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COVID 19: THE ECONOMIC COLLAPSE IN INDIA

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ABSTRACT

COVID-19 has upended societies and dramatically altered everyday life across the globe. The outbreak of COVID-19 in different parts of the world is a major concern for all the administrative units of respective countries. India is also facing this very tough task of spreading virus. COVID-19 impacts have been outlined and clarified in depth in this study. It has been explored that how corona virus, originated in Wuhan, China has resulted in economic collapse in India affecting the individual lives and business firms, in fact every sector of the country, due to which economic growth of every country in the world is hampered. This has been explained by reviewing the facts and information taken from secondary sources. The responsible factors for economic disruption have also been stated in this study with the economic outlook of Indian economy.

Keywords: COVID-19, Corona Virus, Economic Collapse, Economic Growth

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INTRODUCTION

COVID-19 (Corona Virus Disease) is caused by extreme acute respiratory corona virus 2 (SARS-CoV-2) syndromes. Wuhan in China is the first place in which this disease was detected in the people and from where this has spread all over the world, resulted in crisis of COVID-19.

COVID 19 has forced many countries to shut down all activities and operations in nearly every sector in the world. As an initial measure, several businesses have stopped working and performing their usual activities and the way to avoid COVID 19 from spreading further to residents and other territories has begun to discuss. It has affected the economy of a county in terms of GDP, international trade, revenue and profit of domestic business firms etc. The crisis of COVID-19 is increasing day by day, which has affected health of people severely in short span of time all over the world and significant impact on the global economy.

During this economic collapse, the Income losses in developed countries have been more than \$220 billion. Such disparities will reverberate the projected 55 per cent of the world's population who lack access to social security through economies, impacting on education, manufacturing sector, service sector, tourism, transport etc. and supply of basic food necessity in the worst cases. Mainly, demand and supply is affecting very much in each and every sector of the economy due to virus COVID-19. Confidence of the society has also shaken in this difficult situation though the Government of every country is providing various stimulus packages and all support to manage and control economic impact in COVID-19.

The economy of every country is affected in the areas of GDP, production, social life, revenue and profit of business firms, foreign trade etc. Considering this, the following are the objectives: to study the impact of COVID-19 in India, to showcase the economic disruption and identify the factors responsible for it, and to discuss the initiatives taken by the Government of India considering economic outlook of the country.

LITERATURE REVIEW

Economic Disruption and Identified Responsible Factors

There is a direct and indirect effect of COVID on the economy of various countries. For which, a country has to bear mitigation cost in future. One side, there is a panic among the population for losing the lives of their near and dear ones and another side there is a decline in the Indian market in a response to COVID-19.

