

# Indian Economy: Pre and Post Covid-19

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## Abstract

It is an unprecedented shock to the Indian economy due to the outbreak of the Covid-19 pandemic. Before the struck of Covid-19 Indian economy was already in a parious state. The economy is likely to face a period of slowdown due to prolonged country- wide lockdown, global economy downturn and associated disruption of demand and supply. The condition of economic impact will depend upon the duration and severity of the health crisis, the duration of the lockdown and the way in which the situations unfolds once the lockdown is lifted. In this paper we explain the condition of the Indian economy in the Pre-Covid-19 period, asses the potential impact on various areas of the economy and analyse the policies that have been announced by the Central government to overcome from the economic shock and put forward a set of policy recommendations for particular sectors.

**Keywords:** Covid-19, Pandemic, Economic Downturn, Aggregate Demand, Supply Chain, Livelihood, Financial Institutions, Fiscal Policy.

## Introduction

The economic condition of India of the 2020 as coronavirus pandemic started 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. According to the Chief Advisor of the Government of India, this drop in the Indian economy is due to Coronavirus pandemic. In India, as the Coronavirus pandemic started that lead to increase in unemployment, decrease in government income, adverse effect on supply chains, collapse of the tourism industry and the hospitality industry, reduce consumer activity and fall in fuel consumption. It had initially revised by the World Bank and rating agencies that India's growth for financial year 2021 will be low. After the announcement of the economic package by the Finance Minister of India in Mid-May, it is found India's GDP estimates were downgraded even more to negative figures, which indicates deep recession. This will perhaps be India's worst recession after independence as announced by ORISIL. It is also estimated by SBI that there will be contraction of over 40% in the GDP in Q1 FY2021. But we wish that contraction will not be uniform in the economy, it will change in coming months. For this government is taking various measures to uplift the Indian Economy.

## Objectives of the Study

The major objectives of this study are :

1. To understand the condition of Indian economy before COVID-19
2. To understand impact of COVID-19 on overall Indian Economy.
3. To understand impact of COVID-19 on different sectors of Indian economy.
4. To find out the challenges for different sectors in Indian Economy.
5. To find out the condition of Indian Economy after COVID-19.

## Research Methodology

In this study I have taken survey reports and study reports by various agencies like RBI, NITI Aayog, Finance Ministry of India, World Bank, IMF etc.. For detail study, I have chosen the reports mostly published in March and April months to understand the condition of Indian economy and various sectors in pre and post phase of COVID-19. Also, I have studied few research papers and new articles which publish in these two months.

## Indian Economy: Pre-Covid- 19

Before the coronavirus pandemic, the condition of Indian economy was not enough good. The GDP was 4.2% in 2019-20. The growth of economy was 3.1 in the month of January to March (2019-20). It was the slowest growth in at least eight years. The manufacturing sector has grown merely by 0.03% is financial year 2019-20 compared to 5.7 % in previous

year. The construction sector's growth declined to 1.3%. In financial year 2019-20 gross capital formation has also remained low. The growth of deposits in banks declined to 7.9% Bank credit growth also declined to 6.1% which shows people's consumption level becomes lower.

The above data shows the condition of economy during the lockdown in the country. The lockdown hit many business and lakhs of people becomes jobless. According to D.K. Srivastava, the Chief Policy Advisor of India, there was 2.8% contraction in investment and 3.6% fall in exports led to fall in GDP growth upto 4.2% in 2019-20. According to him, production has declined due to fall in manufacturing.

Thus India is facing a problem of falling investment and savings due to lockdown. At the same time to combat these challenges it's fiscal capacity is weakend due to sharply contracting is weakend due to sharply contracting tax revenue of the Central Government. In financial year 2020-21 the growth outcome will depend on the balance between the positive contribution of agriculture and other sectors.

Unemployment declined in India due to lockdown. It is estimated that 14 crore (140 million) people lost their employment while salaries were cut for many others. It is found that more than 45% of Indian household's income dropped compared to the previous year. As the lockdown declared due to coronavirus outbreak, the Indian economy was expected to lose over Rs. 5200 crore every day during the first 21 days of complete lockdown. Near about 53% of business in the country affected. Supply chains have been affected due to lockdown restrictions in place. People who have been working in unorganized sectors and daily wage groups severely affected.

Many companies in India have temporary suspended or significantly reduced operations during the lockdown. Stock market in India posted their worst loses in history but SENSEX and NIFTY posted their biggest gains in 11 years in the month of March 2020.

The Government of India took several measures to overcome from the situations which created due to lockdown. Government took several measures for food security and health care. The RBI announced special finance to NABARD, SIDBI and NHB. The government changed India foreign direct Investment policy to protect Indian companies during the pandemic outbreak. Also the Prime Minister announced an overall economic package worth rupees 20 lakh crore which is 10% of India's GDP to make India as a self-reliant nation. In the month of May-2020, The Prime Minister, Narendra Modi addressed the nation saying that the COVID-19 pandemic was an opportunity for India to increase self-reliance. He proposed the Atmanirbhar Bharat Abhiyan (Self-Reliant India Mission) economic package and promoted vocal for local.

#### **Indian Economy: Post COVID-19**

It is our expectation that course of economic recovery in India will be smoother and faster than that of many other developed countries. Now our government is focusing on securing the population

from health hazards and on providing relief especially to the poor. The government also need to think long term to secure the health of the economy, the viability of businesses and the livelihoods of people. Apart from this there is also need to focus on ensuring job continuity and job creation.

India can become an outsourcing hub after Covid-19 pandemic. The US, the first world economy will be looking for low-cost outsourcing solutions whether it is IT, finance or non care items. Globally, buyers have already shifted to India to satisfy their needs in the field of essentials and lifestyle goods. It can be beneficial for India to enter multiple trade channels as a supplier of raw materials and manufactured goods. A number of foreign manufacturers want to relocate their production to India, a country they see as a substitute to China. Reportedly, at least 300 are already talking with the Indian government for production in a wide range of sectors, including electronics, medicine and textiles. This will led infrastructural development around manufacturing facilities and a boost to employment.

India needs to cut the shackles of its dependencies on China. India has led an over-reliance on active pharmaceutical ingredients (APIs) supplied from China. The shutdown of supply chains, however, has called for a need to shift the market to become independent. It's a matter of joy, the government has planned to boost local production of these APIs and emerge as a global alternate suppliers.

It is difficult to say what changes will take place in future but the Government of India is trying to have some better results. Undoubtedly, the coronavirus pandemic will be problematic situation until its remedy comes out. But we are hopeful that situation will be changed in future.

#### **Conclusion**

The COVID-19 crisis has hit the Indian economy hard. A prolonged shutdown for the nation seen unsustainable now. The effects of the Covid-19 pandemic will reverberate for the Indian Economy over the next few years. As our ratings on the Indian sovereign reflect the country's weak fiscal and debt settings. India's fiscal deficit should rise sharply this year as the government spends more to address the pandemic despite weaker revenue generation. Its fiscal position should return to trend once a global recovery takes hold. Like India, several international economies are becoming cognigent of the risk they face by being overly dependent on one market. Making the current situation a learning opportunity, this is the time India can work on capturing potentially 40% of their competitor's market share by looking at indigenous production of goods, furthering the country's Make in India campaign. Lastly it can be said, if Modi administration handles the crisis successfully then post phase of Covid – 19 Indian economy will definitely rise.

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