Rs. 18,000 crore.

8. On 10 April the Asian Development Bank (ADB) assured India of Rs. 15,800 crore assistance in the COVID-19 pandemic fight.

9. Which he announced the extension of the nationwide lockdown, as well as a calibrated reopening? “From the economy’s point of view, the lockdown undoubtedly looks costly right now, but compared to the lives of Indian citizens, it is nothing” (translation, original in Hindi). A new set of guidelines for the calibrated opening of the economy and relaxation of the lockdown were also set in place which would take effect from 20 April.

Lockdown Phase 2 (15 April – 3 May)

On 15 April as part of the new lockdown 2.0 guidelines, the Ministry of Home Affairs announced, among other things, that all agricultural and horticultural activities will remain fully functional. Information technology companies can function with 50% staff. The partial list of restrictions would take place from 20 April.

On 17 April, RBI announced more measures to counter the economic impact of the pandemic including Rs. 50,000 crore (US\$7.0 billion) special finance to NABARD, SIDBI, and NHB. Providing more relief to state governments, WMA limits have been increased by 60 per cent.

On 18 April, India changed its FDI policy to protect Indian companies from “opportunistic acquisitions” during the COVID-19 pandemic.

On 20 April limited economic activity is expected to resume outside of the COVID-19 containment zones. During this selective relaxation of restrictions, numerous activities will remain prohibited such as educational institutions, passenger movement by trains, cinema halls, malls, shopping complexes and gymnasiums. Telangana was the first state to extend the lockdown to 7 May, beyond the national lockdown date of 3 May.

On 28 April the ADB approved a Rs. 10,500 crore (US\$1.5 billion) loan to India to combat the pandemic. The Punjab government formed a group of experts for reviving the economy following the pandemic led by Monte Singh Ahluwalia and with former Prime Minister Dr. Manmohan Singh to provide guidance. On 4 May India went into its third stage of lockdown. The country was divided into various zones (green, orange, red, containment) and as per the zone the economy has been opened up.

Lockdown Phase 3 (4–17 May)

On 5 May Maharashtra put a hold on capital works till March next year and imposed a 67% cut in development spend for 2020–21. This is the largest cut in expenditure since the state was formed. On 7 May in a telephonic conversation with Indian External Affairs Minister, the Minister for Foreign Affairs, Japan “requested cooperation for the resumption of activities by Japanese companies in India.” Japan has around 1440 companies in India. On 11 May the Prime Minister, in a meeting with the Chief Ministers, asked the Minister’s to each come up with a plan for resuming activity following the third extension of the lockdown on 17 May. The Prime Minister emphasized the need to start reopening the economy, while some of the Chief Ministers had their doubts related to the nature of relaxations.

Economic package 1.0 announcements (12–17 May) On 12 May the Prime Minister announced an overall economic package worth Rs. 20 lakh crore (US\$280 billion), adding that the fourth phase of the lock down will be different with new rules. This Rs 20 lakh crore includes the previous government packages (Rs 1.7 lakh crore) as well as the RBI decisions (Rs 5–6 lakh crore). They make up about 40% of the package.

On 13 May the Finance Minister, Nirmala Sitharaman, and the Minister of State for Finance and Corporate Affairs, Anurag Thakur, elaborated on the financial package that was announced by

the Prime Minister the day before. The definition of MSMEs was revised, which allows more companies to avail the benefits of MSME schemes. The announcements on the first day also included collateral free loans and bank guarantees that would allow resumption of work for many MSMEs. For non-bank lenders a liquidity scheme and partial credit guarantee scheme. Tax deadlines were extended.

On 16 May the Finance Minister, for the fourth day, continued the announcement of the economic package. A fund for farm-gate infrastructure was announced, amendments to the Essential Commodities Act, as well as the opening up of the defence sector, power sector and space sector for privatization. While not all the measures in the package provided immediate relief, the Finance Minister said that the immediate needs of the country had also been addressed. On 17 May the Finance Minister concluded the announcement of the economic package.