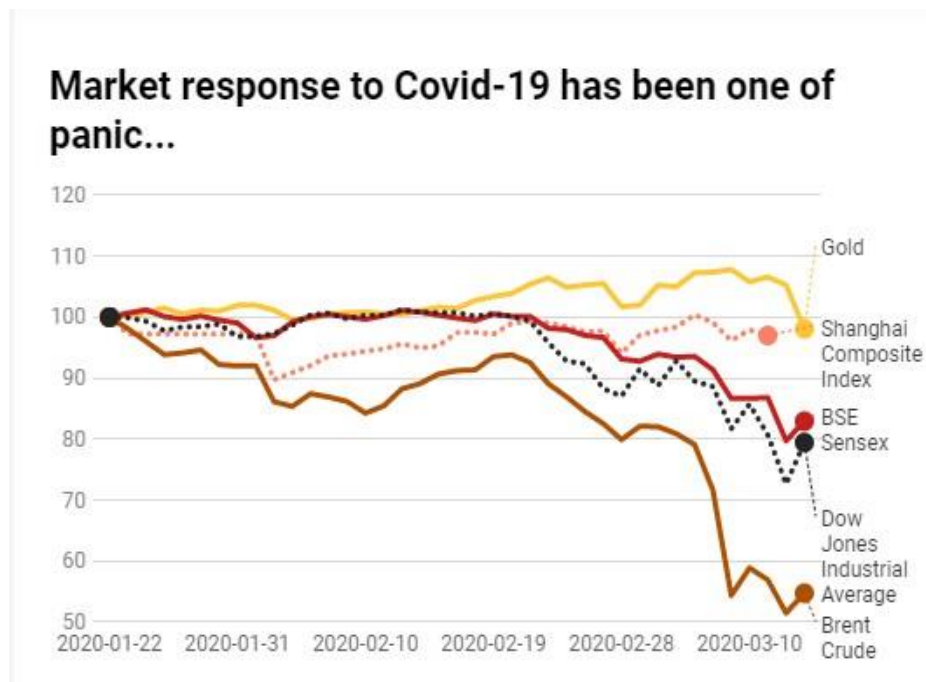


Figure 1. Market response to COVID-19 from Jan. to March 2020 (Bloomberg, Yahoo Finance)

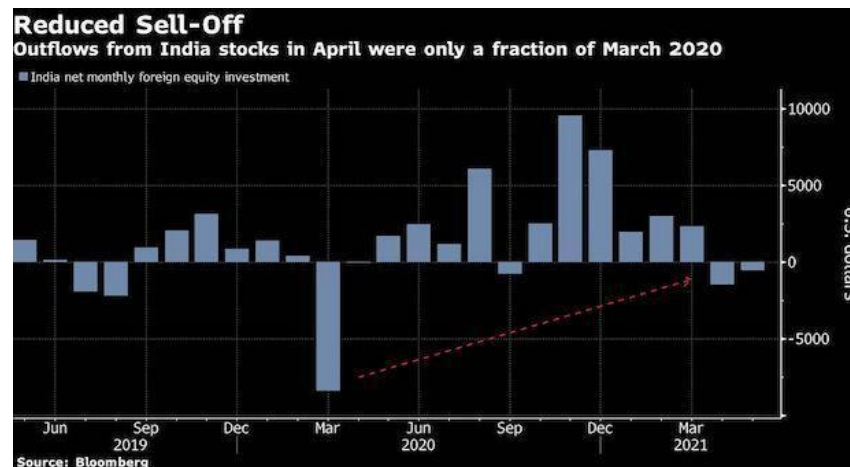


Figure 2. Market response to COVID-19 from June 2019 to March 2021 (Bloomberg)

The surprisingly muted stock market reaction to India's virus disaster can also be seen in fig. 2 in net outflows of foreign investors, which totaled about \$1.5 billion in April versus \$8.4 billion during the height of the rout last March in 2020.

Factors

There are possible following factors responsible for economic disruption:

- Demand of Goods and Services:** There is sharp drop in demand for output from both domestic and foreign customers.
- Supply of Goods and Services:** The further production has stopped out due to lock down, which will impact mainly manufacturing, agriculture and the pharmaceutical industry and other industries also resultant in the disruption of supply of goods and services in the economy.
- Participation of Labor Force:** Due to mandatory closure of business firms by the Hon'ble Prime Minister during complete lock down in the nation, workers are unable to get into the work in every sector of the economy.

RESEARCH METHOD

This is primarily a descriptive research design, in which various articles, expert reviews and forecasts, economic outlook studies, etc. have been reviewed to understand, analyze and explore the information of economic collapse in India during COVID-19 pandemic.

Secondary data and statistics and other relevant information were used from different resources World Bank, IMF, UNCTAD, Fitch Solutions, public media etc. to represent and demonstrate the impact of COVID-19 in India and around the global in the year 2020 and 2021.

RESULT AND DISCUSSION

Situation of people infected from corona virus in the world and India specifically in COVID-19

COVID-19 has spread all over the world and there is an increase in total infected cases and deaths on daily basis. The following data is taken from the official website of World Bank for the period of 3 months from Jan to March 2020 to show graphically the situation world- wide in the corona virus affected cases:

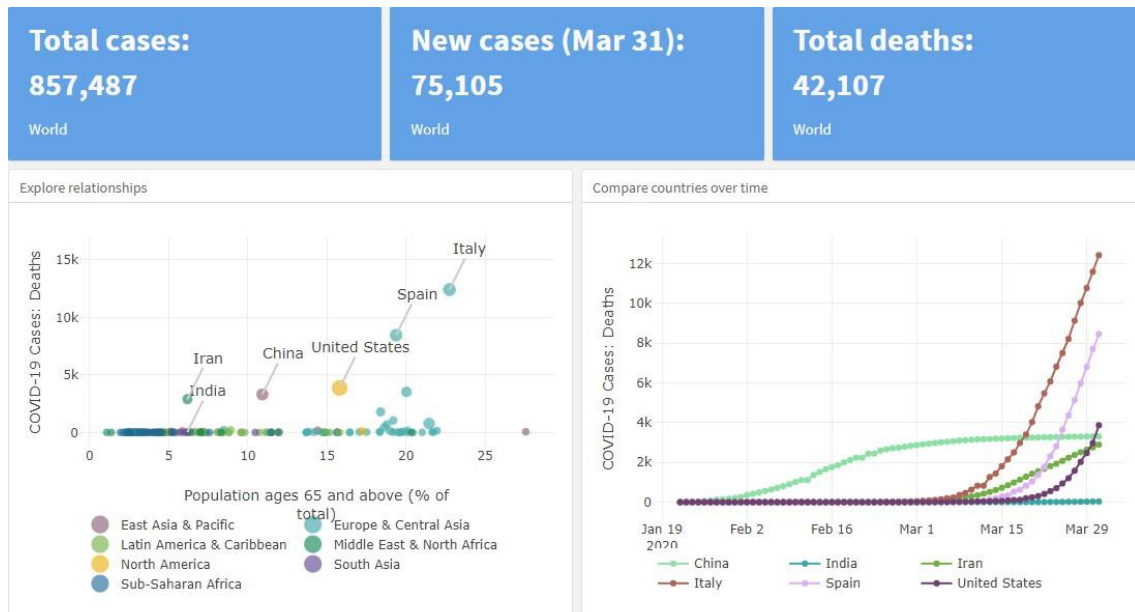


Figure 3. World-wide infected cases of COVID-19 from Jan. to March 2020 (World Bank Data)

There have been 181,521,067 confirmed cases of COVID-19, including 3,937,437 deaths , reported to WHO. As of 29 June 2021, a total of 2,915,585,482 vaccine doses have been administered. (Source: <https://covid19.who.int/>).

The drop in cases and deaths comes as vaccination programmes have been rolling out worldwide. As of 16 March, 2021 almost 90 million people had been fully vaccinated against COVID-19, according to national reporting, and about 390 million doses had been administered.

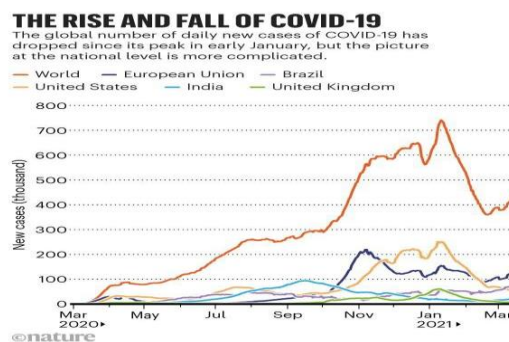


Figure 4. World-wide rise and fall of COVID-19 cases from March 2020 to March 2021 (Our world in Data)

As on April 2, 2020, the reported infected and death cases from corona virus in India were 1965 and 50 respectively, which are shown in the following table:

Table 1. State wise people infected from Covid-19 as on April 2, 2020 (www.mygov.in/covid-19)