Lockdown Phase 4 (18–31 May)

On 20 May the Cabinet of India cleared some proposals of the economic package, including a free food grain package and collateral free credit for MSMEs.

On 22 May the RBI Governor held an unannounced press conference in which he extended the moratorium on loans and cut repo and reverse repo rates among other things. The RBI Governor said that food inflation will be a stressor, but added that the forecast for normal monsoons and positive growth in the next quarter would be a positive, and that “the combination of fiscal, monetary and administrative measures will create conditions that will enable a gradual economic revival going forward. RBI also allocated funds for Exim Banks and an extension to SIDBI. The measures were a result of the meeting of the Monetary Policy Committee on 22 May.

On 25 May domestic flights resumed with limited operations.

On 30 May new lockdown guidelines were announced by the Ministry of Home Affairs which would come into effect in a phased manner from 1 June onwards. Many of the new guidelines “have an economic focus”.

Unlock 1

On 1 June Delhi allowed all industries and markets to reopen including barber shops and salons; curfew time changed to 9pm to 5am while educational institutes were to remain closed. Numerous public utilities, businesses and activities such as gymnasiums, cinema halls and the Delhi Metro to remain closed. On 2 June mobile manufacturing incentives were offered by the government to mobile manufacturers. This included a Rs.50,000 crore (US\$7.0 billion) production-linked incentive on goods made locally in India. Five Indian firms would also be selected for the scheme.

On 8 June religious places, malls and restaurants were permitted to open all over India, except in the containment zones. On 20 June the GaribKalyanRojgar Abhiyaan was launched to tackle the impact of COVID-19 on migrant workers in India. It is a rural public works scheme with an initial funding of Rs.50,000 crore (US\$7.0 billion) covering 116 districts in 6 states.

Unlock -2

On 1 July new guidelines came into place related to the lockdown. While there were certain relaxations; schools, colleges, gyms, movie halls, metros etc. will remain closed. On 29 July, the Cabinet of India passed the National Educational Policy 2020 aimed at strengthening India’s education sector and in turn the economy.

Unlock 3 :

5 August onwards gym and yoga centres could begin opening. On 11 August, in a video-conference between the Prime Minister and states, the states asked for more funding to fight COVID-

19. On 23 August, the government announced economic measures to tackle effect of COVID-19. On 30 August, the government announced more economic measures.

Unlock 4

On 1 September new guidelines were announced by the centre as well as the states in the graded re-opening of the economy and society. On 11 September Delhi Metro resumed normal operations with pre-COVID-19 timings.

Unlock 5

In October, unlock 5 began seeing more of society and the economy open up. In October, cinemas reopen as a part of Unlock 5 as India bends the COVID-19 pandemic curve. On 12 October, the government announced an Rs.73,000 crore worth economic stimulus package, labelled as Atmanirbhar Bharat Abhiyan 2.0.

November 2020

Economic Impact of Covid-19 on Indian Economy

The economic impact of the 2020 coronavirus pandemic in India has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the coronavirus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook". The World Bank and rating agencies had initially revised India's growth for FY2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However, after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signalling a deep recession. On 26 May, CRISIL announced that this will perhaps be India's worst recession since

independence. State Bank of India research estimates a contraction of over 40% in the GDP in Q1. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. On 1 September 2020, the Ministry of Statistics released the GDP figures for Q1 (April to June) FY21, which showed a contraction of 24% as compared to the same period the year before.

According to Nomura India Business Resumption Index economic activity fell from 82.9 on 22 March to 44.7 on 26 April. By 13 September 2020 economic activity was nearly back to pre-lockdown. Unemployment rose from 6.7% on 15 March to 26% on 19 April and then back down to pre-lockdown levels by mid-June. During the lockdown, an estimated 14 core (140 million) people lost employment while salaries were cut for many others. More than 45% of households across the nation have reported an income drop as compared to the previous year. The Indian economy was expected to lose over 32,000 core every day during the first 21-days of complete lockdown, which was declared following the coronavirus 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 loses 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.

Conclusion:

India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has “magnified pre-existing risks to India’s economic outlook”. 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.

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