State	Population	Total Infected from Covid-19	Cured/ Discharged/ Migrated	Death Cases
Uttar Pradesh	228,959,599	113	14	2
Maharashtra	120,837,347	335	42	13
Bihar	119,461,013	23	0	1
West Bengal	97,694,960	37	6	3
Madhya Pradesh	82,342,793	99	0	6
Rajasthan	78,230,816	108	3	0
Tamil Nadu	76,481,545	234	6	1
Karnataka	66,165,886	110	9	3
Gujarat	63,907,200	82	5	6
Andhra Pradesh	52,883,163	86	1	1
Odisha	45,429,399	4	0	0
Telangana	38,472,769	96	1	3
Jharkhand	37,329,128	1	0	0
Kerala	35,330,888	265	25	2
Assam	34,586,234	1	0	0
Punjab	29,611,935	46	1	4
Chhattisgarh	28,566,990	9	2	0
Haryana	27,388,008	43	21	0
Delhi	18,345,784	152	6	2
Jammu & Kashmir	13,635,010	62	2	2
Uttarakhand	11,090,425	7	2	0
Himachal Pradesh	7,316,708	3	0	1
Tripura	4,057,847	0	0	0
Meghalaya	3,276,323	0	0	0
Manipur	3,008,546	1	0	0
Nagaland	2,189,297	0	0	0
Goa	1,542,750	5	0	0
Arunachal Pradesh	1,528,296	0	0	0
Mizoram	1,205,974	1	0	0
Chandigarh	1,126,705	16	0	0
Sikkim	671,720	0	0	0
Andaman & Nicobar	419,978	10	0	0
Ladakh	279,924	13	3	0
Puducherry	1,375,592	3	1	0
Total	1,33,47,50,552	1965	150	50

Mean of the people infected from COVID-19: 57.79411765, and Standard Deviation of the people infected from COVID-19: 82.90914319. Standard deviation is a number used to indicate whether the average (mean) or predicted value of measurements for a population is spread out. The numbers are more spread out from the mean value in case of high standard deviation whereas numbers are close to the average if the standard deviation is low.

It is shown in the table that the states which are affected from corona virus in India are Maharashtra, Kerala, Tamil Nadu, Delhi, Uttar Pradesh, Karnataka and Rajasthan. It is also interpreted from the value of the standard deviation that corona virus is spreading more into the population of India.

Table 2. State wise status of Covid-19 cases as on June 30, 2021 (www.mygov.in/covid-19)

STATE/UTS	TOTAL CASES	ACTIVE	DISCHARGED	DEATHS	ACTIVE RATIO	DISCHARGE RATIO	DEATH RATIO
Maharashtra	60,61,404	1,19,558	58,19,901	1,21,945	1.97%	96.02%	2.01%
Karnataka	28,43,810	76,528	27,32,242	35,040	2.69%	96.08%	1.23%
Tamil Nadu	24,79,696	38,191	24,08,886	32,619	1.54%	97.14%	1.32%
Uttar Pradesh	17,06,107	2,796	16,80,720	22,591	0.16%	98.51%	1.32%
Delhi	14,34,188	1,379	14,07,832	24,977	0.10%	98.16%	1.74%
Rajasthan	9,52,422	1,471	9,42,030	8,921	0.15%	98.91%	0.94%
Kerala	29,24,165	1,01,343	28,09,587	13,235	3.47%	96.08%	0.45%
Punjab	5,95,609	3,134	5,76,423	16,052	0.53%	96.78%	2.70%
Uttarakhand	3,40,255	2,101	3,30,838	7,316	0.62%	97.23%	2.15%

Based on the data of COVID-19 cases shown in table 1 and its results, the status of COVID-19 cases of selected states in India have been shown in table 2.

Initiatives taken by the Government of India

To manage and control the economic situation in a country, the Government of specific countries has announced stimulus packages. As per the information revealed by IMF in key policy responses of India:

a. Monetary

On March 27, 2020, RBI has cut down the repurchase agreement rates for controlling the economic situation in India. The effective repo rate is 4.4 % and 4% reverse repo rate. Rupees 3.7 trillion which is 1.8 % of Indian GDP was announced by RBI as liquidity measures. Regulatory measures were also taken by RBI as a step to support the various sectors from the downfall in the business as well as Indian economy including MSMEs.

b. Fiscal

On March 26, 2020, relief package of Rupees 1.7 lacs, approximately 0.8 percent of GDP was announced by Finance Minister Sitharaman for helping weaker society of India, which includes providing insurance cover, free food, increased MNREGA wages, frontload to farmers.

India has suffered from an extremely severe second wave of the pandemic, with new daily cases spiking to a record-breaking 400,000 in early May 2021. The

second-wave was likely exacerbated by the more infectious Delta variant of the virus which seems to have first emerged in India. This has led to a wave of new lockdowns. In India, the second wave of COVID-19 infections has not only ravaged families, it also destroyed travel. The Finance Ministry of India is working on proposals to support tourism, aviation and hospitality industries, as well as small and medium-sized companies which will be announced soon.

Economic Outlook of India

As far as trade of India is concerned, the third largest export partner of India is China, holds near about 5 per cent of the total exports. India has various other trade partners, but as we are aware, this virus COVID-19 started from China and spread into various countries. So the growth of economy in virus affected countries has been slow during this pandemic. Here under are some of the forecasts released by expert agencies in 2020 and 2021:

According to official Chinese statistics, “trade between the two countries in January and February 2020, dropped by 12.4 percent year-on-year. Over this time, China's exports to India stood at 67.1 billion yuan, down 12.6 percent y-o-y, while India's imports dropped 11.6 percent to 18 billion yuan.”

Morgan Stanley predicted, “a deep global recession in the first half of 2020, following the outbreak of the novel coronavirus, on the basis of shocks to the demand and supply side of the economy.”

According to a recent UN trade survey, “this year the world economy is going into recession with a projected loss of trillions of dollars in global income due to the coronavirus pandemic, causing severe problems for developing countries, with the possible exception of India and China.”

British brokerage Barclays reported, “the cumulative shutdown cost around USD120 billion or 4 per cent of the gross domestic product (GDP), revising down its FY21 growth forecast by 1.7 percentage points to 3.5 per cent.”

As per Economic Survey, “the economy is forecast to grow 5% in current fiscal due to COVID-19, the slowest in 11 years which is lower than the earlier forecast of 6-6.5% in FY21.”

Fitch Solutions forecasted, “India's real GDP growth to 4.9% in FY2019/20 (April – March), from 5.1% previously, and 5.4% in FY2020/21, from 5.9% previously.”

As per the GDP data released by Indian government of economic growth for the last financial year that ended in March 2021, India's Gross Domestic Product (GDP) contracted by 7.3% in 2020-21.

Based on the OECD's Economic Outlook 2021, "the Indian economy contracted by 7.7% in 2020 as domestic consumption declined. Despite the downturn last year, the OECD has projected India's economy to expand by 9.9% subject to the new risk to growth posed due to new Delta virus variant."

As per CRISIL, "India's gross domestic product (GDP) growth may slip to 8.2 per cent in financial year 2021-22 if the second wave of coronavirus pandemic in the country peaks."

CONCLUSION

COVID-19 has posed an unprecedented challenge for India. Given the large size of the population, the precarious situation of the economy is disruptive. COVID-19 has not only economic impact, but also social, educational, financial and religious impact in any of the corona virus affected country, which has become much more severe around the globe because of the increasing loss of human capital and economic growth. 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. Involvement of the state and local governments may also be crucial in the effective implementation of further fiscal initiatives. Given the current macroeconomic and financial environment in India, there are significant challenges in fiscal, monetary and financial policies which have to be taken into consideration by the policymakers.

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